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**PROJECT PERFORMANCE ASSESSMENT REPORT**

**VIETNAM**

**POVERTY REDUCTION SUPPORT CREDITS 6-10**

**(IDA- 43320, IDA- 44870, IDA-46100, IDA-47820, IDA 47820, IDA-50300)**

**PROGRAM 135 PHASE 2 SUPPORT CREDITS**

**(IDA-42740, IDA-45800, IDA-49180)**

**PUBLIC INVESTMENT REFORM 1-2**

**( IBRD-78380, IBRD-80530, IDA- 49440)**

**June 30, 2015**

**IEG Public Sector Evaluation**  
*Independent Evaluation Group*

## Currency Equivalents (annual averages)

*Currency Unit = Vietnamese Dong (VND)>*

2007	US\$1.00	VND16,120.56
2008	US\$1.00	VND16,613.06
2009	US\$1.00	VND17,790.09
2010	US\$1.00	VND19,003.02
2011	US\$1.00	VND20,592.50
2012	US\$1.00	VND20,911.06

## Abbreviations and Acronyms

ADB	Asian Development Bank	ICR	Implementation Completion Results Report
AECI	Agencia Espanola de Cooperacion Internacional	ICRR	Implementation Completion and Results Report Review
AFD	Agence Française de Développement	IDA	International Development Association
AMT	Aligned Monitoring Tool	IE	Impact Evaluation
BOD	Biological Oxygen Demand	IEG	Independent Evaluation Group
BOT	Built Operate and Transfer	IEGPS	Independent Evaluation Group Public Sector Evaluation
CDD	Community Driven Development	IFAD	International Fund for Agricultural Development
CEM	Country Economic Memorandum	IFC	International Finance Corporation
CEMA	Committee Ethnic Minority Affairs	IFIs	International Financial Institutions
CIDA	Canadian International Development Agency	ILO	International Labor Organization
CIO	Community Investment Ownership	IMF	International Monetary Fund
CPIA	Country Policy and Institutional Assessment	IT	Information Technology
CPS	Country Partnership Strategy	JBIC	Japan Bank for International Cooperation
CPV	Communist Party of Vietnam	JICA	Japanese International Cooperation Agency
CSOs	Civil Society Organizations	JPR	Joint Program Review
DANIDA	Danish International Development Agency	JSAN	Joint Staff Advisory Note
DFID	Department for International Development	KfW	German Kreditanstalt für Wiederaufbau
DGIS	Directorate General for International Cooperation	LUCs	Land Use Certificates
DPI	Department of Planning and Investment	LURHOCs	Land Use Right and House, and Land Attached Ownership
DPL	Development Policy Loan	M&E	Monitoring & Evaluation
DPO	Development Policy Operation	M2M	Minority to Majority
DSA	Debt Sustainability Analysis	MARD	Ministry of Agriculture and Rural Development
EIA	Environmental impact Assessment	MDG	Millennium Development Goals
EMCC	Economic Management Competitiveness Credit	MIS	Management Information System
EU	European Union	MOC	Ministry of Construction
EVN	Electricity of Vietnam	MOET	Ministry of Education and Training
FDI	Foreign Direct Investment	MOF	Ministry of Finance
GDP	Gross Domestic Product	MOH	Ministry of Health
GoV	Government	MOHA	Ministry of Home Affair
GSO	Government Statistics Office	MOIT	Ministry of Industry and Trade
HIV	Human Immunodeficiency Virus	MOJ	Ministry of Justice
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome		

MOLISA	Ministry of Labor, Invalids and Social Affairs	PPAR	Project Performance Assessment Report
MOT	Ministry of Transport	PPC	Provincial People's Committee
MPI	Ministry of Plan and Investment	PPP	Public-Private Partnership
MSMEs	Micro, Small, Medium Enterprises	PRSC	Poverty Reduction Strategy Credit
MTEF	Medium-Term Expenditure Framework	SAV	State Audit of Vietnam
MTR	Medium-Term Review	SBV	State Bank of Vietnam
NGOs	Non-Government Organizations	SCIC	State Capital Investment Company
NPLs	Non-Performing Loans	SEA	Strategic Environmental Assessment
NSCERD	National Steering Committee for Enterprise Reform and Development	SEDP	Socio-Economic Development Plan
NTPs	National Targeted Programs	SFEs	State Forestry Enterprises
O&M	Operation & Maintenance	SMEs	Small Medium Enterprises
ODA	Official Development Assistance	SMEs	Small & Medium Enterprises
ODI	Overseas Development Institute	SOCBs	State Owned Commercial Banks
OECD	Economic Co-operation and Development	SOEs	State-Owned Enterprises
OPCS	Operations Policy and Country Services	SWAP	Sector-Wide Approach program
OSS	One-Stop Shop	TA	Technical Assistance
PAR	Public Administration Reforms	TABMIS	Treasury and Budget Management Information System
PCEA	Province Board of Ethnic Affairs	TSP	Total Suspended Particulates
P-CLIP	Poor Communities, Livelihoods and Infrastructure Program	UK	United Kingdom
PD	Program Document	UN	United Nations
PEFA	Public Expenditure and Financial Accountability	UNDP	United Nations for Development Program
PFM	Public Financial Management	USD	United States Dollar
PIR	Public Investment Reform	VDB	Vietnam Development Bank
PISA	Programme for International Student Assessment	VDR	Vietnam Development Report
PM	Prime Minister	VEPA	Vietnam Environment Protection Agency
PMT	Project Management Tool	VLSS	Vietnam Living Standards Survey
PMU	Project Management Unit	VND	Vietnamese Dong
		VSS	Vietnam Standards Survey
		WTO	World Trade Organization

## Fiscal Year

Government: FY07-FY12

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# Contents

Principal Ratings.....	vii
Key Staff Responsible .....	viii
Preface .....	x
Summary.....	xi
1. Background to the Study and Country Context .....	17
Motivation .....	17
Vietnam's Experience during the Past Three Decades.....	17
The Political, Institutional and Social Context.....	19
The Budget Support Portfolio of the World Bank in Vietnam.....	21
Past Assessments of Vietnam PRSCs.....	23
The Report's Approach and Structure .....	24
2. Strategic Relevance and Underpinning of Budget Support Operations .....	26
Government Strategy.....	26
World Bank Strategy .....	28
Macroeconomic Framework.....	28
Poverty and Social Analysis and Impacts.....	32
Safeguards. ....	35
Public Expenditure and Financial Management.....	39
Analytical underpinning .....	41
3. Intervention Logic .....	43
Macroeconomic focus of Bank DPOs .....	43
Integration in design of lessons learnt from past experience.....	45
Link to other operations.....	46
Institutional Design of DPOs.....	47
The tradeoff between flexibility and depth.....	49
Risk Assessment .....	50
Monitoring and Evaluation (M&E) - Institutional Arrangements .....	52
Structure of Policy Matrix and Quality of Results Framework.....	53
Analysis of the Policy Matrix and Results Framework .....	53
4. Results.....	63

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Poverty Reduction Support Credits .....	65
Pillar 1 - Business Development .....	65
Pillar 2 - Social Inclusion .....	71
Pillar 3 – Natural Resources and Environment .....	79
Pillar 4 – Public Governance .....	82
Public Investment Reform (PIR) DPO Series .....	90
P135 Phase 2 DPO Series .....	95
5. Summary Performance Evaluation .....	101
Program Development Objective (PDO) .....	101
Relevance of Objectives .....	102
Relevance of Design .....	103
Implementation .....	105
Achievements of Objectives .....	105
Outcome Ratings .....	111
Risks to Development Outcome .....	112
Bank Performance .....	114
Borrower Performance .....	117
Monitoring and Evaluation .....	118
6. Conclusions and Lessons Learnt .....	121
Conclusions .....	121
Lessons from the Bank’s macroeconomic engagement through DPOs .....	122
References .....	127
Annex A. Basic Data Sheet .....	129
Annex B. Other Vietnam and Project Data .....	151
Annex C. List of Persons Met .....	181
Annex D. Borrower Comments .....	183

## Boxes

Box 3-1. Relations with IMF .....	45
Box 3-2. Coordination Issues .....	48
Box 3-3. Selected comments on Bank's approach to flexibility in DPOs by various stakeholders, (including Bank staff and development partners) .....	49
Box 3-4. CDD approaches in Vietnam .....	61
Box 4-1. Focus group discussions (civil society organisations and independent experts) .....	64
Box 4-2 The Tale of Two Communes supported by P135 .....	97
Box 4-3. Stakeholders' feedback based on visit to Bac Kan region .....	98

## Tables

Table 1-1. World Bank DPO lending by Calendar Year (US\$ million) .....	22
Table 1-2. Objectives of DPOs implemented in 2007-2012 in Vietnam .....	22
Table 1-3. ODA flows to Vietnam .....	23
Table 2-1 Key Economic Indicators 2007-13 .....	29
Table 2-2: New Poverty Estimates for 2010 by Region and Urban/Rural Areas .....	33
Table 2-3 Vietnam State Budget, 2004-13 (% of GDP) .....	41
Table 3-1. Main actors involved in DPOs .....	47
Table 3-2: PRSC Triggers .....	58
Table 4-1. Comparison of ease of trade in East Asia (2012) .....	66
Table 4-2 Percentage of Pupils Exempted from School Fees or Other Contribution in Past 12 Months - By Level of Education .....	72
Table 4-3: Percentage of Pupils Exempted from School Fees or Other Contribution in Past 12 Months - By Quintiles .....	73
Table 4-4: Percent of Women Aged 15 Years Old and Over in Wage Employment .....	79
Table 4-5 PIR Prior Actions .....	91
Table 4-6 Dropped/Modified Triggers .....	92
Table 5-1 Key dates Vietnam DPOs .....	105

## Figures

Figure 2-1. Vietnam: Annual Disbursements under DPOs (left scale: \$millions, right scale: percent of total ODA) .....	32
Figure 3-1. Composition of Prior Actions by DPOs of Vietnam PRSC 6 -10 (2007-2012)% ..	56
Figure 4-1. Vietnam CPIA, by components: 2006 and 2013 .....	64
Figure 4-2 Ratio of Ethnic Minority to Kinh Majority Enrolment Rates in Public Schools, by Level of Education (1998 and 2010). .....	74

## Principal Ratings

### Second Series of PRSC (PRSC6 to 10)

	ICR*	ICR Review*	PPAR
Outcome	Moderately Satisfactory	Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

### Program P135 Phase 2 Support Program

	ICR*	ICR Review*	PPAR
Outcome	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Significant	Moderate	Moderate
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

### Public Investment Reform Program

	ICR*	ICR Review*	PPAR
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	Unsatisfactory
Risk to Development Outcome	Negligible to Low	Significant	Moderate
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	Unsatisfactory
Borrower Performance	Moderately Satisfactory	Moderately Unsatisfactory	Unsatisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

## Key Staff Responsible

### POVERTY REDUCTION SUPPORT CREDITS 6-10

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### PROGRAM P135 PHASE 1-2

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**IEG Mission: Improving World Bank Group development results through excellence in evaluation.**
**About this Report**

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25% of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

**About the IEG Rating System for Public Sector Evaluations**

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: <http://worldbank.org/ieg>).

**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

## Preface

This is the Project Performance Assessment Report (PPAR) for ten closed Development Policy Operations implemented as three programmatic series. Program-1 consisted of Poverty Reduction Strategy Credits s 6 to 10 (the second series of PRCs) implemented from 2007-2012. Program-2 included two operations of Public Investment Reforms implemented in 2010-2012. Program-3 included three operations to support the Program P135 Phase 2 Support Program (P135) implemented in 2007-2011. World Bank disbursements for Program-1, Program-2 and Program 3 amounted to USD 985 million, USD 210 million, and USD 850 million respectively. Program 1 and Program 2 were co-financed by the Asian Development Bank, Australian Agency for International Development (AusAID), Canadian International Development Agency (CIDA), Danish International Development Agency (DANIDA), Department for International Development (DFID, United Kingdom), European Commission (EC), Germany, Ireland, Japan Bank for International Cooperation (JBIC), the German Reconstruction Credit Institution (KfW), New Zealand, Netherlands Directorate General for International Cooperation (DGIS) Spain, Sweden, and Switzerland.

The report was prepared by the Independent Evaluation Group (IEG). It is based on interviews, documents and data collected in the course of a visit to Vietnam in June, 2012, during which government officials, external development partners, business groups, academics, non-governmental organizations, as well as other civil society groups and stakeholders were consulted. The evaluation also draws upon in-depth interviews of the staff of the World Bank and the International Monetary Fund, including current and former members of the Vietnam country teams in Washington and Hanoi; and upon published and internal documents from the two Institutions. The cooperation and assistance of all stakeholders and government officials are gratefully acknowledged as is the support of the World Bank Country Office in Vietnam.

Following standard IEG procedure, copies of the draft PPAR were sent to the government for review. Comments were received and are attached as Annex D.

## Summary

This Program Performance Assessment Report (PPAR) evaluates three completed series of Development Policy Operations (DPOs) that consisted of ten operations implemented in 2007-2012. Around USD 2 billion was disbursed through these series between 2007-2012 (Table I). These include: (i) the second series of Poverty Reduction Strategy Credits (PRSCs) with five operations broadly covering the main areas of Government strategy; (ii) Public Investment Reform (PIR), a series of two operations aimed at improving the efficiency of public investments and supporting Vietnam's fiscal stimulus; and (iii) the Program P135 Phase 2 Support Program (P135) series of three DPOs that supported the implementation of the National Targeted Program for Socio-economic Development in Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas.

The objective of this report is two-fold. As a PPAR it assesses various dimensions of the performance of these three series of DPOs and provides performance ratings for each of the series based on both IEG and OPCS guidelines. At the same time the report builds on program level evidence and contributes to learning. It draws broader lessons on the role of budget support for promoting policy and institutional change based on longer term, multisector engagement in Vietnam under the different series. It also assesses major design elements (fiduciary, safeguards, institutional arrangements and analytic underpinnings). The structure of the report reflects these two goals and is based on the following building blocks: chapter 1 introduces the background to the series and motivation of the report; chapter 2 reviews the strategic underpinnings of the DPOs to assess the relevance of Bank's interventions and their objectives; chapter 3 focuses on the intervention logic and design of DPOs; chapter 4 presents the results achieved under the series; the summary performance evaluation of the DPO series is presented in chapter 5, and concluding remarks and lessons are presented in chapter 6.

**Table I: World Bank DPO Disbursements by Calendar Year (US\$ million)**

	2007	2008	2009	2010	2011	2012	2007-2012
PRSCs	179.4	137.2	373.3	152.1		143.2	985.2
Program 135 Phase 2 Support Credits	53.4		107.2		49.4		210.0
Public Investment Reform			500.0		349.8		849.8
Of which IBRD			500.0		87.3		587.3
<b>Total DPL Disbursements</b>	<b>232.8</b>	<b>137.2</b>	<b>980.5</b>	<b>152.1</b>	<b>399.2</b>	<b>143.2</b>	<b>2045</b>
<b>Total DPL as percent of Vietnam Public Expenditures</b>	<b>0.95</b>	<b>0.53</b>	<b>2.82</b>	<b>0.43</b>	<b>1.14</b>	<b>0.32</b>	<b>na</b>

Source: WB, IEG staff calculations

This evaluation concludes that despite some noted achievements there were missed opportunities to support the adoption and implementation of more ambitious policies. Consequently, with diminishing returns to past reforms it will be more difficult for Vietnam to sustain the type of economic performance that allowed it to approach (but not attain) that of China in the late 20<sup>th</sup> century and of South Korea two decades earlier. This outcome is due, in part, to the approach to reform adopted by the Government, the Bank and other development

partners. Experience under the first PRSC series demonstrated the value of flexibility, under which difficult decisions could be postponed while further dialogue took place, until the Government was ready to adopt reform measures. The second PRSC and PIR series attempted to follow a similar approach. However, some key reforms were discussed but left largely unaddressed and delayed beyond the period under review. The quality of actions taken decreased progressively, as reforms became more process-oriented and less binding, and there was evidence of reform fatigue.

### Series 1: PRSCs 6 through 10

The overall objective of the second PRSC series (2006-2012, USD 985 million) was “to help Vietnam develop the economic policies and institutions needed to become a middle-income country” (Project Document, PRSC 6, paragraph 38). This broad goal was broken down into four specific objectives, each of which corresponds to a policy pillar of both the Government’s Socio-Economic Development Plan (SEDP) and the PRSC series: “(i) promotion of growth and transition to a market economy that will foster the development of businesses in an environment crucial to the sustained growth of the country’s economy; (ii) poverty reduction and social inclusion, enabling all players and stakeholders to participate and to enjoy the benefits of development and growth; (iii) sustainable management of the environment and of natural resources as the country seeks to harness them for development and growth, while ensuring their sustainability; and (iv) building institutions that can support the country’s development strategy through improving governance.” These objectives are highly relevant to Bank and Government strategy and are harmonized with the aims of other development partners.

Overall achievement of these multiple objectives was mixed. Efficacy of the first specific objective – promotion of growth and transition to a market economy – is, on balance, rated substantial.<sup>1</sup> The Authorities’ sustained focus on encouraging foreign direct investment (FDI) and export promotion bore fruit, and Vietnam continued to deepen its integration with the global economy. The share of state-owned enterprises (SOEs) in GDP fell, although this is more a reflection of the rapid growth of FDI-financed production than of a shrinking SOE sector. Public investment in SOEs as a share of total investment did not diminish as anticipated despite booming FDI. This reflects slow divestiture and a political reluctance to accelerate SOE reform. In the financial sector, achievement of a more capable Central Bank is counterbalanced by persistent weaknesses in the banking sector’s portfolio and lack of compliance of the state-owned banks with international loan classification standards.

There was **substantial** achievement of the second objective – *reduced poverty and enhanced social inclusion*. Significant improvement was attained in many dimensions of education and gender equality as well as in poverty reduction, maternal mortality and health insurance, which received attention through DPL supported reforms. The results were less evident in promoting

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<sup>1</sup> The efficacy of each objective is rated on a 4-point scale: High, Substantial, Modest, and Negligible (IEG and OPCS guideline)

pension insurance among various groups, and sustainability of the pension system remains a challenge.

Efficacy of the third objective -- *sustainable management of the environment and natural resources* -- is rated **modest**. Despite its complexity, the objective was supported by few concrete actions. The quality of evidence was diminished by the weak M&E framework. Some success was recorded in allocating land to local communities and enhancing the rural population's access to clean water and improved sanitation. However, in many key areas, such as overall environmental management and in improving the quality of air, forests and water, achievements of program objectives were partial.

Achievement of the fourth objective of *building institutions that can support the country's development strategy through improving governance* was also **modest**. There was progress in public administration reforms and in some sub-areas of public financial management, such as the introduction of external audits and the use of an automated information system. However, long standing issues surrounding the transition to modern accounting standards, elimination of off-budget expenditures, and improving internal audit standards were not addressed as programmed. Gains in anti-corruption were partial, while continued weaknesses in fiscal management may affect Vietnam's debt sustainability.

The overall outcome rating is **moderately satisfactory**.<sup>2</sup> Risk to development outcome was assessed as **moderate**. Vietnam's transition to a middle-income country has reduced the relevance of some risks, though others have emerged, notably those stemming from weaknesses in governance. Bank performance was **moderately satisfactory**, reflecting a combination of strengths in Quality at Entry (strong linkages between program design and analytical work for the first operations, leading the complex development partner coordination process) and moderate shortcomings such as a gradual softening of proposed policy actions and weak macroeconomic dialogue. Borrower performance is rated **moderately unsatisfactory**, due to uneven and diminishing Government ownership of the PRSC agenda. While transition to middle income country status was achieved, the focus on structural reforms to make such a transition sustainable and pave the way for long-term balanced growth weakened. There were serious systemic shortcomings in the Monitoring and Evaluation (M&E) frameworks with respect to the choice of indicators, inadequate adjustments to the results framework when needed, and reporting on progress at completion.

## Series 2: Public Investment Reforms

The stated objective of the Public Investment Reform (PIR) series (2009-2012, USD 850 million) was to support modern governance. This broad statement was distilled into the more specific objective of raising the productivity of public investment by (i) enhancing project selection, notably through environmental screening; (ii) strengthening project implementation through the use of cost estimates, bidding rules, bidding transparency, conflict of interest, dispute resolution, land acquisition, and environmental management; (iii) improving financial management through reporting and control, control of administrative costs, environmental

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<sup>2</sup> The outcome rating is assessed based on 6-point scale: Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, and Unsatisfactory (IEG and OPCS guideline)

budgeting, subsidies and guarantees; and (iv) enhancing project oversight through better documentation, monitoring and evaluation. The project documents also imply a fifth objective – to support the Government’s fiscal stimulus – and this is taken into account in this evaluation. With the exception of the fiscal stimulus, these objectives were initially covered by the second PRSC series, but were not achieved due to weak Government ownership. The objectives were thus **substantially** relevant. Relevance of design, however, was **modest** due to the lack of an operational focus on macro and fiscal actions that could have helped to improve the quality of the Government’s policy response to the crisis.

Achievement of the first objective of *enhancing project selection in public investments* is rated **modest**, since promotion of environmental screening of public investments lacked sufficient institutional depth and coverage. Achievement of the second objective --*improving project implementation*-- was **negligible**. The aims of enhancing project approval, capacity building, addressing conflict of interest, and dispute resolution were not met. The submission of the Public Investment Law to the legislature – a key action --was dropped altogether due to lack of political consensus and resistance from vested interests. Achievement of the third objective (*financial management*) was **modest**. Although all the prior actions were implemented, these actions were modified in a way that adversely affected the program’s results. The Public-Private Partnership framework lacked clear provision for its operationalization, while the focus on provisions for preparation of environmental assessments weakened substantially. Achievement of the fourth objective on *improving project oversight* was **negligible**. The focus on improving the M&E framework of public investments weakened with program implementation. There is no evidence of public projects being reviewed by independent evaluators.

The efficacy of the program’s *support for fiscal stimulus* was **modest**. The program did not effectively contribute to a well-calibrated, timely countercyclical policy program. The Authorities’ choice of macro and fiscal actions and their timing led rather to increased volatility in 2009-2011. The quality of macro and fiscal policies continued to be weak in 2012-2014 leading to a more fragile fiscal stance and debt accumulation.

Outcome is rated **unsatisfactory**. Risk to development outcome is assessed as **moderate**, as the Government seems to be aware of the need to improve the efficiency of public investments and the recently approved Public Investment Law under a new DPO series constitutes an important step forward. Bank performance is rated **unsatisfactory**, reflecting major shortcomings in the design and implementation of the program, such as the tension between the identified need to support the macro-program while at the same time trying to accelerate governance-related reforms with limited de facto Borrower commitment. The program’s policy content was weak. Important actions were dropped from the second and last operation that undermined the program’s results orientation. It is not evident that the Bank should have proceeded with the second operation. M&E design suffered from output oriented indicators that were not strongly linked to the objectives, and from non-reporting at completion.

Borrower performance was also unsatisfactory. The significant weakening of the reform agenda prior to the second operation was akin to a policy reversal as it undermined objectives. The PPAR mission found that at the time of program implementation, consensus around the reforms it supported was weak.

### Series 3: Program P135 Phase 2 Support Program

The objectives of the P135 program (2006-2012, USD 210 million) were “to support policy and institutional actions to improve the results of the National Targeted Program for Socio-economic Development in Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas, known as Program 135, Phase 2 (P135).” There were four specific objectives, to strengthen: (i) poverty targeting; (ii) decentralization, participation and empowerment; (iii) fiduciary transparency; and (iv) monitoring and evaluation.

These objectives were **highly** relevant. They aimed to support sound implementation of P135, which involved the delivery of substantial resources from both Government and external partners to communes in targeted geographical locations where poverty reduction lagged behind national trends. Prior actions in the first two DPOs were strong, those in the last operation less so, and some actions did not cover the program’s whole geographical area. The relevance of measures supported by the series became more robust following the program’s mid-term review held prior to the second operation.

There was **substantial** progress in *strengthening poverty targeting*. Criteria for higher budget allocations to the more disadvantaged communities and villages were issued in 41 out of 50 provinces. Progress was less obvious in pro-poor orientation of production support, although the program continued to subsidize agricultural production inputs for the poor. The program’s contribution to enhanced *decentralization, participation and empowerment* was also **substantial**. Widespread and effective training was organized to enhance the capacity of local authorities in various aspects of investment management. Household participation in project selection increased as a result of program support. However, the goal of transforming communities into investment owners was very ambitious and only partially achieved.

Improved *fiduciary transparency and accountability* was achieved to a **modest** extent. Competitive bidding for larger contracts increased, but the majority continued to be procured by direct contracting. Community Participation Procurement was attempted in only a few provinces. Reporting and auditing remain insufficient. By the end of the program, all provinces had been audited, but full public disclosure of financial information had not been achieved. Achievement of strengthened *monitoring and evaluation* was also **modest**. By program closure, the Monitoring Information System was fully operational in only 11 of the 50 provinces, while Citizen Report Cards were produced only once (in 2008) as an initial pilot. Nonetheless, and despite delays in the impact evaluation, a good quality data set had become available by program closure that made a crucial contribution to assessing the impact of P135.

Overall outcome rating is assessed as **moderately satisfactory**. Risk to development outcome is rated **moderate**, since achievements in poverty reduction are unlikely to be reversed. Bank performance was **moderately satisfactory**. Design shortcomings in the first operation were subsequently addressed. Borrower performance was also **moderately satisfactory**. Government commitment and ownership were strong. Program implementation was at times challenging due to its complexity and the many stake-holders involved. M&E indicators were revised and improved from one operation to the next, and together with an impact assessment undertaken at the end of the program, provided an adequate basis for evaluation.

The following key consolidated lessons from the three series are amongst those detailed in the report:

- Dialogue between the Government and the Bank on macroeconomic and fiscal issues assumes greater importance in the absence of an IMF program, especially during periods of macroeconomic risk. In the case of Vietnam, this warrants a rethinking of how macroeconomic stability can best be supported through DPOs. The approach during the past decade has not been effective. Fragmentation of macroeconomic dialogue among multiple, parallel DPOs tends to weaken both dialogue and operational content.
- Responding to macroeconomic crises at the same time as promoting long-standing institutional reforms in a single operation or series may reduce effectiveness, especially when risks that reforms may not be implemented are high and macro-stabilization issues are not specifically addressed by the DPOs.
- Excessive flexibility regarding the policy content of a programmatic series weakens the program. Although flexibility is an important feature of Bank policy lending, there is room for striking a better balance between flexibility and rigor. Inclusion of partially met triggers as prior actions should be considered with particular caution.
- Greater willingness on the part of the Bank and other external partners to withdraw their support for weakly implemented reform programs and unproductive policy dialogue can strengthen the content and outcome of future operations. The delays in the second operations of P135 and PIR, and PRSC 10 appear to have reflected concerns with program quality, which, however, were only adequately resolved in the case of P135. Arguments for budget predictability under the Paris Declaration are less relevant in Vietnam due to relatively small share of budget support in public expenditures.
- A strong knowledge base is of critical importance for upstream design of reforms and parallel technical assistance to support their implementation. Selectivity helps to adapt knowledge products and technical assistance to the most pressing needs in a timely manner.
- The design and implementation of M&E for DPOs remains a challenge, and the adequacy of the M&E framework needs to be reconsidered each time a new operation within a series is launched. Logical links need to be thought through carefully and institutional responsibilities clearly delineated. Impact evaluations, whenever feasible, should be an integral part of M&E.
- Use of budget support instruments for financing programs such as P135 may entail considerable risks. The state of decentralization and capacities and capabilities of subnational governments need to be taken into account in the design and implementation of targeted poverty programs.

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Director-General  
Evaluation



# 1. Background to the Study and Country Context

## Motivation

1.1 Vietnam, a one-party socialist state dominated by the Communist Party of Vietnam, has since the 1990s moved towards a pragmatic, growth-oriented approach to economic policy. During the past three decades years, Vietnam has experienced remarkable economic and social development, even though since the international financial crisis economic growth has been somewhat slower and the pace and the depth of reforms more modest. It was one of the poorest countries in the world in 1986, and is now a middle-income country, with some development indicators comparable to those of Organization for Economic Co-operation and Development (OECD) members.<sup>3</sup>

1.2 The World Bank has actively supported Vietnam's reform policies through multiple development policy operations (DPOs) since the 1990s. The purpose of this report is to review and evaluate the experience under three completed series of DPOs implemented between 2007 and 2012, namely, the Second Series of Poverty Reduction Strategy Credits, the Program P-135 Phase 2, and the Public Investment Reform Program. As a clustered Project Performance and Appraisal Report<sup>4</sup> (PPAR) the focus is on both accountability and learning with respect to those DPO series. In addition, the study draws on information from three other DPO series<sup>5</sup> implemented in the same period but not evaluated here to derive lessons on some important aspects of the use of the budget support instrument in Vietnam.

1.3 Poverty Reductions Strategy Credits (PRSCs) in Vietnam have already been the subject of two recent detailed studies by the World Bank Independent Evaluation Group.<sup>6</sup> (IEG) and the European Union.<sup>7</sup>(EU), which in turn built on previous assessments by OECD.<sup>8</sup> and Mokoro Consulting.<sup>9</sup> A number of other reviews undertaken during the past six years also provide various views of different aspects of PRSC implementation, although their coverage of issues and level of detail are different from those of the present exercise.

## Vietnam's Experience during the Past Three Decades

1.4 **Exceptional development outcomes during the past three decades.** In 1986 Vietnam was ranked one of the poorest countries in the world with a per capita income of below US\$100. By the end of 2013, it was a middle income country with a per capita income of US\$1,960. This record is unsurpassed by any country during the past 30 years, with the exception of China. Four out of ten Millennium Development Goal (MDG) targets have

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<sup>3</sup> [List of OECD member countries](#)

<sup>4</sup> This PPAR is a clustered evaluation covering multiple series of DPOs in the same country. Presentation of many common aspects is consolidated.

<sup>5</sup> Higher Education, Energy and Climate Change DPO series

<sup>6</sup> IEG 2010: [Poverty reduction support credits : Vietnam country study](#)

<sup>7</sup> EU 2011: Joint evaluation of the Poverty Reduction Support Credit (PRSC) General Budget Support operation

<sup>8</sup> OECD 2006: [Joint Evaluation of General Budget Support 1994-2004: Vietnam Country Report](#)

<sup>9</sup> Mokoro 2006: Using Aid Well: Experience and Opportunities with Vietnam's PRSC

already been met, and three more are likely to be attained by 2015<sup>10</sup>. The percentage of people living in poverty fell from above 60% in the 1990s to around 20% in 2010.

**1.5 Drivers of success.** A study undertaken by the Overseas Development Institute (ODI)<sup>11</sup> identifies several causal factors associated with the effective adoption and implementation of Doi Moi.<sup>12</sup>

- Pragmatic party leadership, which encouraged both internal debate and policy innovations based on a trial-and-error approach.
- Effective public administration at central and subnational levels.<sup>13</sup>
- Strong governing and market institutions.
- A wide-reaching network of infrastructure<sup>14</sup> that enabled efficient and effective implementation of economic reform policies, and empowered the poor.<sup>15</sup>
- Equitable initial investment in human development and associated social expenditures.
- Equitable land reform with targeted investment in agriculture brought significant increases in agricultural yields and poverty reduction in rural areas.

Also noteworthy are: (a) careful and sequenced liberalization; (b) the ability to attract substantial foreign direct investments (FDI)<sup>16</sup> following WTO accession; (c) an open economy with large and growing exports linked to FDI; (d) a favorable geographic location;<sup>17</sup> (e) a higher degree of formalization than most comparator economies;<sup>18</sup> (f) level of financial deepening well above most countries with similar income; (g) competitiveness

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<sup>10</sup> UNDP 2013: Achievements and Challenges in the Progress of Reaching Millennium Development Goals of Vietnam. See also Annex B1. Poverty is analyzed in greater detail in Chapter II.

<sup>11</sup> ODI 2011: Vietnam's progress on Economic Growth and Poverty Reduction: Impressive improvement

<sup>12</sup> The name given to the political and economic reforms launched in 1986.

<sup>13</sup> This reflected in Vietnam's Country Policy and Institutional Assessment (CPIA) which for instance give it relatively high mark for economic management compared to other IDA recipients— see Annex Table A 1.7.

<sup>14</sup> There have, for example, been significant improvements in access to electricity and its availability, as reflected in per-capita consumption (see Annex Tables A1.3 and A1.4).

<sup>15</sup> Detailed discussion of land reform is outside the scope of this review. However, it should be noted that this reform together with provision of adequate rural infrastructure may have helped moderate rural-urban migration in Vietnam, with the urban population currently at 31% and growing at 3% per annum (p.a.), which ranks it the 164<sup>th</sup> least urbanized country out of 195; Vietnam Urbanization Review 2011) and alleviate the need to rapidly expand urban infrastructure to prevent the formation of major slums which are a feature of many cities in the developing world. It also differentiates Vietnam from other low-income countries. A more detailed discussion of the topic may be found in a 2008 UN-HABITAT report: Secure Land Rights for All

<sup>16</sup> Investment averaged around 32% of GDP between 2012 (with a slight declining trend). It was driven by public investments, notwithstanding efficiency and sustainability concerns as per 2012 VDR, and by FDI (about US\$7.8 billion p.a. 2009-2012, on par with South Africa and about 20% of total for Sub-Saharan Africa).

<sup>17</sup> See Annex Table B.5

<sup>18</sup> See Annex Table B.6

(the Purchasing Power Parity index<sup>19</sup> rose from 0.24 in 2006, to 0.35 in 2012, and remains below many countries in Sub-Saharan Africa); (h) the relatively low annual population growth rate of 1.3% (to be contrasted with 2.7% in SSA); and (j) and a strong sense of social solidarity and equity.

1.6 The elements listed above are the key factors that differentiate Vietnam's experience from that of other countries with similar starting points in the early 1990s.<sup>20</sup> However, given the low starting point due to inappropriate policies in the 1980s, reforms undertaken during the 1990s combined with Vietnam's human capital base and advantageous location, the good performance that was observed could have been expected. A study published as early as in 2002<sup>21</sup> conjectured that growth would not be sustained unless institutional issues were addressed *inter alia* through improved governance and dealing with the financial sector. It would also require tackling remaining challenges<sup>22</sup> including rising inequality, environmental degradation and corruption,<sup>23</sup> while addressing macroeconomic stability and accelerating State Owned Enterprise (SOE) reform and bank restructuring.

## The Political, Institutional and Social Context

1.7 ***Political Context in Vietnam.*** Although a one party system, there are mechanisms for building consensus around prospective reforms, taking into account the interests of various groups and making adjustments along the way. Ultimately, the Communist Party of Vietnam (CPV) is accountable to the population. Administratively, the country is decentralized and divided into 63 provinces, the provinces are comprised of districts and the districts are composed of communes. The CPV has its cadres at each of these levels as well as at the central level.

1.8 The CPV Congress takes place every five years.<sup>24</sup> Leaders are appointed or re-appointed at that time. The agendas are carefully prepared over the roughly two years preceding a Congress and key strategies such as the SEDP are then adopted by it.<sup>25</sup> They contain some economic areas that are thought to require special attention during the years following a Congress. The 2-3 years immediately following a Congress can be a window of opportunity for reform. After that the momentum may wane as leadership turns to the preparations for the next Congress.<sup>26</sup>

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<sup>19</sup> <http://data.worldbank.org/indicator/PA.NUS.PPPC.RF>

<sup>20</sup> See for instance Box 1; ODI 2011 op. cit.

<sup>21</sup> David Dollar 2002: [Reform, Growth, and Poverty in Vietnam](#). This study did not foresee the FDI boom following WTO accession that may have delayed the projected economic downturn.

<sup>22</sup> As also highlighted in a recent World Bank report. World Bank 2013; [Taking stock: an update on Vietnam's recent economic development](#)

<sup>23</sup> Vietnam's performance in this area is below comparators. See for instance CPIA rating in Annex B, which provides additional information on economic governance.

<sup>24</sup> The previous one was in early 2011 and the next one will be in 2016

<sup>25</sup> The National Assembly approves SEDP previously adopted by CPV:

(<http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails%3FcategoryId%3D30%26articleId%3D10052505>)

<sup>26</sup> Interviews with various stakeholders during the mission

1.9 At the province and district levels, CPV officials compete with each other in attracting resources, both domestic and external, to speed up the development of their provinces. Many innovative approaches tend to be first piloted at a decentralized level before they are introduced more widely. Promotions within the CPV are often related to performance at the decentralized levels of the administrative hierarchy. CPV officials that work in the rural areas today are embedded in these communities.<sup>27</sup> This allows them to understand the needs of the local people while at the same time spreading their political values. In the process they develop a form of cultural conformity as the values of the two groups influence each other.

1.10 Vietnamese can pursue their interests through various organizations, such as the Youth Union, Women's Union, Farmers' Union or the overarching Fatherland Front. Co-production is a process frequently used at the local level. Users get involved in service delivery. This makes co-production more demand-oriented. Civil organizations fulfill many functions typically undertaken by NGOs. They are interest groups with influence both on the Party and on the people they represent. Individuals and sub-groups may pursue their particular interests but in the end have to broker them with other groups until they reach a consensual way forward. These unique structures influenced the "Grassroots Democracy" decree of 1998<sup>28</sup> and later the Enterprise Law that both helped unleash much initiative at the household level. These structures also played a key role in the design of Government's P135 Program and other National Targeted Programs (NTPs). The design of the three operations in support of P135 essentially mirrors these socio-political structures. The villagers participate in decisions, "own" the projects and enjoy the new services, and the officials have an incentive to make the projects succeed since this may help them advance in the government hierarchy.

1.11 ***Influence of Political Economy Considerations.*** There are political economy analyses on how the authorities approach major reforms in Vietnam, given the social and political environment in which they were formed and now operated.<sup>29</sup> The paper titled "Making Difficult Choices: Vietnam in Transition," considers the Vietnamese reform process through conversations with groups who were intimately involved in the process. One of the early lessons recounted in the paper was the process of "breaking fences." Pilot experiments were run at low levels, presumably with the approval of local Party officials, which if successful would be brought to the attention of high CPV officials. This way the center was not compromised if the experiment failed, but could help scale it up if it was successful. The slogan was "Break fences locally, dismantle them centrally".

1.12 The paper also highlights the importance of building consensus around change. Working through the contradictions and resolving them by working towards consensus was a key as the leaders understood that minds change gradually. This approach began with Doi

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<sup>27</sup> A number of villages form a commune, the lowest administrative unit through which CPV officials operate and it is at this level that they get to deal with village heads and the villagers themselves

<sup>28</sup> Politburo Directive No.30 of February 1998

<sup>29</sup> Shanks: [Community Driven Development in Vietnam](#); Rama: [Making Difficult Choices: Vietnam in Transition](#)

Moi<sup>30</sup> and evolved further as the reforms progressed. Another feature of the thinking was that in the design of reforms one had to take into consideration the losers as they may form a strong opposing vested interest. There are many examples of compensatory programs including those discussed in latter sections of this report. Pragmatism was another feature of the reform process in Vietnam.

1.13 Political economy analysis was useful in the design of donor's support for policy and institutional change. Development partners learned to be patient. They did not, for example, insist on removing what a partner might believe to be a binding constraint, and therefore a *sine qua non* condition for aid. Instead, given Vietnamese political economy, a menu of policy actions was proposed, thus increasing the chances that some reforms would occur, while building the consensus for those yet to come. Vietnam was determined to develop rapidly so in its external partners' perception the question was not whether they would carry out important reforms, but when. The downside of this is that some key reforms have not been carried out and now seem to be exerting a drag on the economy.

## **The Budget Support Portfolio of the World Bank in Vietnam**

1.14 Prior to 2006, Vietnam received budget support through a series of Development Policy Operations: the first series of five PRSCs during the first half of the 2000s, and Structural Adjustment Credits prior to that. Development partners provided funding to the implementation of the SEDP 2006-2010 and initial years of the SEDP 2011-15, inter-alia through general and sectoral budget support operations.<sup>31</sup> The most important such vehicle was in the form of the second series of PRSCs (6-10) which provided general budget support between 2007 and 2012. The World Bank (the largest financier) and 13 other development partners<sup>32</sup> provided total financial flows through budget support over six years of US\$2.9 billion. Table 1.1 below presents information on budget support operations supported by the World Bank and its co-financiers. It includes the second PRSC series as well as five sectoral operations. The first sectoral DPO series, P135, was approved in 2007.

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<sup>30</sup> The name given to the economic reforms initiated in Vietnam in 1986 with the goal of creating a socialist-oriented market economy.

<sup>31</sup> Based on information collected during the June 2014 mission, most donors' sectoral operations are earmarked for primary use by the sector/program being supported, in contrast with the World Bank sectoral DPOs which are disbursed into the consolidate budget.

<sup>32</sup> Asian Development Bank (ADB), Agencia Espanola de Cooperacion Internacional (AECI - Spain), Australian Agency for International Development (AusAID), Canadian International Development Agency (CIDA), Danish International Development Agency (DANIDA), Department for International Development (DFID, United Kingdom), European Commission (EU), France, Germany, Ireland, Japan Bank for International Cooperation (JBIC), Netherlands Directorate General for International Cooperation (DGIS). World Bank 2012, op. cit., datasheet. This list of donors is identical to the one in the OECD aid database, which confirms that no other donor reported committing budget support to Vietnam between 2006 and 2012. The largest donors during this period were Japan, U.K., and France (above US\$100 million).

**Table 1-1. World Bank DPO lending by Calendar Year (US\$ million)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PRSCs	137.3	195.0	178.3	211.8	268.9	181.0	383.0	170.6		170.6
of which World Bank	107	104	95	102	179	137	373	152		143
donor cofinancing	30.6	91.5	83.5	109.6	89.5	43.7	9.8	18.5		27.4
Program 135 Phase 2 Support Credit (sub-national pub adm)					64.0		66.9		31.8	
Higher Education Development Policy Program							33.6		32.2	
Public Investment Reform							500.0		349.8	
of which IBRD							500.0		262.5	
Power Sector Reform Development Policy Operation								312.1		200.0
of which IBRD								200.0		100.0
Climate Change Development Policy Loan										45.2
										-
<b>Total DPL</b>	<b>137.3</b>	<b>195.0</b>	<b>178.3</b>	<b>211.8</b>	<b>332.9</b>	<b>181.0</b>	<b>983.5</b>	<b>482.7</b>	<b>413.8</b>	<b>415.8</b>
Total DPL as percent o Vietnam Public expenditures	na	na	na	na	1.52	0.74	3.01	1.50	1.29	1.02

Source: World Bank - [Vietnam/projects](#)

Note: \* First two loans in series both approved in 2012

1.15 A new DPO series<sup>33</sup> more narrowly focused on public sector accountability, public administration and macro-fiscal management has been initiated as a follow-up to the PRSCs and the first two operations were approved in 2013 and 2014. The three ongoing sectoral DPO series (higher education, power and climate change) were completed with approval of the respective third operations in 2013 and 2014. A detailed analysis of the first and latter three series falls outside the scope of the present review, as they had not been completed by June 2014 when the mission took place.

1.16 Table 1.1 below summarizes the objectives for each of the three series evaluated in this report, as well as the objectives of parallel sectoral DPOs not evaluated in this study. It clearly brings out the broad range of areas covered by the second PRSC series, and the narrower focus of the five others.

**Table 1-2. Objectives of DPOs implemented in 2007-2012 in Vietnam**

<i>Second PRSC Series</i>	
Promotion of growth and transition to a market economy, though Global integration State Sector Reform, Financial sector reform Private sector development, and Infrastructure	Poverty reduction and social inclusion, through Education, Health Social protection, and Gender.
Sustainable management of the environment and natural resources, through Land and forest, Water, and Environment.	Improved public sector governance, through Planning Processes, Public Financial Management, Legal Developments, Public Administration Reforms, and Fighting Corruption.
<i>Public Investment Reform</i>	
Project selection, including environmental selection	Project implementation

<sup>33</sup> [Economic Management and Competitiveness Credit \(EMCC\)](#)

Financial management	Financial management
Supporting the fiscal stimulus	
<b><i>Program P135 Phase 2</i></b>	
Poverty targeting	Decentralization, participation and empowerment
Fiduciary transparency and accountability	Fiduciary transparency and accountability
<b><i>Power series</i></b>	
Development of a competitive power market	Power sector restructuring
Electricity tariff reform	Improving demand side energy efficiency
<b><i>Climate Change</i></b>	
Climate-resilient development, through improving the resilience of water resources	Lower carbon intensity, through exploiting energy efficiency potentials
Strengthening the capacity and preparedness to formulate, prioritize and implement climate change policies	Strengthening the financing framework to support climate change action
<b><i>Higher Education</i></b>	
Higher education governance	Financing
Quality improvement and assurance	Financial reporting/audit

1.17 As shown in table 1.2 below, annual Official Development Assistance (ODA, defined as concessional aid) flows to Vietnam were about 3% of GDP. World Bank DPOs, depending on the year, was between 7% and 26% of ODA. Even though the amount of budget support provided by development partners on average only accounted for slightly over 1% of public expenditures and about 1/6<sup>th</sup> of ODA, it was an important source of financing of the budget deficit and external reserves during difficult times.

**Table 1-3. ODA flows to Vietnam**

<i>Year</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
ODA US\$billion	1.84	2.51	2.55	3.73	2.94	3.60
ODA/GDP %	2.8	3.2	2.6	3.5	2.5	2.7
Budget Support/ODA %	11.5	13.3	7.1	26.4	16.4	11.5

Source: World Bank

## Past Assessments of Vietnam PRSCs

1.18 **IEG study.**<sup>34</sup> A case study of experience under the first Vietnam PRSC series was prepared by IEG in 2010 as part of a broader evaluation of the World Bank's support for PRSCs. This learning exercise (which does not provide ratings found in PPARs) focused mainly on experience under the first PRSC series of five operations spanning 2001 to 2006,

<sup>34</sup> IEG 2010 op. cit. This study includes judgments on various aspects performance and rates certain dimensions of the PRSC.

as well as design issues and observations pertaining to the second series' first three operations, especially PRSC 6. The report's main findings were the following: (i) rigorous analytic underpinnings of PRSCs provided a shared vision of the development agenda and a menu of policy actions; (ii) fostering a connection to an external anchor (such as World Trade Organization accession) helped to maintain momentum in the PRSC process and reform generally; (iii) PRSCs can function as an effective complement to, and catalyst for, sector operations including sector budget support; (iv) broad sector coverage facilitates use of the PRSCs as a platform for policy dialogue between international partners and the Government, but requires adherence to tight consultation schedules and rigorous criteria for inclusion of policy actions; (v) with large numbers of international and government participants, it becomes increasingly important for both Government and the Bank that responsibilities for coordinating inputs and consultation and maintaining a policy overview be closely linked, defined, and adequately funded; and (vi) the success of PRSC engagement and development of high-quality policy dialogue in particular sectors may depend on getting and keeping the right staff involved from both the partner and Government sides.

**1.19 EU Evaluation.**<sup>35</sup> This review focused on the extent to which PRSCs met their intended goals. It covered all PRSCs completed by 2010 (excluding PRSC 10), with greater emphasis on PRSC 6-9. It was intended as an input to the SEDP 2011-15. Its main findings were:<sup>36</sup> (i) PRSC appears to have accelerated the pace of some reforms; (ii) Vietnam represents a success story in the area of donor harmonization;<sup>37</sup> (iii) PRSC is judged to have been one of the most successful budget support programs to-date in terms of longevity and scope; (iv) the "soft" conditionality allowed for a sustained dialogue in a broad range of sectors; (v) insufficient attention was paid to addressing the efficiency of public investment in the face of declining output to capital ratios; (vi) policy contributions from development partners can be ineffective in the face of competing strategic and ideological options, and political constraints; (vii) post-PRSC operations should prioritize areas such as SOE borrowing, monetary and credit policies, managing international financial flows and efficiency of investment; and (viii) although there was no consensus amongst development partners whether future operations should have a narrower focus combined with deeper reforms, the broad PRSC approach appears to have been appropriate at the time.

## The Report's Approach and Structure

**1.20** The analyses summarized above present a positive assessment of the contributions of PRSCs to Vietnam's development. Processes underpinning the PRSC in terms of Government ownership, stakeholder involvement and donor harmonization, under the coordination of the Bank, as well as the analytical base and implementation support have been implicitly and at times explicitly considered best practice. The findings may have been

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<sup>35</sup> Unpublished document. EU 2011: Joint Evaluation of PRSC General Budget Support Operations in Vietnam; ACE international Consultants.

<sup>36</sup> The present report does not attempt to validate the findings, which have already been vetted by development partners. Nevertheless, a detailed reading may lead some readers to conclude that some findings might have been better justified. For instance, certain aspects of the PRSC's success is asserted, but not fully demonstrated or explained.



influenced by the overall country performance. There may also have been an expectations (implicit based on the experience highlighted in the aforementioned IEG study) that an major outstanding issue will be progressively resolved – especially as the most important issues were well-identified through analytical work and discussed as part of the policy dialogue. Vietnam’s successful economic performance spans several decades, and the reported success of the first series of policy-based lending, has generated high expectations. This report examines whether such expectations were realized during the more recent period under review. It attempts to fill the gaps in earlier left by earlier reviews/evaluations, while at the same time addressing still-outstanding issues that they raise. The report draws on a two-week mission to Vietnam, which included a field visit to the Northern Region (one of the poorest).

1.21 As a cluster PPAR the report builds on program level evidence that it synthesizes for broader lessons about the use of DPOs in Vietnam for promoting policy and institutional change. This involved a thorough review of existing studies and documentation, which in Vietnam’s case is extensive. The structure of the report is the following: chapter 2 reviews in detail the strategic underpinnings of the DPOs to assess the relevance of Bank’s interventions and their objectives. Chapter 3 is focused on evidence on the intervention logic and design of DPOs. Chapter 4 presents the results. The performance evaluation of the three completed DPO series based on IEG and OPCS guidelines is presented in Chapter 5, based on the analysis of previous chapters. Concluding remarks and lessons learnt are presented in Chapter 6.

## 2. Strategic Relevance and Underpinning of Budget Support Operations

2.1 This chapter describes and reviews key strategic and policy building blocks outlined in Bank Policy,<sup>38</sup> including Government and Bank strategies, the macroeconomic framework, poverty and social aspects, public financial management and public resource allocation, and environmental implications.

### Government Strategy

2.2 The Government strategy underpinning the three completed DPO series was based on the 2006-10 SEDP that had three sector pillars (economic, social, and natural resources) as well as a cross-cutting fourth pillar (public sector management and governance). The SEDP was expected to provide a framework to allocate public resources over the medium term, thus addressing a weak point in previous strategies.<sup>39</sup> The absence of a clear policy matrix and a satisfactory monitoring framework as part of the mechanism to align development partner support with national priorities was largely addressed through the 2007 Vietnam Development Report (VDR),<sup>40</sup> “Aiming High,” which also represents a joint development partner assessment. The VDR thus became the basis for the implementation of the aid effectiveness agenda built into the Paris Declaration and the subsequent Hanoi Core Statement<sup>41</sup> and linked Bank support, notably the PRSC, to Government strategy.

2.3 “Aiming High” covers in detail the four SEDP pillars as well as the 17 policy areas subsequently covered by actions supported by the PRSC. It sequenced and ranked the proposed actions towards those with highest priority.<sup>42</sup> This prioritization was more within pillars than between them, with cross-cutting issues being dealt with through the establishment of a strong coordination mechanism supported by the great majority of development partners. The report presents a results matrix of possible policy actions and associated indicators subsequently taken-up in the PRSC. Together, the 2006-10 SEDP and “Aiming High” provided a strong operational and strategic foundation for the second PRSC series, especially the initial operations, and, to a lesser extent, the PIR series also. However, P135, approved in 2007 -- just a few months after the VDR was finalized -- is not mentioned at all under the social protection area, neither is there direct mention of electricity/power and higher education.

2.4 “Aiming High” was not repeated for the 2011-2015 SEDP, the main objective of which is to lay the foundations for a modern, industrialized society by 2020. Subsequent and

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<sup>38</sup> OP 8.60 on Development Policy Lending

<sup>39</sup> Poverty Reduction Strategy Paper Annual Progress Report Joint Staff Advisory Note. Contrary to expectations expressed in the JSAN there was no subsequent joint assessment of the SEDP.

<sup>40</sup> Aiming High

<sup>41</sup> Described and evaluated in a 2011 report: Paris Declaration/Hanoi Core Statement Phase 2 Evaluation

<sup>42</sup> Lack of prioritization and unrealistic expectation is a recurring shortcoming in typical Growth and Poverty Alleviation Strategies. These pitfalls appear to have been avoided in Vietnam thanks in part to the VDR, which also implies that alignment was with a good quality strategy.

previous VDRs were more sector-oriented. A joint assessment of the draft 2011-2015 SEDP was prepared in 2010 with UN support.<sup>43</sup> The key messages are that: (a) Vietnam's growth model may reach its limits soon; (b) productivity enhancements are needed across all sectors, notably through a more efficient public investment; (c) renovation of institutions needs to continue; and (d) environmental pressures, increasing economic inequality, stresses arising from urbanization and migration, and the exogenous challenges arising from climate change all need to be addressed.

2.5 During the 2000s Government introduced a number of initiatives targeting poverty, including National Targeted Program of P135. The P135 program encompassed the following areas (a) production/ livelihoods support; (b) infrastructure development; (c) capacity building; (d) living conditions support; and (e) program management support. The program specified its geographical scope, funding from the national budget, monitoring and evaluation, planning procedures and legal framework. Even though the program was reinforced by policies, it consisted mainly of an investment program (focused on rural infrastructure) whose success depended more on proper implementation of a sector wide approach than specific reforms.

2.6 With respect to the Government strategy underpinning PIR, the program was developed largely on the basis of 2009 PFM study<sup>44</sup> and the 2009 VDR<sup>45</sup> focused on capital. The main thrust of the recommendations were: (a) prudent management of foreign capital flows to minimize macroeconomic and financial distortions through appropriate exchange rate, fiscal and monetary policies; (b) investing efficiently, notably through greater scrutiny of SOE investments; (c) addressing short-term finance and institutional constraints through Public-Private Partnerships (PPPs); and (d) improved project selection, appraisal and implementation, taking into account decentralized responsibilities.

2.7 Summarizing, The DPOs reviewed in this report were well grounded in strategies developed by the country with substantial development partner assistance, with P135 being more orientated towards implementation rather than policy (due to the specific characteristic of the operation). These strategies further benefitted from generally frank assessments, supplemented by analytical work undertaken by the Bank and other development partners, which informed and operationalized their agenda. The Program Document (PD<sup>46</sup>) of the first operation presented these strategies in detail. From these standpoints, in addition to the quality of documentation and strategic thinking behind the programs supported by DPOs, Vietnam's experience is good-practice.

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<sup>43</sup> UN 2010: [Joint Country Analysis](#)

<sup>44</sup> Country Financial Accountability Assessment, World Bank, 2009. Document not disclosed to public.

<sup>45</sup> 2009 VDR: [Capital Matters](#)

<sup>46</sup> Henceforth the Program Document of each operation in a series is referred to as PD followed by the sequence of the operation.

## World Bank Strategy

2.8 The DPOs under review were approved under the 2007-11 and 2012-16 Country Partnership Strategies<sup>47</sup> (CPSs). The 2007-11 CPS<sup>48</sup> was fully aligned with the 2006-11 SEDP and was organized around the following pillars: i) Enhancing the business environment; ii) Strengthening social inclusion for the poor; iii) Ensuring a more sustainable management of natural resources and reduced environmental degradation; and iv) Strengthening governance systems.

2.9 The DPO series initiated under the 2007-11 CPS were thus fully aligned and supported by them, with the CPS additionally envisaging complementary reinforcing support, notably project lending and analytical work. The CPS Completion Report reviewed by IEG concludes that the interventions (including DPOs) were well suited to the country's needs. It also underscores the role of PRSC as a platform for policy dialogue. However, the CPS envisaged that the PRSC would provide the main vehicle for sector policy dialogue. It approached sectoral DPOs cautiously and with some degree of skepticism. It therefore did not fully anticipate the rapid progression of such instruments in the late 2000s.

2.10 The DPOs remained relevant under the 2012-16 CPS that have the following pillars: (i) strengthening Vietnam's competitiveness in the regional and global economy, (ii) increasing the sustainability of its development, and (iii) broadening access to opportunity. It is worth noting that while the CPS envisages completing the ongoing series of sectoral operations, it does not mention initiating any new ones. The CPS also describes a new more focused DPO series to succeed the PRSC,<sup>49</sup> while tackling issues that were part of the PRSC and PIR, and where a substantial reform agenda remains.

## Macroeconomic Framework

2.11 **Overall Macroeconomic situation.** Vietnam's economy went through a turbulent period between 2007 and 2013, as did the rest of the world. After a prolonged period of growth at an average of over 7% per-annum, the Vietnamese economy began overheating during 2007. This was driven by large capital inflows in the wake of Vietnam's accession to the WTO in January of 2007, which the State Bank of Vietnam (SBV) was not able to sterilize, together with high food and fuel prices. GDP growth in 2007 rose to 8.5% and by early 2008 inflation was above 20% (Table 2.1). Domestic credit was expanding at a rate of over 50% per year. The stock market index reached a peak in 2007 that was nearly ten times its value in 2000, and real estate prices were rising extremely fast. The authorities recognized the existence of a financial bubble and adopted a package of policy measures ("the eight groups of measures") in March 2008 to prevent further overheating and curb inflation. The stabilization program included a reduction of recurrent expenditures by 10% and a discontinuation of a number of nonessential public investment projects. Credit growth was kept to 25% during 2008.

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<sup>47</sup> [Country Partnership Strategy 2007-2011](#) and [Country Partnership Strategy 2011-16](#)

<sup>48</sup> The CPS completion report was reviewed by IEG in 2011: [Vietnam CASC Review](#)

<sup>49</sup> Op. cit Box 4.

2.12 The authorities switched from stabilization to stimulus in the second half of 2008, as the financial crisis spread from the US to the rest of the world. Vietnam's exports began to be affected by the slowdown in foreign demand. In November of 2008, the Government adopted a package of "five groups of measures". The main policy rate (the SBV refinancing rate) was reduced by 7 percentage points (from its high of 21% in August of 2008), a credit guarantee scheme was put in place for SMEs, an interest subsidy of 4 percentage points was introduced for working capital loans and both enterprise and personal taxes were reduced or deferred. As indicated in Table 2.1, this resulted in a substantial increase in the budget deficit in 2009 to 7.2% of GDP, compared to 2.2% in 2008.

**Table 2-1 Key Economic Indicators 2007-13**

	2007	2008	2009	2010	2011	2012	2013e
<b>Output, Employment and Prices</b>							
GDP (% change year-no-year)	8.5	6.3	5.3	6.8	6	5	5.4
Industrial Production Index (% change)	16.7	13	7.6	9.3	6.8	4.8	5.5
Unemployment (% urban areas)	4.6	4.7	4.6	4.3	3.6	4.2	4
Consumer Price Index (% , period average)	12.6	23.1	6.7	9.2	18.7	9.1	6.6
<b>Fiscal Balance (as % of GDP)</b>							
Overall Bal. (incl. off-budget items)	-3.6	-2.2	-7.2	-3.0	-1.7	-7.5	-5.3
<b>Foreign Trade, BOP and Debt</b>							
Exports of goods (US\$ billion, fob)	49	63	57	72	97	115	131
Imports of goods (US\$ billion, fob)	59	76	65	85	107	114	132
Current Account Balance (as% of GDP)	-9.8	-11.9	-6.5	-3.8	0.2	6	5.6
FDI (net inflow, US\$ billion)	6.6	9.3	6.9	7.1	7.1	7.2	7.3
Total PPG Debt (as% of GDP)	45.6	42.9	46.9	48.4	46.7	48.5	51.6
Foreign exchange reserves (months of imports of g&s)	3	3.8	1.9	1.4	1.4	2.3	2
<b>Financial Markets</b>							
Domestic Credit (% change)	53.9	25.4	39.6	32.4	14.3	7	12
Short-term interest rate (3 month deposit)	7.8	8.1	10.7	11.6	14.9	9.0	
Exchange rate (1000 Dong/US\$)	16.5	17.5	17.8	19.5	20.8	20.8	21.1
Stock market – VN index (Jul 2000=100)	972	316	495	484	351	414	500
<i>Memo:</i> Nominal GDP (US\$ billion)	79.8	90.8	92.4	103.6	122.8	141.5	155.5

Source: World Bank estimates

2.13 The stimulus program, while encouraging economic activity, also increased Vietnam's external vulnerability, as reflected in a decline in foreign exchange reserves to the

equivalent of 1.4 months of imports. Furthermore, critical macroeconomic information, such as the exact size of the stimulus package and the level of international reserves was not made public in a timely manner. This added to uncertainty and exacerbated the foreign exchange shortage by inducing pre-emptive gold and hard currency hoarding. In November 2009, after it had become clear that the stimulus was unsustainable, the Government announced another policy switch back to stabilization. This, however, was only partially implemented. Although the exchange rate was devalued twice (by around 10% cumulatively against the US dollar) and the budget was tightened, continuing uncertainties on interest rates and bank credit undermined the desired stabilization and recovery in market confidence.

2.14 As annual GDP growth approached 7%, the economy started overheating in the second half of 2010. In December 2010 inflation reached a two year high of 11.8%, the Dong came under intense pressure and international reserves dropped to 1.5 months' worth of imports. There were also concerns about the health of the banking sector, partly because of the build-up of contingent liabilities of the SOEs. As a result of these factors, and following the bankruptcy of one of the largest SOEs, Standard and Poor's and Moody's downgraded Vietnam's sovereign rating by one notch to BB-<sup>50</sup> three levels below investment grade. Some setbacks in the implementation of the macro-stabilization plan were explained by the approaching Party Congress in January 2011, and the reluctance of policy makers to sacrifice economic growth ahead of this critically important political event.

2.15 The consensus among the policymakers<sup>51</sup> after the completion of the eleventh Party Congress in January 2011 was that macroeconomic stability had to be restored, even at the cost of a prolonged slowdown in growth. The Government approved Resolution 11, to pursue "tight and prudent monetary and fiscal policy."<sup>52</sup> The measures included a devaluation of the Dong by 9.3%, a severe tightening of monetary policy, a reduction of 3.2% of GDP in public capital investments, a limit to the banks' exposure to non-productive activities (including real estate and security markets) to 22% of total credit by June 30, 2011, an acceleration in the equitization of SOEs and measures to improve their governance, and increased disclosure of information important to the various actors in the economy.

2.16 By 2012, Vietnam's economy had returned to a relatively stable macroeconomic environment after the unstable stop/go period of 2007-11. The authorities accepted that a lower GDP growth trajectory was the price of bringing inflation back to the single digit range, stabilizing the exchange rate and improving the international reserve position. The Dong/US\$ exchange rate has been stable since the second half of 2011 and the parallel market rate premium has disappeared. The export sector returned to its stellar performance, driven by foreign direct investment. Vietnam registered its first trade surplus in over 20 years in 2012 and its current account moved to a surplus of 5% of GDP.

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<sup>50</sup> <http://www.bloomberg.com/news/2010-12-23/vietnam-credit-rating-cut-one-rank-by-s-p-on-risks-to-nation-s-bank-system.html>

<sup>51</sup> See for instance (p.9) [Key Developments from the 11<sup>th</sup> National Congress of the Communist Party of Vietnam](#)

<sup>52</sup> <http://en.vietnamplus.vn/Home/Resolution-of-the-11th-Party-National-Congress/2011/15543.vnplus>

2.17 Although macro stability was restored, the fiscal position deteriorated after the brief consolidation in 2011 and became pro-cyclical in 2012-2013.<sup>53</sup> This was largely due to the effects of tax exemptions introduced during the crisis that have not been fully withdrawn. Weaknesses in tax administration may have also contributed to the decline. Since 2008, the tax to GDP ratio has declined from 24.4% of GDP to 17.7% (2013). In 2012, the fiscal deficit widened to 7.5%, higher than at the peak of fiscal expansion during the global crisis. This translated into an increase in the ratio of public debt to GDP, which is estimated to reach 55% in 2014. The overall picture is one of substantial narrowing of fiscal space at a time of uncertainties in external developments and higher contingent liabilities arising from the banking sector and poor performance of SOEs. The IMF's most recent estimates indicate that, the debt to GDP ratio is approaching levels beyond which debt sustainability would be at risk.

2.18 In summary, Vietnam experienced a period of macroeconomic destabilization in 2009-2010 as a result of a major fiscal expansion and subsidized credit growth. Although it regained macro-stability in 2011, weaknesses remain in the policy framework. The pro-cyclical fiscal position of recent years, and resultant built-up of public debt have increased macroeconomic risks. The economy is vulnerable to internal and external shocks. Vietnam's current public debt level is higher than that of its regional comparators. The IMF estimates that a debt to GDP ratio of no more than 40 to 45% should be the medium-term benchmark for Vietnam.<sup>54</sup> Substantial improvements in fiscal management and institutional transformation in the SOE and banking sectors are required to reduce the risks to more manageable levels.

2.19 **Macro-economic underpinning of Bank support.** Vietnam has not had an IMF program since the expiration of the Poverty Reduction and Growth Facility in April 2004, which has implications for the Bank and its role in that country. The Bank remained an important partner for Vietnam throughout the crisis, adjusting its lending program to address the country's increased financing needs. Its budget support portfolio was appropriately countercyclical during the crisis, with the largest amounts approved and disbursed in 2009 and 2010. Total disbursements through DPOs peaked in 2010 at around US\$1 billion, with an additional US\$250 million for the then ongoing PRSC and PRI series and the launching of a new series of sector DPOs.<sup>55</sup> The share of Bank DPOs in total net ODA flows to Vietnam increased from around 5% in 2008 to more than 30% in 2010 (Chart 2.1 below). The second DPO of the P135 series, approved in early March 2009, was doubled in size to US\$100 million to offset the potential impact of the crisis in the rural areas (people losing jobs in the urban areas and returning to the countryside).

2.20 Not all new series, however, were explicitly formulated as an anti-crisis response. Only the series on Public Investment Reform under which US\$850 million was disbursed included a macro objective – supporting Vietnam's fiscal stimulus program. Sectoral DPOs

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<sup>53</sup> [International Monetary Fund \(IMF 2014\), Article IV, October 2014](#)

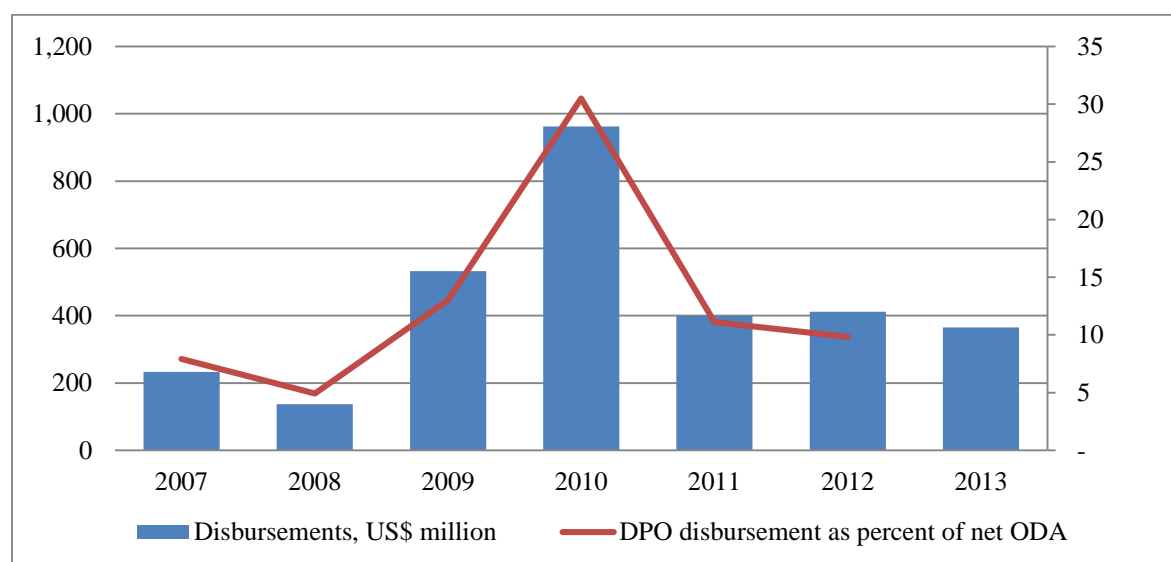
<sup>54</sup> IMF 2014, op. cit.

<sup>55</sup> Such sectoral DPOs had been envisaged in the 2007-11 CPS (para. 86) even before the financial crisis: "Additional sector-level DPOs may be introduced, albeit selectively, when policy reforms and program improvement warrant such intervention."

launched during the crisis (Power, Higher Education, P135, and Climate Change, DPO series) supported sector specific reforms generally without an explicit link to the macroeconomic crisis. Nevertheless, the Power DPO series was launched at the peak of the crisis and was large enough to have macro and fiscal implications (the first disbursement took place in December 2010 in an amount of around US\$310 million that brought overall disbursements under DPOs to around US\$1 billion in 2010). Although budget support lending had tapered off from the peaks of 2009-2010, annual DPO disbursements were still about US\$400 million in 2012 and 2013, double the equivalent amounts prior to the crisis.

**2.21 Conclusion.** On balance, macroeconomic underpinning of DPOs were borderline adequate. The economy never went into a full-fledged and prolonged destabilization. However, in terms of the spirit of OP 8.60 with regard to macro-underpinnings of Bank's engagement through policy lending the Bank was taking high risks in lending in a volatile environment without putting in place viable risk mitigation mechanisms (further discussed in paras 3.2-3.8).

**Figure 2-1. Vietnam: Annual Disbursements under DPOs (left scale: \$millions, right scale: percent of total ODA)**



Source: World Bank/IEFG Staff calculations

## Poverty and Social Analysis and Impacts

**2.22 Reduction of Income Poverty.** There are two poverty lines used in parallel in Vietnam. Government Statistics Office-World Bank (GSO-WB) poverty line is derived based on consumption patterns identified by household surveys. The line was modified in 2010 survey reflecting improvements in the quality of the food reference basket (fewer calories from rice, more consumption of proteins, vegetables, and fats) and a higher allocation for essential nonfood spending, including housing and durables” (Poverty Report 2012 p.3). The change in poverty line made it more appropriate for a middle income country, but it also created a discontinuity in poverty data. Long-term poverty reduction trend, however, is apparent: in the early 90s the poverty defined at US\$2 per person per day (in 2005 PPP) was



above 80%, compared to around 20% in 2010 based on US\$2.26 per person per day (in 2005 PPP).

2.23 So called MOLISA poverty line is based on household income data collected both administratively and through limited use of surveys. This poverty line is computed only every five years at the start of a new SEDP. For example for 2010, in preparation for the SEDP 2011-15, the poverty line was set at VDN 400.000 for rural areas (70% of the population) and VDN 500.000 for urban areas (30% of the population). On average for the entire population, this was roughly equivalent to US\$1.50 per person per day at 2005 purchasing power parity, which made it about two thirds of the of US\$2.26. Unlike the GSO-WB poverty line, the MOLISA cut-off level is kept fixed in nominal terms for five years until the next SEDP. Poverty rates measured by MOLISA thus tend to drop more rapidly, making poverty reduction look faster than it actually is. The MOLISA rate is useful both for targeting assistance under the Government's various NTPs as well as in budget allocations. It may have been purposely kept below the GSO-WB line in order to save scarce budget resources.<sup>56</sup> Table 2.2 summarizes poverty data by regions based on different poverty lines.

**Table 2-2: New Poverty Estimates for 2010 by Region and Urban/Rural Areas**

	WB-GSO Poverty Estimates				Official Poverty Estimates		Population Shares (%)
	Poverty		Extreme Poverty				
	Poverty Rate (%)	Contribution (%)	Poverty Rate (%)	Contribution (%)	Poverty Rate (%)	Contribution (%)	
All Vietnam	20.7	100	8.0	100	14.2	100	100
Urban	6.0	9	1.5	6	6.9	6	30
Rural	27.0	91	10.7	94	17.4	94	70
Red River Delta	11.4	12	2.8	8	8.4	13	22
East Northern	37.3	21	17.9	26	24.2	20	11
West Northern	60.1	9	36.5	14	39.4	9	3
North Central	28.4	16	9.7	15	24.0	20	12
South Central	18.1	7	5.9	6	16.9	10	9
Central	32.8	10	17.0	13	22.2	9	6
Southeast	8.6	7	3.1	7	3.4	4	18
Mekong Delta	18.7	17	4.8	11	12.6	17	19

**Source:** Poverty Report 2012, Table 1, p. 4, based on the work of VASS, GSO and WB.

2.24 **Extreme Poverty.** According to the GSO-WB methodology, in 2005 8% of the population was extremely poor, living at a level of less than US\$1.5 per person per day purchasing power parity US dollars, and 94% of the extremely poor lived in the countryside. Poverty headcounts is also very different among regions, with the Northern Highlands facing

<sup>56</sup> Interviews with various stakeholders.

the worst hardships (especially in the northwest corner of the country). Ethnic minorities were most affected by poverty.<sup>57</sup>

**2.25 Other Indicators of wellbeing.** Vietnam is on track to achieve most of its MDGs by 2015. Outcomes in the recent PISA tests compare well with many developed countries. Average life expectancy now stands at 76 years of age. Growth has been strong both in the countryside as well as in the urban areas, slowing down the migration of the rural population into the urban areas, thus allowing some time for the urban areas to be able to absorb the migrants. Over 96% of households are now connected to electricity and by all-weather roads. With most households owning a motorbike, the mobility of the population has increased substantially. This is further boosted by exponentially growing ownership of mobile phones. And access to internet and TV has also helped to integrate the country.

**2.26 Poverty and Social Analysis underpinning DPOs.** Under each of the ten DPOs evaluated in this report it had to be assessed whether the policy changes supported by the DPO in question created specific losers who would need to be compensated. For example, during the period running up to the accession of Vietnam to the WTO (which coincided with the period of the preparation of PRSC-6), efforts were made to identify potential winners and losers of the trade reforms. However, the conclusions were too ambiguous to provide a basis for action. Instead, in 2006 the safety nets that had been available to redundant SOE workers in prior years were extended to the private sector. For the first time in Vietnam, unemployment insurance was started in 2006, norms for budgeted allocations to provinces were made poverty sensitive, and preparations started for developing a modern social insurance system, beginning with health.

**2.27 Regionally concentrated ethnic minority areas,** where poverty reduction had lagged, were targeted geographically through the P135 program (supported in its second phase by the series of three operations covered in this report). There were also parallel NTPs that complemented the P135 programs. The overall range of assistance included the building of local infrastructure, subsidies for inputs, agricultural extension, access to micro-credit, subsidies for improving household toilet facilities, improvements in local health clinics and some scholarships for students from very poor households. Not all the programs operated in all areas, but over time, all but the most remote areas received substantial help (see Chapter IV). Many of the initiatives were run at the lowest possible levels, involving the villagers in the planning and selection of projects, in the process tailoring the projects more closely to the people's needs and keeping down the costs through community participation.

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<sup>57</sup> In terms of headcounts, these two areas account for 40% of the extremely poor. Of these the vast majority are ethnic minorities that tend to inhabit these areas. The North Central Coast and Central Highlands regions, two other areas inhabited in substantial numbers by ethnic minorities account for another 30% of the extremely poor. Poverty rates in these areas, particularly among the ethnic minorities, have shown improvement over time, but the improvement was much slower than that in the river deltas around Hanoi and HCMC, dominated by the Kinh majority. In 2010, 66.3% of ethnic minorities were still poor, compared to only 12.9% of the Kinh, and a substantial 37.4% of ethnic minorities were still extremely poor, compared to only 2.9% of the Kinh.

2.28 Some urban areas developed faster than others through economies of agglomeration. This led to major windfalls to landowners. Inequalities emerged as well from premiums for certain skills and the unevenness of development across regions. Offsetting policies were put in place. In 2008, under PRSC-8, partial subsidization of the near-poor (and not just the poor) was begun. A voluntary pension program for farmers and informal sector workers (of which there are millions) was initiated with some assistance for the poor. Guidelines were issued for forest development based on participatory land-use planning and independent monitoring. This was particularly important in the ethnic minority areas.

2.29 With land prices soaring in some areas, issues of land became increasingly important. Under the first PIR, Decree 69/2009/ND-CP was adopted as a prior action which includes provisions on land-use planning, development of land funds, land acquisition and compensation, and resettlement support. To ensure that land valuation reflected market prices, the decree included articles on the relevant prices in the cases of land allocation, land lease, land reclamation, and SOE equitization.<sup>58</sup> Importantly, the decree prescribes the same valuation procedures for allocated land as for land rented from the state. Those whose land is reclaimed are entitled to full compensation based on market value, and various types of assistance. The decree also aims to reduce the processing time by one half to one third.

2.30 The period covered by this report witnessed considerable price instability, resulting partly from external factors (fluctuations in commodity prices), but also from macroeconomic policy. At some point, the annual rate of inflation approached 20%. The poor are much more vulnerable to such price swings as they have no cushion to withstand the shocks. During this period, the government came to accept that there is a trade-off between growth and inflation, and to protect the poor put more emphasis on price stabilization measures.

## **Safeguards.<sup>59</sup>**

2.31 Bank Operational Policy 8.60 governing DPOs calls for negative environmental impact and mitigation measures to be identified, together with a discussion of countries' systems and knowledge gaps. Vietnam has been identified as a country that faces significant environment challenges as well as being vulnerable to climate change. As part of this evaluation the analysis below reviews the treatment of environmental issues under the PRSC, PIR and P135 series. The report also discusses briefly the Climate Change and Power DPOs due to their self-evident environmental dimensions. Although these series are not covered by this evaluation, a review of their treatment of environmental issues adds important insights to the knowledge about the overall use of DPOs in Vietnam.

2.32 **PRSCs.** The program document for PRSC 6 stated that the proposed PRSC series supports a number of diverse policy actions which could have effects on the country's

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<sup>58</sup> Equitization involves sale of shares of SOEs with the State typically retaining a portion. This approach and a broader analysis of SOE reform in Vietnam is described in a 2006 working paper: State Owned Enterprises and Equitization in Vietnam

<sup>59</sup> This section is based on a detailed analysis undertaken by the mission and a draft detailed report prepared as background document.

environment, forests and other natural resources. Rather than trying to address those potential impacts one by one, the approach taken in Vietnam was to mainstream environmental objectives into the PRSC process. This approach led to the adoption and implementation of legal frameworks for land, forests and environmental management. The PD notes that supporting analytical work had been undertaken to address gaps in the existing arrangements and incentives for environmental governance.<sup>60</sup> The PD did not specifically assess the Borrower's procedures for mitigating any adverse environmental impact of the reforms and did not indicate whether there were "significant" gaps in this analysis or weaknesses in the Borrower's systems. In this sense, the PD for PRSC 6 did not strictly comply with the requirements for DPOs, even if it covered many important areas.

2.33 While the program document of PRSC 7 emphasized that "despite progress in the environmental assessment policy environment and good analytical and project work in a range of sectors, Vietnam faces significant environmental challenges" it explained that the major challenges Vietnam faces in the environmental arena require multi-pronged and long-term solutions outside of the PRSC framework. The PDs of PRSC 8 and 9 suggested that a number of policy actions raised at least the theoretical possibility of negative environmental impacts, and identified their impact and mitigating steps to be taken. While a step forward, there were still several problems with the assessment it indicated a number of areas where the results of the actions taken either within, or parallel to, the PRSC series may not generate the desired mitigation, without explaining the nature of the additional steps the Bank would take, through the PRSCs or by other means, to help the Government to address such issues. The PD of PRSC 9 also stated that "many potential environmental implications of growing investment programs in Vietnam are most suitably addressed through the strengthening of national capacity in environmental impact assessment" and that "under the World Bank's parallel DPO on Public Investment Reform, which is also being assessed by IEG (see below), the Government has engaged to carry out a number of regulatory reforms and capacity building initiatives" in the areas of Environmental Impact Assessment (EIA) and Strategic environmental assessment (SEA). This approach may lead to certain environmental issues not being adequately dealt with.

2.34 The program document of PRSC 10, for the first time, gave explicit attention to all the environmental impact of all four Pillars and their "medium-term objectives". The basic conclusion of this analysis was that of the 14 prior actions and benchmarks reviewed, none were found to have a potential negative impact and two a likely positive environmental benefit, "with the most important of the positive benefits identified being associated with the promotion of SEAs in development planning. However, this analysis did not cover the earlier policy actions in the more sensitive areas previously mentioned that might have had less positive impacts on the environment and which had not been specifically assessed in connection with the appraisal of the earlier PRSCs. Overall, PRSC PDs undertook some analysis of the environmental impact of reforms, and the quality of this analysis improved over time.

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<sup>60</sup> Country Environmental Analysis; a Poverty-Environment Nexus analysis; and an Environment Monitor series.

**2.35 Public Investment Reforms.** Many of the reforms under the PIR were a follow-up and/or related to those under the PRSC. The environmental analysis has thus similar strengths and weaknesses, notably with respect to treatment of impact of SOE reforms and public investment. There is general reference to SEA and EIAs (with reference to studies already cited under the PRSC) and a statement that the program will have a positive impact on the environment, forests, and other natural resources. The PD provides a classification of prior actions in terms of their environmental impact and concludes that apart from aforementioned positive effects, most of the actions are environmentally neutral. There is a specific discussion of the prior action related to land compensation, which may encourage investors to convert natural habitats such as forested land, rather than paying compensation costs for acquiring agricultural land. The PD cites two laws that would discourage such behavior but the argument is weakened by lack of evidence being provided on the effectiveness and implementation of these laws in practice. Overall, the analysis should have been deeper in order to meet the intent of the policy directive.

**2.36 P135.** As part of preparation of the first operation, a study of environmental and natural resource (notably forestry) implications of P135 was undertaken. Based on the experience of the parallel IDA-supported Northern Mountain Poverty Reduction (NMRP) Operation and others, the PD (para. 147) concludes that any adverse impact would be small while favorable ones would be large. However, there is no mention of safeguards concerning indigenous people and involuntary resettlement triggered by the second NMRP (approved in 2010). The report also notes that significant analytical work has helped identify issues and that (para. 148) “once ethnic minority households and communities acquire land through state forest enterprise reform, they are able to access appropriate forms of market-orientated, forestry extension support to help them make productive and sustainable use of forest land.” The document notes that this issue and that of the adequacy of Government monitoring systems would need to be followed through future operations in the series. Overall, given the gaps in coverage of potential safeguards triggered and review of issues being pushed back to the next operation, the first operation does not appear to have fully identified the issues nor to have put in place appropriate mitigation measures.

**2.37** The next operation built on the significant attention paid during the mid-term review of the program to environmental issues. The PD provides a more detailed list of issues (paras. 95-96) and introduced specific benchmarks in the policy matrix as well as technical assistance proposals on production methods and the use of production practices relying less on chemical inputs. Resettlement is again handled as a risk to be addressed through the parallel dialogue on strengthening country systems, as opposed to directly as part of the program. Based on available information, it seems that while attention to environmental issues improved after the first operations, there was insufficient focus on resettlement. Furthermore, there is no information of whether on effectiveness of the mitigation measures and how these affected outcomes.

**2.38 Climate Change DPO.** The PD affirmed that the DPO series was “likely to have significant positive effects on the environment, forests and other natural resources” and argues that “climate change itself will have negative impacts on forests and other environmental resources over the long-term, so the enhanced climate resilience that is the objective of this operation represents a significant positive environmental effect.” It

acknowledged that a few of the specific policy areas to be supported are likely to have either positive or negative effects on natural resources, and indicates that policy reforms that might “theoretically generate negative environmental effects” were those associated with the “irrigation sector.” The PD argued, that “the intention of irrigation policy reforms is to better manage water resources for irrigation” although this “could result in more intense irrigated agriculture in some areas and result in more use of pesticides and localized adverse environmental impacts and reduce water availability for other purposes.” There is no indication of specifically how potential increased pesticide – and other agro-chemicals – use would be managed or its potential adverse environmental impacts mitigated.

2.39 Mitigation was to involve a “two-pronged approach” through the Mekong Water Resources Development Project and through the strengthening of national EIA regulations and processes under the PIR series and by technical assistance. However, the Mekong Water Resources Project does not cover all parts of Vietnam where irrigated agriculture takes place, and a recent Bank assessment suggests that improvements to the countries systems for EIA and Strategic Environmental Assessment have been limited to date.

2.40 **Power.** The PDs argue that the investment plan for the sector is well known and the two environmental consequences on air emissions and on natural resources and forests have been reviewed. They conclude that the policies supported by the operations are unlikely to have significant environmental impacts. There is no discussion of other safeguards.<sup>61</sup> Greater precision would, in any event, have been difficult since the proceeds of the DPOs were to be on-lent to Vietnam Electricity,<sup>62</sup> so that the use of these resource could not be identified. Nonetheless, the PD could have provided a framework to ensure the identification and mitigation of negative environmental and social impacts.

2.41 Summarizing, the Bank and other development partners carried out significant environment-related analysis in Vietnam during the period immediately leading up to and during the years when the PRSC 6-10 series was being implemented. However, the respective PDs, while highlighting several policy action areas where significant impacts might occur, did not adequately identify what those impacts might be. There was little discussion as to whether the Vietnamese Government possessed the institutional capacity necessary to address them effectively, nor of what the Bank might do in order to assist the Government. Thus, the Bank did not fully comply with OP 8.60,<sup>63</sup> particularly for the initial operations in the PRSC series. Similar problems are present under the PIR and climate change DPOs, and to a lesser extent, under P135. The relevant sector DPOs do not appear to address adequately the issues left uncovered in the series reviewed by this PPAR. The PD for the Climate Change DPO reveals similar gaps to those identified in the PRSC series. The

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<sup>61</sup> Although the Project Appraisal Document of the contemporary Bank-financed [Trung Son Hydropower Project](#) anticipates the triggering of seven other safeguards policies: Natural Habitats, Pest Management, Physical Cultural Resources, Involuntary Resettlement, Indigenous Peoples, Safety of Dams and Projects on International Waterways.

<sup>62</sup> PD1 para. 141.

<sup>63</sup> Perhaps similar scrutiny if applied to other DPOs would result in similar conclusions. However, given Vietnam’s environmental challenges, it may be appropriate to take advantage of every opportunity to cover this issue.

environmental analysis for the Power DPO series, is sector-oriented and may not cover all relevant safeguard policies adequately.

## **Public Expenditure and Financial Management**

**2.42 Public Financial Management (PFM) in Vietnam.** Vietnam had made substantial progress in PFM in the years preceding the new series of PRSCs. The most important achievement was enacting the new Budget Law in 2002 that was transformative in laying down the foundation of a modern budgetary system with the Parliament and People's Councils deciding on budget allocations and the Government being accountable for budget implementation. In 2005, the State Budget Plan was disclosed for the first time, which was an important milestone in enhancing transparency in public finance.

**2.43** This was followed by the enactment of new budgetary oversight regulations that mandated disclosure of budgetary data at all levels of government and increased transparency in public investments projects. Establishment of an Independent State Audit in 2005 was important in promoting accountability of public agencies. As a first step in improving the budget's mid-term planning framework the Government began piloting a Medium-Term Expenditure Framework (MTEF) in four sectors and for all provinces with the intention of rolling out at the central government level. There had been improvements in consolidation of capital and recurrent budgets into a single budget and introduction of budget norms of expenditure planning.

**2.44** In spite of these developments Vietnam's PFM system was still in its "infancy" by modern standards when the second series of PRCSs and support for the Government's P135 National Program began. This was the reason that the CPS for 2007-2010, and the second series of PRSCs focused on PFM as an important reform area. It has been recognized<sup>64</sup> that using internal standards of accounting in the public sector, introducing internal audit mechanisms in public agencies, changing the practices of off-budget borrowing for public investment projects, limiting carry-over of large a portion of annual spending without subsequent reporting, reducing inefficiency in public investment program, and addressing shortcomings in public financial management information system are the key challenges to be met in improving budgetary efficiency.

**2.45** Some of these areas (planning process, audits, debt management and public investment), became the focus of the second PRSC series. There were also complementary technical assistance and investment lending projects put in place to facilitate modernization of budget management systems in 2007-12. In addition, the newly launched P135 programs addressed some important aspects of PFM at communal level, mostly in the framework of facilitating efficient use of resources transferred from the state budget for service delivery at local level. A new DPO series (PIR) was launched in 2009 as an additional boost for public investment reforms that had been largely stagnant under the second series of PRSCs in 2007-09.

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<sup>64</sup> See PER 2006 and VDR 2007

2.46 Between 2007 and 2012, the PFM system was in a process of change, although progress was slower than expected given the ambitiousness of the Government's reform program. A modern treasury management system (TABMIS), and enhanced external audits were introduced. A Public Expenditure and Financial Accountability (PEFA)<sup>65</sup> exercise in 2013 diagnosed PFM issues. According to this, there were still large carry-overs of expenditures to the following years that lacked standard economic and functional classifications, a lack of reporting of expenditures at the commitment stage that limits the efficiency of TABMIS, non-conformity of financial reporting with international standards, large unreported government operations through extra-budgetary funds, a lack of multi-year fiscal projections, and a lack of effective internal audit mechanisms. Although these shortcomings make it difficult to analyze public expenditures, key trends between 2007 and 2012 have been assessed using available data.<sup>66</sup>

2.47 As noted in table 2.3 below, Government expenditures as a percentage of GDP have declined slightly since mid-2000s. The fiscal envelope increased substantially in 2009 due to the Government's response to the financial crisis. However, total expenditures fell from 33% of GDP in 2009 to an estimated 27.6% in 2013, thanks mainly to a four percentage point decline in capital expenditures. This can be considered as a positive development given the inefficiencies in Vietnam's large public investment program. However, this assumes that the reduction in the envelope has been made through the elimination of projects with the lowest rates of return – the mission was unable to obtain information on this point.

2.48 The Government has maintained its focus on social spending during the period under review. Expenditures in social sector (not including capital expenditures) have increased from 8% of GDP in 2006 to 9.4% in 2013. The proportion of public expenditures on education and training in GDP was at around four% in 2013 compared to 3.5% in mid 2000s. There was also an increase in the share of health expenditures. Given that the overall fiscal envelope in relation to GDP was somewhat smaller in 2013 than in 2006, Government's focus on social expenditures can be considered broadly adequate.

2.49 **Conclusion:** Despite their weaknesses, the public financial management systems were sufficiently robust to justify the Bank's budget support. In the same vein, budget allocations were relatively appropriate and pro-poor. Therefore, DPO resources were likely to contribute to poverty alleviation.

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<sup>65</sup> [PEFA 2013](#)

<sup>66</sup> Budget Data were made available to IEG by Vietnam Country Management Unit



Table 2-3 Vietnam State Budget, 2004-13 (% of GDP)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (est)
<b>Revenue</b>	<b>27.8</b>	<b>28.4</b>	<b>29.7</b>	<b>29.4</b>	<b>29.3</b>	<b>25.8</b>	<b>27.3</b>	<b>26.0</b>	<b>22.7</b>	<b>22.3</b>
<b>Current revenue</b>	<b>25.2</b>	<b>26.1</b>	<b>27.1</b>	<b>26.1</b>	<b>26.4</b>	<b>23.1</b>	<b>24.3</b>	<b>23.6</b>	<b>20.9</b>	<b>20.7</b>
Tax	21.8	22.8	24.3	23.5	24.4	20.6	22.4	22.3	19.0	17.7
Natural resource tax	2.4	2.5	2.7	1.9	1.8	1.1	1.2	1.4	1.3	1.0
Trade tax	3.0	2.8	2.7	3.3	4.1	4.3	3.4	2.9	2.2	2.1
Fees, charges and non-tax	3.4	3.3	2.8	2.7	2.0	2.5	1.9	1.3	1.9	3.0
<b>Capital revenue</b>	<b>2.2</b>	<b>1.8</b>	<b>1.8</b>	<b>2.7</b>	<b>2.2</b>	<b>2.2</b>	<b>2.4</b>	<b>2.0</b>	<b>1.4</b>	<b>1.3</b>
<b>Grants</b>	<b>0.4</b>	<b>0.5</b>	<b>0.8</b>	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>
<b>Expenditure</b>	<b>27.7</b>	<b>29.9</b>	<b>30.1</b>	<b>33.0</b>	<b>31.5</b>	<b>33.0</b>	<b>30.3</b>	<b>27.7</b>	<b>30.2</b>	<b>27.6</b>
<b>Recurrent</b>	<b>16.9</b>	<b>17.9</b>	<b>18.5</b>	<b>20.3</b>	<b>19.7</b>	<b>18.1</b>	<b>18.7</b>	<b>17.9</b>	<b>19.9</b>	<b>19.7</b>
Administration	2.2	2.2	1.9	2.8	2.6	2.2	2.6	2.6	2.7	2.6
Economic	1.4	1.4	1.5	1.4	1.4	1.5	1.7	1.6	1.8	1.8
Social	7.7	7.3	8.0	8.0	7.7	8.2	8.4	8.0	8.3	9.4
of which										
Education and Training	NA	NA	NA	3.5	3.3	3.8	3.6	3.6	3.9	NA
Health	NA	NA	NA	1.0	0.9	1.1	1.2	1.1	1.2	NA
Social Security	NA	NA	NA	2.2	2.3	2.8	3.0	2.8	2.6	NA
Interest payments	1.0	0.8	0.8	1.1	1.1	1.1	1.2	1.1	1.2	1.3
Other recurrent	4.6	6.1	6.3	6.9	6.9	5.0	4.8	4.6	5.8	4.6
<b>Capital</b>	<b>10.7</b>	<b>12.0</b>	<b>11.6</b>	<b>12.7</b>	<b>11.8</b>	<b>14.9</b>	<b>11.6</b>	<b>9.7</b>	<b>10.3</b>	<b>7.9</b>
On budget	NA	NA	NA	NA	8.0	10.0	8.5	7.5	8.3	5.5
Off budget	NA	NA	NA	NA	3.8	4.9	3.1	2.2	2.0	2.4
<b>Budget balance</b>	<b>0.1</b>	<b>(1.4)</b>	<b>(0.4)</b>	<b>(3.6)</b>	<b>(2.2)</b>	<b>(7.2)</b>	<b>(3.0)</b>	<b>(1.7)</b>	<b>(7.5)</b>	<b>(5.3)</b>
Primary balance	1.1	(0.6)	0.4	(2.5)	(1.1)	(6.1)	(1.8)	(0.6)	(6.3)	(4.0)
Public Savings	10.8	10.6	11.2	9.1	9.6	7.7	8.6	8.0	2.8	2.5

Source: Vietnam Ministry of Finance, and World Bank Estimates.

## Analytical underpinning

2.50 The quality of policy operations is influenced by the analytical work upon which the policy dialogue with the country is based, by how well lessons learnt are integrated,<sup>67</sup> and by constraints identified through sectoral operations and technical assistance. The most recent of the World Bank's Operation Policies and Country Service (OPCS) triennial studies makes the following observations based on a universe of DPO evaluations covering various countries completed in preceding years: (i) the need to fully use available studies<sup>68</sup>, which may be an issue in Vietnam as some reports are not made public (e.g., the 2007 Country Financial Accountability Assessment); (ii) the need to better use of Poverty and Social Impact Analysis (PSIA) to support DPOs,<sup>69</sup> and (iii) the need to clearly articulate, in Project

<sup>67</sup> The issue of lessons integration of lessons learnt is taken-up in the analysis of design section of this report.

<sup>68</sup> OPCS 2006; [Development policy lending retrospective](#)

<sup>69</sup> OPCS 2009; para. 24.

Documents, the links between analytical work and programs being supported<sup>70</sup>. One of the reports also highlights the need for considerable improvement in the treatment of environmental issues,<sup>71</sup> which as seen earlier is also applicable to Vietnam.

2.51 Vietnam was an exceptionally well-studied country during the period under review and all six DPO series benefitted from strong analytical underpinnings. The DPOs also appears to have avoided some of the pitfalls highlighted by OPCS, notably through: (i) good use of available studies, with at times clear linkages established with reforms being supported (as for instance discussed above in the government strategy section); (ii) appropriate use of relatively up-to-date PSIA (see sections in this chapter on environment and poverty); and (iii) effective use of outside knowledge and analytical sources, including through joint flagship reports such as the VDR.

2.52 The main studies referred to in the PDs for the series reviewed are listed in Annex Table B.7. As indicated, some of these studies, notably VDRs, were cross-cutting and provided the basis for all the DPO series. Others were much more sector-specific, and well integrated into the relevant DPOs. In the case of P135, the analytical inputs included evaluation of the first phase of the program, as well as more than a dozen analytical studies carried out on Vietnam during the period 2002-2009. These documents covered problems of high relevance to P135 related to ethnic minorities, spatial poverty targeting, issues in agriculture and forestry, irrigation, and rural development and poverty reduction in general.

2.53 Notwithstanding strong evidence of consideration of knowledge products into PRSCs and the PIR, a minor shortcoming concerned the link between the studies and the design reforms is not always evident and may have diminished over time, in the sense that some of the most pressing identified reforms were not integrated into the program. One may assume these were an integral part of the dialogue between government and development partners.<sup>72</sup> Furthermore, the design of the PRSC series made it difficult to integrate studies undertaken towards its latter years. For instance, the 2010 VDR had limited impact on the governance area of PRSC 10.

2.54 **Conclusion.** Vietnam DPOs benefitted from extensive, good quality analytical work, which in turn help enhance the formulation and implementation of reforms. The quality of the work (based on the review of many such documents) appeared to have been generally good and at times outstanding. There is credible evidence that this favorably and substantively affected the overall design. In the case of the latter PRSCs, the integration of recent analytical work into design was more limited.

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<sup>70</sup> OPCS 2012; Executive Summary provides an adequate overview of issues dealt with in detail in the text.

<sup>71</sup> OPCS 2009; para. 98

<sup>72</sup> Well documented in the PDs.

### 3. Intervention Logic

3.1 The previous chapters examined the background to the DPOs reviewed in this PPAR, and presented their building blocks. This chapter focuses on various aspects of intervention logic and design, including analysis of underlying institutional arrangements, results framework, and the Bank's response to macroeconomic issues raised in the previous chapter.

#### Macroeconomic focus of Bank DPOs

3.2 The operational policy governing Bank's policy lending underscores the importance of a sound macroeconomic framework. The underlying principle behind this is that the overarching objective of the Bank's policy lending - poverty reduction through growth – cannot be achieved and sustained without macro-economic stability. This typically means that for DPOs to be successful, inflationary pressures need to be under control, budget deficits and current account balances need to be sustainable, and the risk of the country's policy makers being unable to manage prospective internal or external shocks should be reasonably low. The Bank's operational policy also stipulates that where macroeconomic stability is jeopardized, the program supported by the Bank policy lending should help the borrower to return to macroeconomic stability through incorporating macro actions in the DPO's policy matrix

3.3 The macroeconomic situation in Vietnam during 2008-2011 was volatile due to a combination of a major external shock and policy choices. Vietnam's policy response to the crisis was controversial, including the size, structure and timing of the stimulus that led to overheating and destabilization. By all accounts macroeconomic stability was at risk during most of 2010 and early 2011.<sup>73</sup> Although the PDs of the DPOs implemented during the crisis period considered the macroeconomic risks, the operations did not include macroeconomic and fiscal policy actions in their policy matrices (except for the debt to GDP ratio objective in the Governance pillar of the PRSC series that was underpinning the program's PFM agenda). The financing amounts of both ongoing series (the PRSCs and P135) were augmented to provide additional financing to Vietnam without committing the Government to take parallel macroeconomic policy actions. Neither did the two DPO series (PIR and Power), which were approved at the peak of the crisis and provided US\$1.5 billion in financial resources to the country, contain any "corrective" macro actions in the programs they supported. This absence appears to conflict with Bank guidelines. Vietnam has not had an IMF program since 2004 (see Box 3.1 below), which further strengthens the case for including macroeconomic actions within budget support operations.

3.4 Vietnam's own policy agenda contained much that the Bank could have drawn upon to design a program focused on macro-stabilization. In particular, in November 2009, the Government issued a resolution to shift from stimulus to stabilization, which could have been used for the policy matrix underpinning PIR1, Power1, PRSC9, third P135 and Higher Education that were presented to the Board during 2010. Another resolution on stabilization

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<sup>73</sup> In 2012 IMF had reported that Vietnam "has regained macro-stability" (IMF, 2012 Article IV Report)

was adopted in early 2011, which also not reflected in the DPO policy matrices of that period.

3.5 The absence of macroeconomic measures from the DPO-supported programs may be explained by the Authorities' unwillingness to include them, in view of political economy constraints. For example, stabilization measures might have been unpopular among various political constituencies ahead of the Party Congress in January 2011, especially because of their potential impact on fiscal allocations to provincial authorities. According to Bank staff interviewed for this evaluation, Bank insistence on including macro-policy measures as prior action for policy lending might have undermined the relations with Vietnam without achieving much given the binding political constraints. However, the acceleration of lending in the absence of such measures may have undermined voices within the administration that argued in favor of greater attention to the macro situation.

3.6 In the absence of specific macro policy actions under the DPOs the burden of promoting macroeconomic reforms shifted to the policy dialogue. As suggested by the review of the first PRSC series, this approach was seen as a way to promote policy changes in various areas without formally including them in policy matrices, and had arguably been successful in the past in Vietnam. With respect to the period under review, there is evidence that the policy dialogue was actively used for promoting policy adjustment only under the PIR series. In particular, in 2009 the Bank delayed PIR processing to facilitate Government's decision to reconsider a reversal on a key proposed prior action related to the adoption of a new investment law. In any event, policies became unsustainable again after the disbursement of PIR1 in early 2010. In late 2010, the Bank delayed PIR2 until the Party Congress in January 2011 for reasons that included the need to address the macroeconomic framework. However, just when finalization of the PIR program was delayed, the Bank prepared, approved and disbursed end-2010 the PRSC9 and Power1 operations. These provided around US\$500 million of budget support when macroeconomic uncertainties were at their peak and these operations did not support measures to address them. The fragmentation of policy dialogue through five DPOs implemented in parallel appears to have weakened Bank's focus on macroeconomic issues and contributed to mixed signals.

3.7 The avoidance to date of continued serious macroeconomic instability after 2012 owed little to Bank-supported programs or policy dialogue. It was due, rather, to greater political openness following the Party of Congress of 2011 and to the perception on the part of the Authorities, of the mounting costs of instability. Even the recent improvement in the macroeconomic situation is relative. Vietnam's economy is more open, and hence more vulnerable to external shocks, than it was ten years ago. Problems in the financial and SOE sectors can quickly translate into major macro-tensions. Vulnerability has been exacerbated by the widening public sector deficit finance between 2012 and 2014, pushing the official debt burden towards the frontiers of sustainability. The Bank took risks with uncertain payoff by providing budget support at time of macroeconomic weakness and in the absence of strong measures to regain macro-stability. The Bank may have been exposed to reputational risks if its policy lending were to be seen as de-facto endorsements of the country's anti-crisis policy.

**3.8 Conclusions.** Quantitative data and qualitative information suggests that Vietnam's macro and fiscal management has weakened since end 2000. Dominance of political economy factors over technically sound solutions appears to be a continuing pattern, even in the current post-crisis environment. This stands in contrast with experience during the 1990s early 2000s when a prudently managed economy mitigated macro and fiscal risks. The 2016-SEDP and the next Party Congress provide the opportunity to deal with these issues, and their substantial political challenges. Future DPOs should pay careful attention to the risks of lending in the presence of a risky macroeconomic environment. However, despite Economic Management and Competitiveness Credit's (EMCC's) intended focus on macroeconomic stability (reflected in a result indicator on debt to GDP ratio) the ability of the Bank to help to maintain debt sustainability remains limited. EMCC's result indicator in macro and fiscal -- to maintain debt to GDP ratio below 65% -- is too broad and adds nothing to the already existing law on Public Debt, which has a similar cap on the debt to GDP ratio. It is therefore important for the Bank to develop effective engagement modalities in Vietnam to help stakeholders address macro and fiscal concerns.

### **Box 3-1. Relations with IMF**

There has not been an IMF program in Vietnam since 2004. No program was discussed between IMF and Vietnam in the period of global crisis and subsequent macro destabilization in Vietnam in 2009-2010. According to the PDs of DPOs and the interviews with Bank staff the Bank was in active consultations with IMF on macroeconomic issues. This evaluation finds that the Bank and Fund teams at times had differing views on some key macro policy parameters, including the timing and the scope of corrective macro actions. Compared to the IMF, the Bank country team had more confidence in the Authorities' ability to control macro developments and avert full-blown destabilization which may be explained by a closer relationship and deeper dialogue between the Bank and the authorities.

According to the Guidance Note on Bank-Fund cooperation on DPOs, Bank teams are advised to seek an assessment letter from IMF (Fund Relations Note) at the time of program preparation as an annex for DPOs' PDs. These letters, however, are not necessarily endorsement letters. Rather, they inform the Board on the IMF's position on the country's macroeconomic outlook. The IMF's assessment letters for all DPOs were included in the PDs except that for the first Power DPO approved at the peak of crisis in 2010. This letter was not cleared for public release by the authorities due to a reference to large-scale reserve loss by the SBV. This indicates the sensitivities about macroeconomic issues and disagreements between the parties on the way forward for macroeconomic policies. In the assessment letters for PIR1 and PRSC 9, the IMF highlights major risks, uncertainties and outlines needed policy changes. Such policy changes are not, however, well reflected in the Bank's program.

*Source: Program Documents, World Bank OPCS Guidance Note on DPOs*

## **Integration in design of lessons learnt from past experience**

**3.9** PDs contain a specific section on lessons from past experience that provides insights into how these were taken into account in a particular DPO and influenced its design. What follows summarizes the analysis found in the PDs. The type of lessons noted depended on the operation, with the PRSC relying more on Vietnam specific experience, while some sectoral

DPOs took greater consideration of international practice. As a middle-income country, Vietnam will need to give greater priority to learning from international experience, just as low-income countries should learn from Vietnam's.

**3.10 Second PRSC Series.** The lessons learnt integrated into the PRSC series provide a fairly comprehensive record of how to engage with Vietnamese authorities effectively. Additional ones are added over time, including a lesson stated in PRSC 10 that reform programs should be based on what Government is willing and able to do and not necessarily what is most desirable – the validity of which the present review questions further-on. However, the following shortcomings are also worth noting:

- There is no reference to relevant experience in other countries.
- There is no reference to lessons from reforms undertaken under the previous operations in the second PRSC series. Such an analysis might have explained why the ambition of reforms apparently progressively diminished over time.

**3.11 PIR.** The lessons learnt section of PDs for the PIR series is sparse, especially that of the second document. Insights on what has worked elsewhere might have helped identify and perhaps alleviate some of the constraints that emerged later and resulted in important reforms being abandoned and/or postponed.

**3.12 P135.** The lessons cited in PD1 differ somewhat from those in the last two. The lessons learnt tend to be generic, broad, and unspecific, although more useful lessons are drawn from a thematic IEG evaluation and from the conclusions of the mid-term review (MTR) which followed completion of the first operation. However, lessons cited do not always justify the lending approach proposed. For instance, the lessons highlighting demand-driven approaches and capacity building seem better suited to sector-wide investment lending. Furthermore, some key lessons were not adequately applied and reflected in the design -- areas they were related to remained weak during implementation.

## Link to other operations

**3.13** The PDs help establish the links between the DPOs and other World Bank investment operations and explain how this affected DPO design and ensured complementarity between the instruments (there were few references to other development partners' activities other than cofinancing or technical assistance). Bank operations linked to each DPO are listed in Annex B.8.

**3.14** The link between the second PRSC series and other operations appears to have been quite weak at first, but became stronger as the series progressed. For instance, the PD for PRSC 8 explains<sup>74</sup> the feedback loops between investment lending, grants and budget support in the areas of financial sector, education and environment. The PD for PRSC 9<sup>75</sup> further describes the relationship with two sectoral DPOs (P135 and Power): "Some of the policy issues that were originally included on the reform agenda at the beginning of this

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<sup>74</sup> Para. 25

<sup>75</sup> Para. 37

PRSC cycle are transferred to sectoral DPOs once a strategic policy decision has been made.” In a few cases, such as IDF grants and technical assistance (the output of which is not public), it is not always apparent how these influenced the PRSC design. This comment also applies to the PIR.

3.15 Similarly, there are strong links established between the PIR and the PRSC. The P135 series also aimed to scale-up at the policy level the institutional innovations already demonstrated under ongoing IDA-supported CDD, health and education projects.<sup>76</sup> Of all the operations in this review the P135 series probably had the most links to other operations.

## Institutional Design of DPOs

3.16 The institutional setting for DPOs was quite complex and required significant coordination efforts by both Government and development partners, as well as with numerous other stakeholders involved at various levels.<sup>77</sup> The arrangements, under the various DPOs are summarized in Table 3.1 below.

**Table 3-1. Main actors involved in DPOs**

DPO	Central Government	Development Partners	Others
PRSC	MOF (Ministry of Finance), MPI (Ministry of Plan and Investment), SBV, the Ministry of Industry and Trade (MOIT), the Ministry of Labor, Invalids and Social Affairs (MOLISA), the Ministry of Justice (MOJ), MARD, the Ministry of Education and Training (MOET) and the Ministry of Health (MOH), and Ministry of Home Affair (MOHA). Prime Minister (PM) office	12 (PRSC 6-7); 11 (PRSC 8); 9 (PRSC 9); and 8 (PRSC 10)	Through NGO Resource Center; Vietnam Business Forum Party's Economic Commission (PEC); Office of Government (OOG);
PIR	MOF, MPI, SBV, MARD, Ministry of Construction (MOC), MOHA, MOIT, MONRE, and Ministry of Transport (MOT)	World Bank coordinated with: AFD, ADB, the Japanese International Cooperation Agency (JICA), the Korean Development Bank, and the German Kreditanstalt für Wiederaufbau (KfW).	Civil society consultations indirect, through PRSC The National Steering Committee for Enterprise Reform and Development (NSCERD)

<sup>76</sup> Paras. 39-40

<sup>77</sup> As described in earlier discussion of political economy in Vietnam.

P135	MOF, MPI, SBV, the MOLISA, the Ministry of Construction (MOC), MARD, and MOHA. PM office	Australia, Finland, Ireland, the International Fund for Agricultural Development (IFAD), Sweden, and the United Kingdom (UK), and United Nations Development Program (UNDP), Swiss Development Cooperation Agency, UNICEF	Vietnam Fatherland Front. Provincial steering committee: Provincial Committee for Ethnic Minorities (CEM), the Provincial People's Committee (PPC) Province Board of Ethnic Affairs (PCEM) or Department of Planning and Investment (DPI) at province level, and the Peoples Committee Office at district and commune levels
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Source: PRSC ICR and PDs

Notes: Development partners include World Bank

3.17 The following key aspects of the arrangements, which are further detailed in Annex B are noteworthy: (i) arrangements are quite complex and differed for sector series; (ii) the central Bank plays a greater than would be required by the content policy actions; (iii) the effectiveness of the PRSC Steering Committee appears to have declined during the latter part of the series; (iv) Civil society involvement in the PRSC appears to be mainly through consultations with apex organizations and highly structured, as part of a growingly inclusive process; and (v) all DPO series received significant development partner involvement in terms of financing and/or participation in the dialogue, even though the number of development partners involved decreased over time (from 12 to 8 in the case of the PRSC), which in principle should have facilitated harmonization.

3.18 By the time of the PPAR mission (June, 2014), some development partners were no longer active in the country. For most others, staff originally involved in the DPOs were no longer present. Institutional memory had thus diminished, even though feedback received was by and large consistent with past findings. There was greater willingness to discuss weaknesses. Regarding the PRSC, there is broad agreement that it was directly based on the Government's reform agenda. In line with previous findings, the development partner and NGO consultations were mentioned as "best practice." Nevertheless some development partners also highlighted specific coordination issues (see Box 3.2).

### Box 3-2. Coordination Issues

- Some partners pursued their own projects after the PRSCs, and some left Vietnam. This is why the ongoing Economic Management and Competitiveness DPO series is supported by fewer donors and poses fewer coordination problems.
- A bilateral partner championed budget support for P135 on the grounds that it promoted a strong momentum in favor of coordination around this program. It subsequently found the program ineffective and stopped funding it.
- Some donors felt that the World Bank halting its budget support to P135 undermined harmonization. .



- Human rights concerns explain why some development partners opted out of providing general budget support

3.19 By PRSC 4, the number of triggers or prior actions had been reduced to around 15, with the overall number of policy actions (benchmarks) remaining between 40 and 50. According to the previous IEG study, this was manageable. The report also notes that “the approach to flexibility (i.e; soft action and/or selection from a menu of choices) is based on recognition that the pace of implementation in any individual policy area is a matter for the Government to determine, with Bank and international partner support linked to an assessment of the overall program. This approach has facilitated a broad coalition of international partners with diverse priorities coming together in support of Vietnam’s reform agenda. It has also provided a platform for dialogue on the implementation of the SEDP with an increasing emphasis on outcomes and results as the basis for assessing the overall program.”

### **The tradeoff between flexibility and depth**

3.20 A risk recognized at time of preparation of the second PRSC series was that flexibility in choice of actions may reduce the impact of PRSCs on deeper sector reforms and policy developments requiring more ambitious measures. However, the experience of the first PRSC series suggested that flexibility facilitated a broader dialogue on Vietnam’s reform agenda and contributed to a greater degree of trust between the Authorities and the Bank. Transformative reforms such as the acceleration of WTO accession and the Communist Party’s approval of a roadmap for banking reforms have been attributed to this approach. Box 3.3 below presents some of the feedback received during the mission, which reveals a certain degree of skepticism over the quality of reforms and PRSC’s actual contribution in recent years.

3.21 As the report presents in the next chapter ere few major breakthroughs under the second PRSC series or indeed during the period during which the DPOs were implemented. As noted in the ICR for this series, the commitment to key structural issues waned in later PRSCs – a finding explained and detailed in this report.

#### **Box 3-3. Selected comments on Bank’s approach to flexibility in DPOs by various stakeholders, (including Bank staff and development partners)**

- The PRSC instrument “rewarded” the Government for past policy actions, irrespective of the quality of current reforms (an external partner)
- Predictability of future financing is desirable, but only if it does not compromise the reform agenda substantially. In Vietnam, the imperative of meeting certain commitment dates for resources diminished the quality of reforms (an external partner)
- Vietnam pursues DPOs to enhance its international credibility and to shift attention to non-controversial areas (an external partner)
- The Bank was not the donor who advocated and created a consensus if favor of delaying PRSC 10 due to the economic situation (an external partner).
- Early on, PRSCs established a tradition whereby limited implementation of the reform agenda would not have any implication in terms of disbursement (Bank staff)

- The same reasons that led to delays in PRSC 10 should have caused a delay in previous ones (an external partner).
- The Bank found it hard to balance credibility and cooperation and was unable to effectively advocate more ambitious measures (Bank staff)
- The PRSC should have been stopped long ago, as it had run its course in the middle of its journey.
- At present, only extreme financial circumstances would lead to difficult reforms being considered (Bank staff).

3.22 Consistent with the impressions reported in Box 3.3, there were few major reform breakthroughs under the second PRSC or PRI series. The commitment to tackle key structural issues waned over the course of the period covered by the two series, including persistent weaknesses in the SOE sector, difficulties in the financial sector (which are slowing down the domestic private and agricultural sectors), and governance. An opportunity to address these issues would thus therefore appear to have been a missed opportunity to address the structural issues that have affected the three out of four following sources growth: FDI continues to do well, but SOE weaknesses are now apparent, and difficulties in the financial sector are slowing down the private and agriculture sectors. A recent study highlights certain institutional reform priorities and provides a blueprint that could be used for future engagement by donors based on focusing on fewer policy areas and tackling difficult challenges therein, including that related to governance. Important elements of this agenda are covered by the post-PRSC Economic Management and Competitiveness DPO series.

## Risk Assessment

3.23 This section reviews how program design identified risks, whether the main issues were covered and how the risks were mitigated

3.24 **PRSC.** The PD for the first operation in the second series identifies three risks listed below together with an assessment of effectiveness of mitigation measures:

- Vulnerability stems from possible turbulence in the domestic financial sector and the development of capital markets. Upgrading of policies related to the banking sector, the securities market and the management of public debt were part of the proposed reform program. Non-Performing Loans (NPLs) were not addressed. They remain a major issue and have risen in recent years. Financial sector vulnerability remains a high risk.
- Global integration, resulting in large inflows of FDI and increased domestic competition in formally protected sectors, may also test Vietnam's ability to preserve social inclusion and reduce a widening urban-rural gap. Inclusive policies in the social sectors, and transparent mechanisms to transfer resources to the poorer regions are among the mitigating measures supported by the PRSC. This risk was effectively mitigated, as demonstrated by the declining poverty rate.
- Cases of corruption and social strife are increasingly related to land. Tackling this risk requires rapid progress in transparency at various levels, from regional planning to

infrastructure master plans to land use to appropriate taxation to the monitoring of assets of the relevant civil servants, only some of which were PRSC measures. Corruption remains one of Vietnam's biggest challenges.

3.25 Risks arising from resistance to reforms from vested interest and SOEs, limited progress on the environmental front, slow-down in reform due to political cycle and other reasons, and external shocks were not explicitly addressed in the second PRSC series. As discussed in the previous chapter, the macroeconomic risk was not adequately considered. Most of these issues were mentioned in analytical work and might have been addressed through policy reform and dialogue under or in parallel to the PRSC. This was not, however, the case. The documents for the later PRSCs in the series, notably the last operation, brought out these risks and added other forward looking risks such as those stemming from the decline in concessional financing and other challenges facing a middle-income country. Macroeconomic risks continued to receive minimal attention.

3.26 **PIR.** The PD identified a series of risks and mitigation measures:

- Increased macro instability was mitigated in part by the stimulus package, which in practice proved to be pro-cyclical. The mitigation measures included fiscal and monetary policies, intended to result in a decrease in the budget deficit. Large deficits remain an issue.
- Policy actions would be insufficient to increase quality of public investments. This would be mitigated through the amendment of the investment-related laws. However, the public investment law was not modified until mid-2014 and the risk materialized.
- Resistance from vested interests would be overcome through dialogue and working around institutional obstacles, as in the past. This risk materialized and was not mitigated. The policy content of the operations was less ambitious than envisaged at the outset.
- Measures, once adopted, would not have their intended impact. Technical assistance was intended to mitigate this risk. However, the fact that some intended outcomes were not achieved, together with the continuing inability to measure some outcomes suggest that this risk was not effectively mitigated, and that the impact of technical assistance was limited.

3.27 While not mentioned as a risk in the PDs, reforms in areas such as the investment law and PPPs had received limited traction under the PRSC. The reasons for lack of progress under the PRSC constituted risks that needed to be mitigated.

3.28 **P135.** The first operation benefitted from a detailed risk assessment matrix outlined in the first document. Its coverage included five institutional, two fiduciary, and six policy related risks. Mitigation measures included targeted technical assistance (TA), and institutional policy reforms. As explained in the PD for the third and last operation, institutional capacity constraints was the main issue in practice, exacerbated in part by inadequate sequencing of TA. Nonetheless, both this issue and coping with macroeconomic instability during program implementation proved to be manageable. Fiscal constraints did not result in a significant reduction in Government financing of the program.

## Monitoring and Evaluation (M&E) - Institutional Arrangements

3.29 **PRSC.** The program's M&E was largely based on SEDP monitoring framework both institutionally and in terms of selected indicators – as further developed in the 2007 VDR. The PRSC coordination unit in the implementing agency was the responsible agency for program's monitoring. In choosing the indicators from the large pool of SEDP indicators priority was given, to an extent possible, to those that depended less on administrative data collection. This resulted in incorporation of many indicators for which no extra efforts were required to collect. In the PD of the first operation in the series it is mentioned that due to the large number of indicators requiring some additional data collection efforts there would not be any annual updates of indicators. Instead, there was a plan to conduct jointly with government mid- and end-program reviews of M&E to collect information and improve its design. However, subsequent PDs of PRSC 7, 8 and 9 did not include a section on M&E and a mid-program assessment was not conducted. There was an end-year assessment of M&E framework which resulted in dropping of 27 indicators out of 51, and incorporation of 10 new indicators. Apart from reducing the number of indicators, this exercise failed to overhaul the M&E. Even though not readily measurable as formulated, some dropped results would have been nonetheless relevant to the evaluation of PRSC's efficacy.

3.30 **PIR.** Program design gave prominence to M&E by including it within one of the four thematic areas it covered. However, the institutional responsibility for overseeing M&E, while presumably that of MPI, is not clearly specified in PDs (as noted above the operation was not overseen by a Steering committee). The PDs argue, unconvincingly, that the program does not readily lend itself to measurement of its impact (PD2 para. 108). Reasons advanced include attribution (PIR is part of broader PFM reforms), inappropriateness of broad indicators, and the lag between program completion and visible policy response. However, the strategy highlighted in the 2007 Vietnam Development Report (VDR) and summarized above (Chapter 2), if implemented properly, could have produced measurable results, even if some would have been input-oriented. These might have included laws being in place (the public investment law and clarity on PPPs), effective monitoring and management of capital inflows and related alleviation measures, and evidence that the public investment law was beginning to be implemented (such as increased efficiency of public investments).

3.31 **P135.** M&E played a prominent role in DPO design and constituted the fourth policy area supported by the program. In the area of process monitoring, by the third and final operation, the Aligned Monitoring Tool/Project Management Tool (AMT/PMT) became the program's Management Information System (MIS). The AMT/PMT tool was adequate at the central and provincial levels for which it was developed but proved to be challenging to implement at decentralized levels. The tool itself and the many indicators it contained were unfamiliar to staff at local levels. Design of the MIS could have been improved had the system been based on traditional reporting at local levels using existing indicators with which local officials were familiar, and introducing new indicators only where essential to monitor progress towards outcomes.

3.32 As part of a consensus-based approach, all partners participated in assessing the progress of the program and identifying changes needed. Oversight over the program was led by the Government, with coordination managed by development partners on a rotation basis,

through an annual Joint Program Review (JPR) exercise in which all key partners participated. The AMT/PMT was implemented with major delays. Training of trainers was initiated only in October 2008, and only subsequently did provinces and districts start using the system. By the end of the program only 11 of the 50 provinces were able to use the system fully. And citizen report card surveys were abandoned after the first round (although substantial information was collected in this area in the end of the program evaluation).

3.33 In the area of evaluation, a randomized survey approach was used with designated treatment and control groups of communes and villages. The baseline survey was carried out in 2008 and helped in the development of better monitoring indicators in DPOs 2 and 3. A survey was carried out at the end of the program in 2011/12, which enabled an evaluation of the results of the program.

### **Structure of Policy Matrix and Quality of Results Framework**

3.34 Each program's policy matrix presented prior actions of on-going operations and triggers for the next operations. The PRSC operations would present indicative triggers for the next operation only, allowing flexibility for the program in general. The P135 matrix covered the whole program.<sup>78</sup> PRSC and P135 matrices also included policy actions that were not prior actions (so called "benchmarks"). Current Bank guidelines encourage a focus on select prior actions and do not promote the use of benchmarks. The main argument against benchmarks is that they may constitute implicit conditionality. In the case of Vietnam, presentation of Government's actions in DPOs' policy matrix, both implemented and planned, that were not part of the Bank's conditionality framework can be perhaps justified in case of PRSC series that had 17 policy areas while the number of prior actions per operation was capped at 12-13. At the same time, the PDs of PRSCs suffered from lack of reporting on the status of some of those actions, and in general provided no information on actions that were planned but never implemented. This inconsistent approach to the use of non-binding policy actions undermined the quality of the policy matrix. It also made the program harder to evaluate.

### **Analysis of the Policy Matrix and Results Framework**

3.35 Thanks to the depth and breadth of upstream diagnostic and analytical work, notably the Aiming High report, there was good basis for the policy reforms, and indicators and intended results specified within a medium-term framework. Both the PRSC and P135 series included detailed policy matrices (including non-core benchmark actions) that help set the reforms within the program. The PIR's policy matrix was limited to prior actions/triggers, but the results were more in terms of output largely attributable to the specific reforms.<sup>79</sup>

3.36 A good understanding of the significance of actions is an important consideration factor in the analysis of logical links. It is expected that prior actions should reflect political

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<sup>78</sup> PIR consisted of two operations only.

<sup>79</sup> Actions supported by all DPOs between 2007 and 2011, with mapping to their relevant pillars are summarized in Annex B.9.

consensus for transformation and change, be significant in terms of scope and ambition, and largely irreversible under reasonable assumptions. By these criteria the hierarchy of actions with highest impact would include changes in regulations, such as approved legislation, submission of draft laws to parliament that has high probability of approval, government decrees, prime minister's decisions and important national strategies. In contrast, "lower order" prior actions such as ministerial level actions, including letters of assurance, draft laws that have not received government approval or draft strategies before the stage of national debate are less influential, reversible and/or left unimplemented.

## PRSC

**3.37 Selectivity, outcomes and scope.** The second series of PRSC was a comprehensive program encompassing all of the pillars of SEDP. It had 17 policy areas under key four pillars or sub-objectives. Each policy area of the program initially had three results – which was reduced to two in the last operation. Results were mostly aligned with expected 2007-11 CPS outcomes. In some cases they exceeded the CPS's specific target areas and results framework because the PRSC also reflected the strategic priorities of development partners.

**3.38** The main area that was not directly covered by the CPS was legal development, although it was highlighted as an important policy area in the 2007 VDR. The program supported improved consultation in the legislative process, enforcement of civil judgments and registration of civil society organizations. In addition, the CPS did not focus on public debt management. The PRSC added late in the series the development of a modern budgetary system – TABMIS. It was an outcome also supported by the Financial Management Reform Project, implemented in parallel. In general, the PRSC program was well aligned with both the CPS and the SEDP although mapping of policies differed in a few instances. For example, reforms in State Audit of Vietnam (SAV) are presented as part of anti-corruption reforms in the CPS, whereas the PRSC program includes them in the public financial management policy area. Despite these minor inconsistencies, there was good alignment between the PRSC, and the SEDP and CPS, within a harmonized donor structure.

**3.39 Link to results.** By and large the relevant actions are well described in the 2007 VDR. Most prior actions in the first three operations were pertinent for the results – even in cases where results being captured were outcomes linked to higher level objectives that also depended on other factors. However, seven prior actions<sup>80</sup> did not appear to contribute directly to the expected results of PRSC, even if some were relevant for the CPS.<sup>81</sup> On the other hand, one result added in PRSC 10 (TABMIS) was not attributable to any of the reforms undertaken by the PRSC.

**3.40 Evolution of the agenda.** Reforms supported by PRSC represented a broad spectrum of actions. However, a shift toward "lower order" prior actions is evident in the

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<sup>80</sup> Namely, HIV law (PRSC 6), support to establishment of NA committees (PRSC 6), support to SAV (PRSC 6 and 7), mechanisms for social and environmental assessment of WTO accession (PRSC 7), National Bar association (PRSC 8), and MOF synthesis reports of Economic Groups (PRSC 10)

<sup>81</sup> WTO accession, HIV law and support to SAV

programmatic series. While the initial two programs were mostly supporting “high level” actions, such as approved laws, government decrees and Prime Ministerial decisions, later operations saw an increase in the number of policy actions at ministerial level. Figure 3.1 below illustrates the evolution over time of the structure of PRSC prior action. It shows a clear change in the composition of actions away from “high level” (policy oriented) and towards “lower order” (process and implemented oriented) ones in the course of each successive operation.

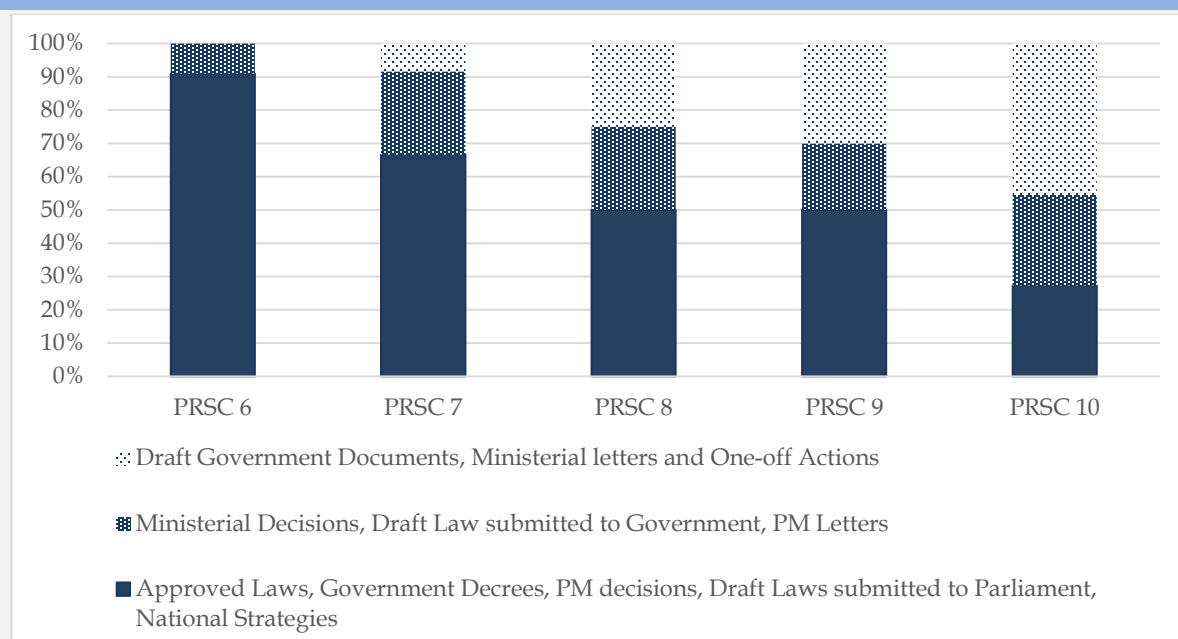
3.41 It can be argued that at the onset of such operations it makes sense to support such important actions such as legislation and national strategies, while the rest of the program should focus on ensuring implementation aspects of these legislations. However, this link was mostly missing in the case in the Vietnam second PRSC series. Many prior actions supported by later operations were not related to preceding ones. Overall, PRSC 6 was the most ambitious in terms of reforms and PRSC 10 the least, with a significant drop in the quality of reforms, even compared to the two preceding operations. In this respect, the change toward lower order policy actions reflects the weakening reform momentum rather than implementation of already achieved legislative reforms. Many ambitious triggers were dropped and replaced by lower order actions (see below and Chapter 4).

3.42 Even though the above-mentioned trend towards weakening of policy actions affected all pillars, it was more noticeable and impactful in some policy areas than others. While, for example, the social protection pillar was generally less impacted, prior actions in the governance pillar were substantially weakened. All of the operations under the series included a prior action in public financial management (PFM) due to its critical role for Vietnam’s overall governance agenda. Initial focus was on supporting reforms in the State Audit of Vietnam (SAV), which became independent<sup>82</sup> through reforms supported by the first PRSC series. Prior actions under the first two operations of the second series aimed to improve the regulations under which SAV was functioning. The prior actions of last two operations were less instrumental. That on regulation for internal audit of public sector agencies was built around a number of draft documents and letters from SAV on their reform plans, thereby reflecting intentions rather than actions. The prior action on the annual exercise of synthesis report based on Economic Group’s financial reports was not only less relevant for PFM agenda, it also seems routine and immaterial in terms of its impact.

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<sup>82</sup> <http://www.aseansai.org/member-sais/membership-list/state-audit-office-of-vietnam/>

**Figure 3-1. Composition of Prior Actions by DPOs of Vietnam PRSC 6 -10 (2007-2012)%**



Source: IEG assessment based on PRSC PDs and ICR

3.43 In the first pillar of the series – business development -- there were further **examples** of incomplete implementation of reforms. A key prior action on the separation of state ownership rights from regulatory functions in Economic Groups<sup>83</sup> and General Corporations<sup>84</sup> that would have helped to establish a more even playing field between SOEs and private firms, was only partially implemented. In the financial sector, the equitization of two state-owned banks was only partially implemented, while the issue raised in PRSC 7 concerning “insider” lending (i.e., the transparency and scope of transactions amongst affiliated parties) was not addressed through a policy that would limit and regulate such activities. Non-performing loans to SOEs continue to characterize the balance sheets of state-owned banks. The design of the third pillar of the PRSC -- sustainable management of the environment and natural resources -- also fell short of initial expectations. The policy content of this area weakened as the series progressed. Many important actions proposed at various stages of PRSC series were never implemented.

3.44 **Measurability.** Measurability of the impact of policy action is an important feature of relevance and strength. However, the PRSC series contained a large number of prior actions for the results of which there were no indicators, or the necessary data were not available at closure or at the time the mission was conducted. In particular, for five prior actions there were no corresponding results indicators (including assessing the scope of lending among

<sup>83</sup> Economic groups are state owned business conglomerates in strategically important sectors, formed by consolidating independent SOEs into a holding company structure.

<sup>84</sup> general corporations are large-sized State Owned Companies established in strategically important sectors either under the Prime Minister or under other line ministries or provincial governments



SOEs, financial management of SOEs, corporate governance of SOEs). That was mostly because some results indicators were dropped at the end of the series. For an additional eight prior actions, no data were collected for the results to which they were contributing, even though there were indicators. About one quarter of prior actions suffered from lack of measurability and/or actual measurement.

3.45 With respect to attribution, many of the indicators depended on factors exogenous to the program. This includes ratios where the numerator (e.g., export) and/or denominator (e.g., GDP, FDI) depends on the overall world and national economy, indicators largely driven by events unrelated to the PRSC (e.g., FDI and total investment, or more traffic accidents due to the higher number of vehicles).

3.46 **Performance of triggers.** The question concerning performance in meeting triggers is important in the case of Vietnam, given the declining share overtime of prior actions that can be considered as critical and strongly relevant for the program's results.

3.47 Table 3.3 indicates that less than 60% of all triggers were fully met over the course of the program. The program was adjusted to cope with this in a number of ways, including accepting "partially met" triggers as prior actions, allowing the number of prior actions to decline, proposing less critical triggers for next operations to increase the chances of implementation, and, in one case, substituting the dropped prior action by a new action.

3.48 Often, the substitution of "partially met" triggers as prior actions led, in practice, to new and much less ambitious prior actions. For example, an original trigger for PRSC 10 was the unification of the national licensing system of health providers. The actual action, which fell far short of this, was the establishment of a database of health providers. This was, nonetheless, accepted by the Bank as a "partially met trigger" since it was considered to be a step forward in the reform area. Another example concerns the trigger proposed for PRSC 7 on establishing a comprehensive approach to improving the selection of public investment projects. The actual action fell well short, but was nevertheless classified as a "partially implemented trigger" to be included as a prior action for the program.

3.49 There was a decline in the number of prior actions because triggers were not complied with. As a result of the non-inclusion of 3 triggers, the number of prior actions for PRSC8 declined to 8 across 17 policy area. Prior actions increased to 11 in PRSC 10. This was achieved through incorporation of many less than critical policy actions. In response to non-implementation of a trigger, PSRC 10 added a minor prior action on guidelines for monitoring corruption. This newly added prior action did not contribute in a substantial way to the Governance agenda.

3.50 As the PRSC series progressed, the design of each subsequent operation reflects some consideration and reintegration of previously dropped triggers. In total, seven triggers were abandoned in four operations. In three cases (health, gender and sanitation) the program eventually addressed affected policy areas in subsequent operations through incorporation of similar actions, albeit with reduced coverage and ambition. In the remaining four cases (Law on Press, access to information, forest assessment and transport infrastructure finance) there

was no further follow-up under the program (the trigger on transport infrastructure was dropped from PRSC 10).

**Table 3-2: PRSC Triggers**

	PRSC 6	PRSC 7	PRSC 8	PRSC 9	PRSC 10	Total
<b>Pillar 1</b>						
Prior actions	4	4	3	2	4	17
Triggers proposed in previous operation		4	3	2	4	13
of which fully met		3	3	1	3	
not met						
partially met		1		1	1	3
newly added prior actions						
<b>Pillar 2</b>						
Prior actions	3	4	2	2	3	14
Triggers proposed in previous operation		4	3	3	3	13
of which fully met		3	1		1	
not met			1			2
partially met		2	1	2	2	7
newly added prior actions						
<b>Pillar 3</b>						
Prior actions	1	2	1	2	1	7
Triggers proposed in previous operation		3	2	2	1	8
of which fully met		1		2		
not met		1	1			2
partially met		1				1
newly added prior actions						
<b>Pillar 4</b>						0
Prior actions	4	3	2	3	3	15
Triggers proposed in previous operation		3	3	4	3	13
of which fully met		2	2	3	2	
not met			1	1	1	3
partially met		1				1
newly added prior actions					1	1
<b>Total</b>						
Prior actions	12	13	8	9	11	53
Triggers laid out in previous operation		14	11	11	11	47
of which fully met		9	6	6	6	27
not met		1	3	2	1	7
partially met		5	1	3	3	12
newly added prior actions					1	1
% of triggers fully met		64	55	55	55	57
% of triggers fully or partially met		93	73	82	91	85

Source: PRSC PDs

3.51 Role of “Non-prior action” actions in PRSC Policy Matrix.<sup>85</sup> Each PD reports on policy actions implemented as part of the proposed operation that were not prior actions. The

<sup>85</sup> Also known as “benchmarks”

PDs also provides a reference to government documents confirming implementation of the action,<sup>86</sup> which is in line with the standards of reporting on legally binding prior actions. This treatment elevates the prominence and the role of non-prior policy actions in the overall program. However, the PDs do not systematically report the status of policy actions that were initially envisaged, but subsequently dropped. Unlike triggers, reasons for dropping or modification were not normally provided. This omission is consequential: if they are important enough to be included in the policy matrix, then they warrant monitoring.

## PIR

3.52 The PIR was a more focused series of two operations. Its higher level objective was to improve the efficiency of public investment, which, given typical lags, would only be measurable in the medium- to long-term. The operations also helped to finance the fiscal stimulus package. However, there were no actions in the program either to ensure an appropriate macro-framework to underpin the stimulus, or that the stimulus expenditures would be efficient and would address priorities. The initial operation included 9 prior actions and proposed 13 triggers for the next one. The prior actions included specific laws, decrees, circulars, and decisions. The second operation encompassed 12 prior actions, which were not as ambitious as initially envisaged, as evidenced by proposed triggers. They included draft documents, design of measures, and narrowly focused decisions, circulars and decrees. Overall, the reforms supported by the second operation were less ambitious than under the first. The policy matrix did not include any benchmarks.

3.53 While all the prior actions contributed to some degree to program objectives, the key transformative reforms were embedded in the Private-Public Partnership (PPP) framework and the Public Investment Law, both initially triggers for passing from the first to the second operation. However, these two triggers were abandoned, and the contribution of the program to its ultimate and specific objectives thereby diminished significantly. The specific results in the matrix were mostly output-oriented, and were of less than critical importance. Also certain expected results were neither measurable nor attributable (e.g., share of total investment costs spent on preparation and consultation of Environmental Impact Assessments).

## P135

3.54 **Intended Outcomes and Policy Areas.** The aim of the DPO programmatic series in support of program P135 was to reduce the entrenched poverty of the ethnic minorities in Vietnams' northern and central highlands. The series supported Government actions in four broad policy areas: (a) Poverty Targeting; (b) Decentralization, Participation and Empowerment; (c) Fiduciary Transparency and Accountability; and (d) Monitoring and

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<sup>86</sup> See Annexes 5, 6, 4, 4 and 4 in PDs respectively for PRSC 6, PRSC 7, PRSC 8, PRSC 9 and PRSC 10. However, a minority of "expected" actions are not reported subsequently and the measures themselves are affected by the similar issues than those for prior actions (i.e.; an uneven quality of the legal and regulatory instruments used). P135 similarly reports on the implementation of benchmarks but this is subsumed within the policy matrix.

Evaluation. Each of these four policy areas had, in turn, between two and four sub-areas, amounting to a total of 13 sub-areas.

3.55 Previous experience across Asia as well as in a number of projects in Vietnam suggested that a Community-Driven Development (CDD) approach may well be appropriate. The hope was that engaging the targeted population in a participatory way would energize them to develop their own communities through the building of local infrastructure and by connecting them to, and integrating them into, the rapidly growing markets in the rest of Vietnam. The effort would also dovetail with Vietnam's decentralized approach to development. But decentralization meant establishing implementation mechanisms all the way down to the commune level. This would involve, inter alia: training for the new tasks of participatory planning and implementation of projects, and putting in place financial management capacities, as well as the capacity to monitor and evaluate the use of funds that would flow into the communities through the program. It also meant developing materials for use in training and communicating information in a variety of local languages. The programmatic series was complementary to the PRSC series not only in its broad objective of reducing poverty and increasing social inclusion but also in building decentralized institutional and human capabilities of governance that would reinforce the efforts of the PRSC series aimed at fulfilling Vietnam's development potential. Some historical background provided in Box 3.4 may be helpful in explaining the World Bank's approach to supporting CDD in Vietnam at that point in time.

3.56 ***Choice of Instrument: Investment vs. Budget Support.*** At the time of the Poor Communities, Livelihoods and Infrastructure Program (P-CLIP) concept paper in mid-2004 (also see Box 3.5), the thinking as to the most appropriate instrument to use leaned in the direction of an ambitious SWAP (sector-wide assistance program), with different development partners supporting different slices of the "sector". However, as the operation moved to the preparation phase during 2005/06, the international community's approach had changed. The Paris Declaration on Aid Effectiveness came out in March 2005, followed by the Hanoi Core Statement which dove-tailed the Paris Declaration to Vietnam's specificities. There was now pressure not just to harmonize donor initiatives with Vietnam's development strategy as laid out in its SEDP for the period 2006-10, but to try to channel as much aid as possible through budget support rather than investment operations. There was, by then, considerable experience in Vietnam with budget support through the broad-based PRSCs, but it would be a first for a CDD operation as well as being the first sectoral DPO. The demands of implementation were considerable, not least because the two to three thousand communes and/or villages to which the funds and TA had to be channeled were scattered across the country. It was one thing to back broad policy reforms through budget support, but quite another to do it for a nation-wide but highly decentralized CDD effort. Tens of thousands of people had to be trained, decentralized procurement procedures developed, fiduciary systems at commune/district levels put in place, and a complex M&E system constructed. Given the successful experience with the **first** PRSC series, including the leading role it had played in donor coordination, the Bank was a key participant in the discussions with Government, DFID and other development partners on the potential to align financial support to National Target Programs in general and P135 in particular. The Bank's role was seen as particularly important in strengthening the quality of M&E and fiduciary aspects of the program, as well as strengthening linkages to the broader Consultative Group and PRSP processes. After

considerable discussion within the Bank and with its partners in Government and donors, it was decided to utilize a programmatic development policy credit operation. This would help to ensure that the majority of funding would come from Government's own revenues and therefore maintain full Government leadership and accountability. The program would rely on the Government's own apparatus to carry out the program, rather than having it implemented through parallel development partner structures – which would increase the prospects of long run sustainability, as well as mitigating coordination issues. The Bank's decision to go with a budget support operation rather than an investment operation was experimental and hence risky. It held the promise that if it was successful, it would make a major contribution to the Government's efforts to strengthen its decentralized provincial/district/commune administrative structures. The reasoning was that if budget support for a CDD operation was going to work, Vietnam's track record justified the approach.

#### **Box 3-4. CDD approaches in Vietnam**

In 2004/05 when the Bank and other donors were thinking about how best to assist P135, the experience with CDD was already substantial and the documentation of what to do and how was extensive. Just in East and Southeast Asia the Bank had been involved in more than 40 CDD projects over the previous 15 years, many of them highly successful, but none of them was a budget support operation. The experience was documented extensively for the region (OED 2005 – The Effectiveness of World Bank Support for Community based and driven Development, IEG 2006 – Safeguard Policy Review, and WB 2007 - Enabling East Asian Communities to Drive Local Development). In Vietnam itself the Bank had been involved in two major CDD projects – the Community Based Rural Infrastructure Project (CBRIP), and the Northern Mountains Poverty Reduction Project (NMPRP) – both of which focused on poorer provinces in central and northern highlands. Other donors had similar projects in other locations in Vietnam. The CDD experience in Vietnam was reviewed in a Bank-financed paper entitled Community Driven Development in Vietnam (Shanks et al 2003 – op. cit)

In mid-2004 The Bank prepared an options paper for a CDD-type operation that would support the government's P135 program, with a grant from the Poor Communities, Livelihoods and Infrastructure Program (P-CLIP). The bulk of the financing of the operation was to support investments in village and commune-level basic infrastructure and activities aimed directly at enhancing the livelihoods of poor households. The effectiveness of implementation would be enhanced through village and commune-level training in participatory budgeting and investment planning, community participation in procurement and some of the construction, construction supervision and O&M. It would also include sensitization and training of higher level (e.g. district) government staff to better equip them to facilitate local development. Public information and awareness-raising campaigns would be supported to ensure ethnic minority and gender inclusion, transparency and accountability, with materials developed in minority languages in addition to Kinh. A participatory M&E system would be used to track progress, there would be internal and external audits (both technical and financial), and periodic impact assessments

**3.57 Analysis of Prior Actions.** The number of prior actions in the three DPOs declined over time. In DPO-1 there were 11 prior actions covering all but two of the 13 policy sub-areas, declining to eight in DPO-2 and 4 in DPO-3. As in the case of the PRSC series, the

contribution of prior actions to the attainment of the intended outcomes of P135 Program is examined here according to their relevance, reversibility, and measurability.

3.58 While the logic of prior actions in the first two DPOs was compelling, that of those in DPO-3 was less so. First, two of the four prior actions were implemented four months before the formal closure of P135 in December of 2010. Second, one of the prior actions was implemented in March of 2009, two years before DPO-3 was presented to the Board, right at the time that the appraisal of DPO-2 was still ongoing, and might have been replaced with an different measure with greater value-added at the time of final operation. Third, the prior actions on Community Investment Ownership and commune-level procurement practices applied to only 11 provinces (out of a total of 47) which raised doubts as to how broad an impact of these prior actions was to be achieved as the program was ending.

3.59 **Relevance.** Most of prior actions were relevant to the achievement of objectives. In the Policy Area of Poverty Targeting the prior action on the issuance of a circular on the strategy for providing support services to upland communes that would help them earn better livelihoods was vague and later required a further action to sharpen its focus. There were no prior actions at the DPO-1 stage in the sub-policy areas of Operation and Maintenance (O&M) and Procurement of Small-Scale Infrastructure giving guidance on how to encourage competitive community contracting. There were relevant benchmarks in these areas, which were important for the sustainability of local investments (and hence of the Program's outcomes).

3.60 **Criticality.** Almost all of the prior actions in this Program were in the nature of strategies, action plans, inter-ministerial circulars, and guidelines. In principle any one of them could be side-stepped or even ignored, but their totality and in their cumulative effect would be very hard to counter-act. Local infrastructure has been built, people have learned new skills, commune level institutions have been strengthened, many villagers have tasted the experience of participating in decision making at the local level and have been empowered. Overall, risk of reversal appears low and the totality of prior actions, triggers and benchmarks has been helpful in achieving the outcomes of the program (of which more in the following chapter) and in laying the foundations for sustainability of the Program's development objectives.

3.61 **Measurability.** There were few specific measurable indicators or targets in DPO-1. Most of the outcome indicators were of a qualitative nature. This was corrected during the MTR of DPO-1 so that in DPO-2 there was a measurable indicator for each of the four Policy Areas (measures of the four development objectives) and ten measures of intermediate outcomes, resulting in a measurable indicator for almost all policy sub-areas. For most of the indicators there was also a baseline number and a target, although some of the latter were unrealistic. The problem was that, in an effort to improve M&E, too many of the indicators changed between DPO-2 and DPO-3 so they were hard to compare.

## 4. Results

4.1 This chapter discusses the achievements of the three completed DPO series in terms of both implementation of policy actions and how these contributed to intended results as reflected in the outcome indicators as well as other sources (including qualitative and quantitative information collected during the 2014 mission). The discussion is organized around the SEDP/PRSC pillars and according to policy area and DPO.

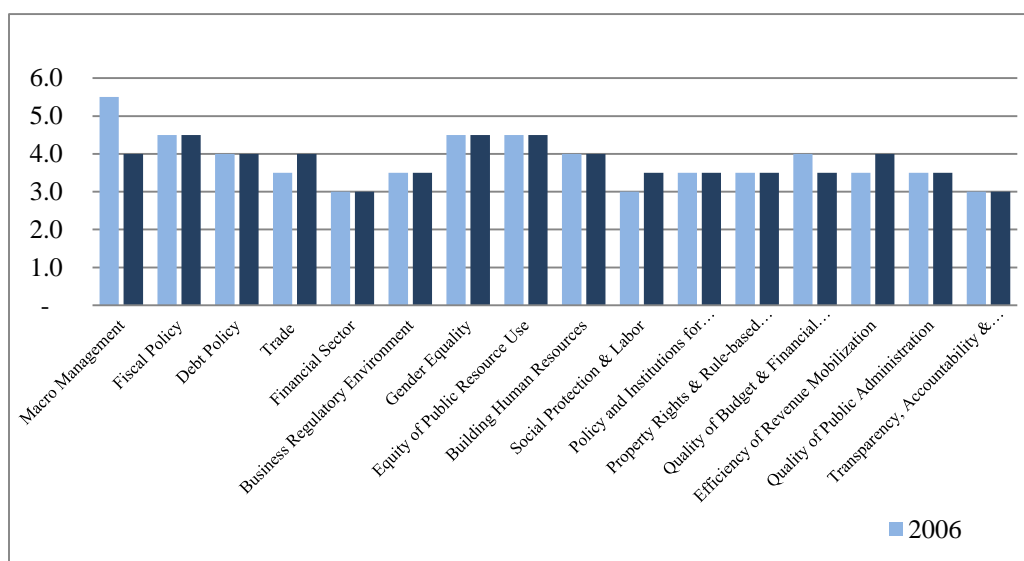
### *An Overview of Vietnam's Institutional Reforms*

4.2 Vietnam's transformation that began in the late 1980s culminated in a number of critical reforms in the late 1990s and early 2000s. This paved the way for a successful episode of growth, global integration and poverty reduction sustained over almost two decades. However, while growth remains strong, it has slowed. There is increasing evidence that the pace of reforms has slowed down and that this may compromise Vietnam's growth outlook. The World Bank Country Policy and Institutional Assessment<sup>87</sup> (CPIA) data support the hypothesis of weakened reform momentum since the end of the first decade of the 2000s (Figure 4.1).<sup>88</sup> The overall (CPIA) rating for Vietnam has slightly declined since 2006, driven by deterioration in macroeconomic management and PFM. At the same time there was an increase in the trade, social protection and revenue mobilization sub-ratings. It should be noted that despite the decline in ratings of some components, Vietnam was one of top CPIA performers in 2006 and 2012 among current IDA recipients.

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<sup>87</sup> Rating of countries against a set of 16 criteria grouped in four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions.

<sup>88</sup> The Bank implemented six sector specific and multi-sectoral operations in 2006-2012 that incorporated most of the policy areas assessed by CPIA.

**Figure 4-1. Vietnam CPIA, by components: 2006 and 2013**

4.3 The CPIA rating provides interesting insights on Bank-financed DPOs implemented in Vietnam. The six sector specific and multi-sectoral operations in 2006-2012 incorporated most of policy areas assessed by the CPIA. Improvements in trade and revenue mobilization are noteworthy. These are related to WTO accession and private sector development, and to public sector governance, which were policy areas under the PRSC.

4.4 Much of the analysis for this evaluation has been based on public documentation complemented by additional information collected during the PPAR mission (June, 2014). During the mission, a number of focus group discussions were held with members of civil society. The selection of the individuals was based on their availability, expertise and willingness to be interviewed. They do not, therefore, necessarily constitute a representative sample of their peers. Nevertheless, feedback received, which is summarized in Box 4.1 below, reflects insights that shed additional light on the political economy of the reform programs and the role of Bank policy lending.

#### **Box 4-1. Focus group discussions (civil society organisations and independent experts)**

Vietnam's experience with institutional development and policy challenges

- The main change in thinking toward modernization and institutional development took place in the 1990s, and the main reforms were implemented in the early to mid-2000s
- There was strong support to the reform process from the international financial institutions (IFIs), especially through technical assistance accompanying lending
- 1991-2001 was a period of opening up and designing of reforms, 2001-2006 was a period of implementing major reforms that had been in preparation for many years. From 2007 onwards transformative changes did not take place and Vietnam's reform process is slowing down.
- Vietnam is different from China because reforms never stopped in China, whereas less has been done in Vietnam since accession to the WTO in 2007



- The last two SEDPs were very broad, covering everything, while there are important policy priorities that requires more focus than others to ensure reform continuity
- Vietnam's experience shows that large lending programs have failed in "buying reforms" after a certain point
- The World Bank stopped being critical about Vietnam since 2006/07, which led to its being perceived "less frank" by the public
- The IMF is tough on difficult issues behind closed doors, while the World Bank is not tough even in "private"
- The best way for IFIs to help Vietnam would be to focus on two or three very important reform areas in budget support operations
- Commune level decision making is very important, but there is insufficient delegation because of obstacles at provincial and districts levels
- Focus group participants recommended that given current realities of reform stagnation the World Bank should redirect budget support to project level financing that is able to deliver specific results.

## Poverty Reduction Support Credits

### PILLAR 1 - BUSINESS DEVELOPMENT

#### Global Integration

4.5 This policy area built on Vietnam's accession to the WTO in January 2007, which resulted in a large FDI and export boom already documented at the outset of this report. As outlined in the 2007 VDR, and reflected in the PRSC policy actions, major actions had already been taken. The thrust of remaining reforms was to encourage regional trade and to implement the legislative changes approved. Specific areas identified related to competition, intellectual property rights and standards, notably with respect to food safety and agriculture. The only prior action in this area was taken under PRSC 7 and consisted of the *establishment of consultation and information gathering mechanisms to identify the social and environmental impacts of accession to the WTO*. This action was not identified as a priority in the 2007 VDR.

4.6 However, those short- and medium-term actions that were benchmarks were implemented – the full list is provided in the consolidated matrix in Annex Table B.9. They included trade and distribution rights for all foreign firms, regulations and enforcement mechanisms to strengthen intellectual property rights, and improved agriculture health and safety. The only measure not covered under the PRSC concerned the completion of the legal framework for improved logistical services, the status of which is unknown at present.

4.7 The results framework included three indicators to measure progress in this area: the exports to GDP ratio, the imports to GDP ratio, and the value of FDI inflows. The target for all three indicators was surpassed. However, earlier WTO accession was the principle cause of increased FDI<sup>89</sup> and PRSC measures only contributed partly to its continued increase. The

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<sup>89</sup> This has been the subject of studies, including: [Does the WTO accession matter for the Dynamics of Foreign Direct Investment and Trade? Vietnam's new evidence](#)

same applies to trade to GDP ratios, where both numerator and denominator were affected by exogenous factors.

4.8 The success of FDI-driven trade should not hide the continued presence of constraints that make Vietnam less competitive than its neighbors (table 4.1 below). This may explain the more modest performance of domestic firms, and why greater focus on trade logistics in the DPOs would have been appropriate.

**Table 4-1. Comparison of ease of trade in East Asia (2012)**

	Indonesia	Malaysia	Philippines	Thailand	Vietnam 2012	Vietnam 2010
Trading across borders						
Time to export(days)	17	11	15	14	21	22
Cost to export(USD per (container)	644	435	585	585	610	555
Time to import(days)	23	8	14	13	21	21
Cost to import(USD per container)	660	420	660	750	600	645

Source: [Doing business 2013](#)

### State Sector Reform

4.9 The limited development of a domestic medium- to large private sector has been explained in part by the continued presence of large state-owned enterprises (SOEs)<sup>90</sup> with regulatory and market power. SOE reform in Vietnam has been mainly in the form of equitization<sup>91</sup> as the main means for divestiture of enterprises fully owned by Government. This reduced the numbers of wholly state-owned SOEs from 5,600 to 2,100 between 2001 and 2006. It affected mainly smaller firms and did not resolve certain governance problems associated with the continued presence of the state. This number of remaining SOEs is high by international standards. The approach under the second PRSC series was to further reduce the number of fully owned SOEs by equitizing the larger ones, and transferring ownership rights from line ministries, agencies and provincial governments to the State Capital Investment Company (SCIC), which would progressively sell the shares. The reform strategy foresaw impediments to divestiture in some sectors such as forestry or associated with land use, but lacked mechanisms for effectively overcoming vested interests or separating regulatory functions from commercial ones prior to transfer of assets to SCIC. Another issue was that it was unclear whether these transfers applied to general corporations<sup>92</sup> (i.e.; conglomerates). In practice, this proved difficult.

4.10 The **PRSC** series included one prior action per operation: (a) further restrict the list of sectors where 100-% state ownership is to be retained; (b) assess the scope and nature of lending and other transactions among affiliated parties in Economic Groups and General Corporations; (c) approve equitization plans for two State Owned Commercial Banks (SOCBs) and complete one; (d) strengthen financial management of SOEs and (limiting) their investments in other entities, defining the level of such investments; (e) issue

<sup>90</sup> Defined as enterprises with 100% public ownership.

<sup>91</sup> Sale of shares with Government remaining in the capital and often in management.

<sup>92</sup> The various types of corporations as well as issues facing the SOE sector are described in a 2010 study; WB 2010: [On the Governance of State-Owned Economic Groups in Vietnam](#)

regulations on state-owned economic groups for better corporate governance and set limits for cross shareholding; and (f) the Prime Minister to issue a regulation to expedite equitization of SOEs, and the Ministry of Planning and Investment (MPI) to submit to the Prime Minister a review of the state-owned Economic Group model.

4.11 These prior actions do not fully correspond to the triggers envisaged in the preceding operation as three triggers were modified in a way that reduced their ambition and scope (c, e and f above). The decision not to secure the participation of strategic investors in two state-owned commercial banks (SOCB) s had adversely affected the performance and soundness of (see below). Qualitative information collected during the mission indicates that some reforms, such as limits to cross shareholding, are not enforced in key activities (such as banking). This set of prior actions brought minor process changes, rather than reform, to the governance of SOEs. Overall progress in the area of divestiture of SOEs was limited.

4.12 There were six benchmarks concerning SOEs aimed at improving the equitization process, publishing SOE results, transferring ownership rights in SOEs and the two above-mentioned SOCBs to SCIC, and separation of regulatory functions from unequitized SOEs. Information collected during the mission indicates that transfer to SCIC was delayed through various means, including the merger of some SOEs with general corporations and the need to extract regulatory functions.

4.13 There were two PRSC outcome targets associated with this area: (a) share of the state sector in GDP; and (b) state investments in SOEs as share of total investments. These indicators are related to the level of divestiture efforts. However, they suffer from measurement problems, in both cases due to a denominator that is determined by other factors and the lack of classification of certain investments in SOEs as state investment.<sup>93</sup> Furthermore, the indicators were not closely linked to the reforms. The first target was achieved, although this reflects rapid growth of FDI-financed production rather than shrinking SOE sector. The second target was not met, despite booming FDI. Divestiture was and state investment in SOEs continues to be important.

4.14 As the World Bank's 2010 study<sup>94</sup> shows, a large SOE reform agenda remains to be tackled: "(i) to re-clarify the objective of economic groups; (ii) to reconcile the conflicting objectives; (iii) to expand and strengthen the role of SCIC, (iv) to strengthen the internal governance mechanisms; (v) to develop a well-functioning capital market, (vi) to limit diversification into non-core business areas; (vii) to enhance the transparency of ownership structures, and (viii) to strengthen the protection of minority shareholders." This agenda is quite similar to that of four years earlier.

## **Financial Sector Reform**

4.15 At the outset of the period under review, issues identified as principal financial sector priorities were: (i) achieving greater transparency and autonomy for institutions within the sector; (ii) promoting a greater participation of strategic investors in the sector; (iii)

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<sup>93</sup> Some listed in the SCIC brochure.

<sup>94</sup> WB2010, Op cit.

separation of supervision from ownership in the case of SBV (and implicitly improved monitoring of risks associated with the lending portfolio); and (iv) specific actions at the level of the Vietnam Development Bank (VDB), and in areas such as credit information and securities.

4.16 The policies supported were the following:<sup>95</sup>

- Require public disclosure of financial statements of SOCBs in line with internationally accepted standards. Currently 60% of SOCBs comply with this standard (compared to an unstated but implicit target of 100%).
- Approved equitization plans allowing participation of strategic investors for two SOCBs<sup>96</sup> and complete the equitization of one of them.<sup>97</sup> The original goal of four SOCBs was reduced to two and participation of strategic investors was restated as an intention to fulfill this goal in the future.<sup>98</sup>
- Prepared revised law on the State Bank of Vietnam focusing its mandate on, and enhancing its autonomy in regard to, monetary policy and financial sector stability. This measure was by and large implemented, notwithstanding issues with financial sector stability raised below.
- Finalized regulations to better assess commercial banks' portfolio risks, enhance public disclosure, and strengthen supervision. Portfolio risks remain high and public disclosure is imperfect/partial, especially in the case of SOCBs.
- SBV issued a regulation to enhance public disclosure and communication of SBV's policies and banking sector statistics. This has largely been achieved, supported by IMF technical assistance.
- Other important policies were included in benchmarks: an increased equity stake in commercial banks by foreign investors,<sup>99</sup> various roadmaps and strategies and revised enabling regulations.

4.17 The most important indicator associated with this reform concerned the quality of the portfolio and required provisioning. Official figures show no progress in this area. According to various sources, the actual required provisioning is much higher due to under-reporting of bad loans.<sup>100</sup> A second indicator consisted of banks following the qualitative criterion (international standards) for loan classification. No bank met this criterion in 2006 and seven (compared to the target of 5) met it in 2013. However, this did not include any SOCBs, where exposure to bad loans is highest.

4.18 The reforms carried out did not attain the program's objective to lessen the risk of credit being extended to unprofitable and unproductive businesses – because they did not

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<sup>95</sup> The information on status of reforms is based on interviews and/or documentation received during the June 2014 mission.

<sup>96</sup> At end 2011, five SOCBs accounted for almost 40% of banking sector assets, and 48% of customer deposits.

<sup>97</sup> Also part of SOE reform.

<sup>98</sup> IFC is now supporting strategic investors in the sector

<sup>99</sup> This remains a topical issue, with only incremental progress: [Bloomberg](#)

<sup>100</sup> A 2014 IMF report summarizes issues in the sector (pp.19-21): [Vietnam Article IV](#)

address the root causes of the problem: weak balance sheets, poor risk management, regulatory tolerance, and “insider” lending. These issues are now being tackled under the EMCC.

### **Private Sector Development**

4.19 Successful initiatives launched between 2000 and 2005, such as WTO accession and improvements in the business environment, resulted in rapid growth of domestic Micro, Small and Medium Enterprises (MSMEs). The challenge for the period under review was considered to be developing the “missing middle” (i.e.; domestic medium- to large private enterprises) through improved access to finance, land and infrastructure, and an enhanced investment climate. The decentralized nature of Vietnam could create regional opportunities which needed to be identified. A sine qua non was the establishment of a level playing field between SOEs and private firms (see above).

4.20 The investment climate agenda was quite comprehensively covered through the following benchmarks:

- Introduce the investment climate monitoring tool as part of the annual enterprise survey. This is being undertaken on biannual basis.
- Reduce processing times and rationalize fee structure for business registration.
- Clarify authority on investment certificates and conditional sectors<sup>101</sup>, and standardize related documentation.
- Issue guidelines to foreign investors transitioning to new Investment and Enterprise laws.
- Establish consultative mechanism to streamline licenses and oversee implementation of new investment-enterprise regime.
- Establish a single-window mechanism for businesses to cover registration, tax, and seal formalities in selected provinces.
- Simplify enterprise registration by unifying tax and business identification numbers and streamlining seal (stamp) procedures.
- Rationalize incentives related to the Enterprise Income Tax and simplify tax procedures for household businesses.
- Raise the cap on shareholdings by single foreign investors in unlisted companies (from 30% to 100%.<sup>102</sup>)
- Issue regulations on agricultural extension in disadvantaged areas to promote poverty reduction.
- Promote Small and Medium Enterprise (SME) development through revising regulations, formulating an action plan for supporting industries, and improving coordination among responsible ministries.
- Establish national business registry with unique number for business, tax, statistics, and seal agencies.

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<sup>101</sup> Meaning sectors where foreign investment is restricted.

<sup>102</sup> PRSC 7 PD para. 67.

- Improve disclosure requirements of audited financial information of public companies.
- Adopt regulation on disclosure of financial risks in the financial statements of enterprises and banks.

4.21 The IFC supported the implementation of some of these measures, while others were necessary following deeper reforms (e.g.; d and g above). The two PRSC indicators were increased employment in private enterprises and private domestic investment as proportion of total investment. Both targets were achieved (50% and a 5 percentage points increase respectively). As evidenced by the substantial change in “Doing Business” ranking<sup>103</sup> (104<sup>th</sup> in 2006 and 78<sup>th</sup> in 2012) the reforms had a significant impact on the overall investment climate.

4.22 It should be noted that other operations, including the third Higher Education DPO and EMCC also included PSD measures. The former initiated a process to facilitate private provision of service through licensing foreign corporations; and the second extended investment climate reform to ministries and provincial authorities, with a view to eliminate duplication and streamline procedures.

#### **Infrastructure.<sup>104</sup>**

4.23 This policy area covered a diverse range of subsectors and issues. The agenda in the 2007 VDR included: (i) the avoidance of conflict of interest in projects financed by provincial infrastructure funds, (ii) encourage Build Operate and Transfer (BOT) including private participation in infrastructure through public-private partnerships (PPPs); (iii) establish cost recovery and user fees; (iv) promote rural transport; (v) unbundle telecoms and electricity services; (vi) better targeting of subsidies; (vii) improved urban planning; and (viii) enhanced automobile transport (including for the disabled).

4.24 The **PRSC** focused on measures with broad national impact, while most others were included as benchmarks. The PRSC also included a “gateway” measure that paved the way for the energy DPO series. The prior actions were the following:

- Decentralize investment ownership<sup>105</sup> to better integrate capital and recurrent budgets in the road transport sector.
- Clarify contract specifications, investor qualifications and treatment of unsolicited proposals for BOT projects. While this may have dealt with immediate concerns, this measure was an imperfect substitute for the adoption of a PPP framework consistent with international practice, which was subsequently attempted under the PIR.

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<sup>103</sup> The shortcomings in this rating have been recognized by IEG, which also hide variances within the country. This information is provided for illustrative purposes and because it is used by GoV in its monitoring of PSD reforms.

<sup>104</sup> Policy actions related to energy is reported under a separate heading in Annex Table B.9, which covers the Energy DPO. This separation is not needed in the main text, which has a narrower focus.

<sup>105</sup> Transfer of about 40 transport projects to the road authority.

- Adopt market-based pricing systems to estimate the costs of state funded civil engineering investments (which notionally also supported the PIR agenda).
- Adopt a pricing system for electricity from renewable energy as a way to encourage independent producers<sup>106</sup> and provide incentives for government procurement of energy-efficient equipment.
- Adopt a Gas Master Plan to 2015 with Visions to 2025.

4.25 A PRSC 10 trigger related to road operation and maintenance. It was dropped due to the complexity of the task and delays.<sup>107</sup> Benchmarks covered the remaining agenda. A notable action consisted of a key initial step towards power sector reform, involving unbundling the assets of the vertically integrated national company. The main PRSC indicator was the electricity generated by entities other than Electricity of Vietnam (EVN) (made possible by the administrative unbundling of EVN activities). The target was exceeded and this performance is even more impressive when one considers the rapid growth in electricity generation capacity (which roughly doubles every 5 years). The second indicator concerned a reduction in road fatalities, although its attribution to the PRSC is partial.

## **PILLAR 2 - SOCIAL INCLUSION**

### **Education**

4.26 Vietnam had already reached its MDG target for primary education by 2005. Enrolment rates at the lower and upper secondary level had arisen rapidly, leading to an expansion of the educated labor force. Reflecting rising demand, the estimated wage premia of workers with lower and upper secondary education over those with primary education remained steady at about 10% and 30% respectively, between 2002 and 2008 (World Bank 2013.<sup>108</sup>) More dramatically, the corresponding premium for college graduates surged to 80% in 2008 from just over 60% in 2002.

4.27 The second PRSC supported policy actions that were expected to encourage and enable all players and stakeholders to participate in the benefits of increased and better education. Policies were to be inclusive, supporting the poor and otherwise disadvantaged children.

4.28 The expected results were to increase the number of poor children and those with disabilities attending school, to improve learning outcomes in primary schools, and to enable universities to meet international quality standards. The prior actions were:

- Extending performance standards for primary teachers nationwide, including evidence-based assessments.

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<sup>106</sup> PRSC 8 PD para. 59.

<sup>107</sup> PRSC 10 PD para. 83.

<sup>108</sup> **Skilling up Vietnam: Preparing the workforce for a modern economy**, Vietnam Development Report 2014

- Revising tuition fees at secondary and tertiary levels, better reflecting market conditions, and enhance policies to protect the poor.
- Formulating the education development strategy to 2020, focusing on equity of learning outcomes and relevance of contents.
- Producing cost estimates and initiating public consultation on full-day schooling for primary education.
- Issuing a regulation to institutionalize regular nationwide assessments of student learning outcomes at primary and secondary levels. This modified the original triggers, which referred to international assessments.

4.29 Benchmarks concerned a roadmap for an education information system to improve the sector's management, implementation of the previous prior action, and the adoption of transparent criteria to decide on university admission quotas on a pilot basis.

4.30 To increase the proportion of disadvantaged children completing post-primary levels of education, poor students<sup>109</sup> are protected against the negative impact of fee increases by exempting them from school payments and through their free access to educational materials, such as books, notebooks, and paper.<sup>110</sup> Previously tuition fees were calculated “intuitively”.

4.31 Table 4.2 shows that exemptions from school fees and other contributions are now widely practiced at all levels of education. In 2012, 45.2% of all students were exempted from school payments in 2012, many of them in primary schools. The rest of the exemptions include poor households and ethnic minorities as well as those living in remote and mountainous communes and in difficult circumstances.

**Table 4-2 Percentage of Pupils Exempted from School Fees or Other Contribution in Past 12 Months - By Level of Education**

<i>Year</i>	<i>Primary</i>	<i>Lower Secondary</i>	<i>Upper Secondary</i>	<i>Professional Secondary and Vocational</i>	<i>College</i>	<i>Postgraduate</i>
2006	75.0	25.2	17.6	11.0	NA	NA
2008	80.0	25.8	17.6	12.5	13.9	1.4
2010	92.1	22.7	13.5	7.9	7.2	2.8
2012	96.7	28.7	20.4	12.7	9.8	4.4

**Source:** General Statistics Office (2012), Result of the Vietnam Household Living Standards Survey (VHLSS) 2012, Statistical Publishing House

4.32 Reflecting poverty targeting, students from the poorest income quintile have the highest exemption rate, followed by (respectively 71.5% and 48.9% in 2012). The other

<sup>109</sup> Poverty targeting in Vietnam is quite effective, as exemplified by the P135 program reviewed herein.

<sup>110</sup> The new school fee regulations apply until 2015, after which they will be reviewed for necessary adjustments.



income quintiles have much lower exemption rates, but they remain significant (30% or higher).

**Table 4-3: Percentage of Pupils Exempted from School Fees or Other Contribution in Past 12 Months - By Quintiles**

<i>Quintile</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
2006	59.5	40.2	29.8	24.4	18.0
2008	61.1	39.2	31.4	24.6	17.3
2010	62.7	42.5	33.7	27.8	22.8
2012	71.5	48.9	38.7	33.6	29.5

**Source:** General Statistics Office (2012), Result of the Vietnam Household Living Standards Survey 2012, Statistical Publishing House

4.33 The sustained development of an increasingly inclusive education system is illustrated by greater gender equality in school enrollment. Except in higher education, where boys continue to dominate, the enrolment rates are now essentially equal or favor girls in primary and secondary education. In terms of enrolment, females are now emerging as the more favored gender – characterized in the recent poverty assessment report (World Bank 2012a) as “reverse gender inequality.”

4.34 The PRSC targets on enrolment were achieved. The primary education net enrolment rate of poor children stood at 89.4% in 2010, almost equal to the target of 90%. Lower secondary enrollment rate among the poor increased from 43.1% in 1998 to 72.8% in 2010, marginally short of the 2010 target of 75%. The upper secondary net enrollment rate for the poor increased between 1998 and 2010 from 9.3% to 41.9% (substantially above the target of 33%).

4.35 Regarding the inclusion of ethnic minorities, success was partial. The ratio of ethnic minority to Kinh majority enrolment rate in public schools as Minority to Majority ratio (M2M) varies across population groups. Except for primary and secondary education, ethnic minorities started out with low levels of M2M. There was a steady rise of school enrolment rates among ethnic minorities and the M2M increased steadily between 1998 and 2010, although significant gaps remain (Figure 4.2). With regard to the education of children with disabilities, no data were reported in the ICR, and the evaluation mission was not able to obtain recent information.

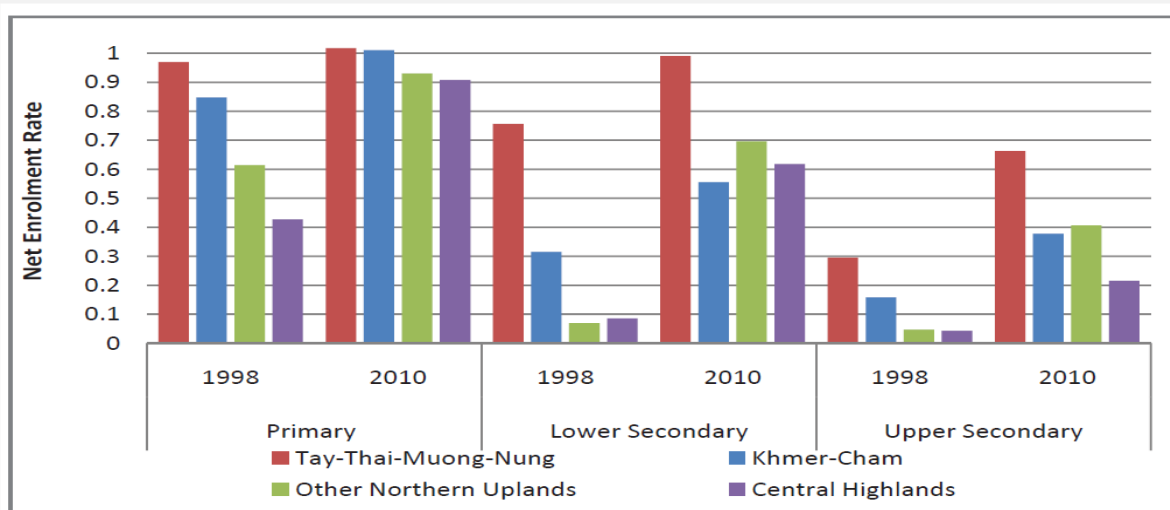
4.36 The second PRSC series supported three complementary policy actions to improve the quality of schooling (prior actions a, d and e above). Evidenced-based assessments of teachers’ performance against transparent standards, and regular assessment of student learning achievement are established good practices. Full-day primary schooling reform was expected to bring applications of modern teaching and learning methodologies by extending the length of daily attendance.

4.37 The PRSC ICR reported a small decline in basic learning skills of Grade 5 students at the completion of the series, driven in part by the aforementioned rapid increase in attendance. The reliability of these data is doubtful due to comparability issue and the use of

2001 data as baseline, sometime before the start of the second series of PRSCs. These data incidentally are indicating that the vast majority of Grade 5 students are functionally literate and numerate. In fact, the preponderant evidence is that Vietnam's education system is succeeding in imparting key basic skills for the majority of students to succeed in the workforce. This is the conclusion of the 2014 VDR about the performance of the country's education system, which is well grounded in analysis of Vietnam and comparisons with other countries.

4.38 Recent evidence from the OECD's latest Programme for International Student Assessment.<sup>111</sup> (PISA) further confirms the above assessment. Vietnam scores higher than Britain, the United States, and the average OECD country. Nevertheless, stakeholders of Vietnam's education system are aware of the need to bring education reforms to the next level for Vietnam to be able to successfully compete with more advanced middle-income countries.

**Figure 4-2 Ratio of Ethnic Minority to Kinh Majority Enrolment Rates in Public Schools, by Level of Education (1998 and 2010).**



Source: 1998 VLSS, 2010 VHLSS.

Source: World Bank

4.39 Discussions with the Ministry of Education and Training's (MOET's) senior officials during the mission reveals that the Government is now rapidly expanding nationwide full-day schooling. In 2009, 36% of primary school students were in full-day study program; by 2013 the figure went up to 53%. The PPAR mission was informed that of the 17 percentage point increase, 10 percentage points were attributable to the financial support of the government and the World Bank. The rest (7%) was due to household contributions. The plan is for full-day study to reach all primary students by 2020.

<sup>111</sup> [PISA 2012](#)

4.40 Finally, in regard to, No data are available regarding the accreditation of universities that meet international quality standards. There was one non-prior policy action under the program – to facilitate establishment of empowered Boards with academic and business participation to increase autonomy of universities. This was taken-up by the Higher Education DPO (measures are listed in Annex B.9).

## **Health**

4.41 According to the 2007 VDR, the main issue facing the health sector was a widening gap in the use of health facilities and in health outcomes between the richer and poorer segments of the population and regions. The Government's strategy was based on extending health insurance, with a view to making it universal. Specific elements of the approach included greater competition amongst providers and a series of measures to provide sufficient and good quality care while limiting costs. This would have required an expansion of the voluntary health insurance program and public financing of reformed payment mechanisms for subsidies targeting the poor.

4.42 The program's expected results in health policy area included reducing the child malnutrition rate, increasing the number of poor with free health insurance, and increasing the use of modern health facilities by the poor. Prior actions in consecutive PRSCs (except PRSC 8) were the following:<sup>112</sup>

- Adopting the HIV/AIDS law and preparing action plans to scale up harm reduction, fighting stigma and discrimination.
- Submitting the health insurance law which better pools risks and allows improved incentives in payment to service providers.
- Adopting a law establishing a framework for national standards and a unified licensing system for all health care practitioners.
- Issuing a regulation to establish a centralized database as a step towards unifying the national licensing system of healthcare professionals.

4.43 Measures implemented as benchmarks aimed to improve intra-sectoral allocations, raise subsidies to the poor and the near poor, regulate the disposal and treatment of medical waste, and prepare a financial report on health insurance. Two other measures listed as medium term priorities not explicitly included under the PRSC program related to safe motherhood and regulation of the pharmaceutical industry. The former relates to an MDG that appears attainable (Annex B.1).

4.44 Regarding malnutrition (which was listed in the PDs for the first four operations, but dropped in the last one), the PRSC's ICR reports an apparent decline in child malnutrition rates in recent years. The indicator, which was based the percentage of underweight children, shows a reduction from 25% in 2005 to 19%, slightly better than the 20% target. Stunting declined a little, but wasting (underweight) decreased from 25% in 2005 to 18.7 in 2011. However, these outcomes cannot be attributed to any PRSC-supported policy actions. They

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<sup>112</sup> There were none under PRSC 8.

may be explained more by general economic progress in income and non-income living standards, and specific targeted programs.

4.45 The coverage of the poor by health insurance was addressed through two prior actions (b and c above). They built on previous reforms undertaken since the 1990s, including the establishment, in 1998, of the national health insurance fund and several policies aimed at providing coverage for the poor (such as fee exemption but without counterpart subsidies to facilities). The most noteworthy policy change came with the introduction of the Health Care Fund for the Poor (including ethnic minorities) in 2002. Under this policy, either the poor would be enrolled in health insurance or providers would be reimbursed for providing them with free health services. The latter option led to administrative difficulties, and in some cases adverse selection, since providers included the very sick among the poor. In 2005, the direct exemption policy was abandoned in favor of a compulsory health insurance, with the government fully subsidizing the premium.

4.46 The passage, in 2009, of the Law on Health Insurance, brought together the various health insurance funds under one umbrella and clarified the eligibility criteria for full or partial subsidization of beneficiaries (i.e., all children under six years of age, students, the elderly, the poor, and the near-poor). The Law, moreover, provides a roadmap towards universal coverage with the enrolment of other groups. The ICR reported that free health insurance coverage reached 100% in 2012, up from 42% in 2004 and 72% in 2010.

4.47 However, the expansion of health insurance coverage of the poor did not improve their hospital contact. The average annualized contacts with hospitals for the poorest quintile declined from 0.15 in 2004 to 0.12 in 2010. Moreover, according to the World Bank's (2012a) poverty report, out-of-pocket costs persist<sup>113</sup> despite the improvement in health insurance coverage.

4.48 This observation is echoed by Somanathan et al. (2013) in a recent health insurance study. One explanation for the modest impact of health insurance coverage on reducing out-of-pocket cost and relative frequency of hospital contacts could be that the supply of modern hospital and other health services might be inelastic. And, therefore, the expansion of health coverage might have led to excess demand and medical care rationing. This, as is often the case, might be biased against the poor. In short, the lack of supply responsiveness might have had a dampening effect on actual utilization of the above services by the poor. This explanation was reiterated by some health experts interviewed during the PPAR mission.

4.49 The ratio of births attended by skilled medical staff rose to 96.7% in 2011 from 92.7% in 2006. The ratio of pregnant women having at least 3 check-ups during their pregnancy decreased, but the decline is insignificant.

4.50 The remaining PRSC health policy actions complemented the health insurance law by facilitating the development of an efficient health provision system. The adoption of a law

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<sup>113</sup> "... [The new 2008/9 Law on Health Insurance] provides fully subsidized health insurance premiums ..... However, health insurance has had a modest impact on reducing out-of-pocket health payments ..., including catastrophic health costs." (p. 30).

establishing a framework for national standards and a unified licensing system for all healthcare providers was expected to improve social protection against medical malpractices. The issuance by the Ministry of Health (MOH) of a regulation establishing a centralized database partially implemented a trigger aimed at unification of national licensing system of health care professionals.

4.51 The adoption of the HIV/AIDS law, and preparation of related action plans, was an important first step. However, there is no clear articulation of its strategic relevance to the program's goals and results – even though the 2007 VDR<sup>114</sup> provides additional context that clarifies these linkages. Nevertheless, according to some Vietnamese health specialists interviewed during the PPAR mission, the passage of the HIV/AIDS law has had a transformative effect institutionally and behaviorally. The leadership responsibility is now more clearly defined. The Law has empowered the MOH and has strengthened the effectiveness and coordination of the fight against HIV/AIDS. It has also weakened stigma and discrimination and enhanced harm reduction. The law has also enabled some progress towards the HIV/AIDs MDG, although it remains unlikely to be attained.

### **Social Protection**

4.52 By 2005, Vietnam's society enjoyed reduced poverty thanks to rapid growth, but a social problem remained in that poverty was concentrated amongst ethnic minorities. The Government implemented targeted programs for this population, notably P135, and other insurance programs to counteract the impact of natural disasters (notably in agriculture). Following the experience of health insurance, discussed above, social insurance came under consideration. It was decided to revise existing pensions schemes to ensure they provide sufficient benefits to justify participation by workers (civil servants and in the formal sector). The participation of the poor would be ensured through public subsidies.

4.53 The program's two broad goals -- reducing poverty among the population at large and among ethnic minorities -- were not targeted by specific policy actions. The two prior actions in this area directly supported a third goal – to increase the number of retirement pension contributors. The development of an expanded and sustainable pension system is becoming an increasingly important long term social protection issue in light of the steadily ageing Vietnamese population.<sup>115</sup>

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<sup>114</sup> P.97

<sup>115</sup> The poverty assessment report of the World Bank (2012a) makes the following observation: “As a result of family planning policies initiated in the early 1990s, most households now have only one or two children, and many of the adult children from the erstwhile large families in the 1990s are helping to support their parents and siblings. Aging is a new demographic risk; Vietnam's population is aging and our analysis suggests that the elderly, particularly those who live alone, may be increasingly at risk of future poverty. Although targeting is good, existing poverty and social protection programs provide only partial coverage and limited benefits to poor and at-risk individuals. In 2010, only half of the extreme poor reported that they were eligible to receive benefits from the Ministry of Labor, War Invalids, and Social Affairs (MOLISA) poverty reduction programs.”

4.54 The PRSC supported the introduction of a voluntary pension program for farmers and informal sector workers, and the preparation of a strategic plan to ensure prudential and effective investment of social security funds. However, the program did not address the structure of benefits provided and their relationship with contributions collected, which are critical considerations affecting sustainability. The percentage of contributors in the labor force grew only slightly from 15% in 2006 to 19% in 2012, significantly below the target of 30%. Moreover, benefits are defined independently of contributions. An ILO study in 2012 forecast that the social security system (VSS) would go into deficit unless the relationship between contributions and benefits is changed, either by reducing benefits (for example, raising the retirement age) or increasing contributions. Specifically, “based on the conservative assumption of the coverage rate of the VSS to be more or less constant for the projection period, it is estimated that the reserves of the fund will be depleted in the year of 2027.” (ILO 2012, p. 6). Parametric reforms to address this issue might profitably have been included within the PRSC program.

### **Gender Equality**

4.55 Vietnam has achieved much greater gender equality since the mid-1990s (World Bank 2012a). In basic education, the enrolment rate of girls now surpasses that of boys. Gender disparities nevertheless remain, particularly in higher education. Moreover, data show fewer women in financially rewarding wage employment than men. In political decision making, there is a concern that women are under-represented in leadership positions (GoV 2013). Another issue concerns women’s legal rights on household property.

4.56 Expected goals in the gender equality policy area included increasing the number of leadership positions held by woman, increasing asset ownership and wage employment among women. Three policy actions were supported by the second series of PRSCs: (i) unification of the legal framework to address gender disparities and increase women’s participation in decision making; (ii) determination of institutional responsibilities for the implementation of the Gender Equality Law and monitoring of gender equality; and (iii) adoption by the Prime Minister’s office of a set of national gender development indicators and criteria for sex-disaggregation in the national statistics. The latter was initially formulated as a trigger for PRSC 9, but was postponed to PRSC 10.

4.57 Benchmarks were: (i) adoption and implementation of a legal framework for domestic violence prevention and control; and (ii) issuance of regulations to assign institutional responsibilities and to allocate a budget for implementing measures to enhance gender equality, including the establishment of monitoring and support services;

4.58 The percentage of land use certificates held in the name of either spouse or a female person increased from 30% in 2008 to 38% in 2012, compared to a target of 45%. The Vietnam Living Standards Survey (VLSS) 2012 indicates that women’s participation in wage employment rose faster than men’s from 2002 to 2006 and continued to do so between 2006 and 2012 (Table 4.4). It reached 28%, above the PRSC target of 25%.

**Table 4-4: Percent of Women Aged 15 Years Old and Over in Wage Employment**

	Nonfarm		Farm		Nonfarm
	FEMALE	MALE	FEMALE	MALE	FEMALE/MALE
2002	16.8	27.8	4.8	7.4	.604
2004	20.0	32.8	4.1	6.2	.610
2006	22.4	34.2	3.8	6.0	.655
2008	24.2	35.5	3.4	5.5	.682
2010	28.8	40.2	3.6	5.3	.716
2012	28.8	40.3	3.6	5.8	.714

Source: General Statistics Office (2012), Result of the Vietnam Household Living Standards Survey 2012, Statistical Publishing House.

4.59 Improvements in women's participation in leadership positions at various levels coupled with country's progress in gender equality in education would suggest that the long-term trend would be in the direction of greater gender equality. Feedback, however, from focus group discussions during the mission with dozens of rural women from ethnic minorities in a northern province of Vietnam raises some challenges. The women essentially said that they took traditional roles and that gender equality was not a priority issue for them. Therefore, they did not care whether or not a wife's name appears in the certificate of land ownership together with the husband's name. This example suggests that there are barriers arising from voluntary choices of women that affect gender equality. To illustrate the point further, part of the reason for the gender disparity in jobs is that many women often choose self-employment or employment in family businesses over more gainful jobs outside the home.

### **PILLAR 3 – NATURAL RESOURCES AND ENVIRONMENT**

#### **Land and Forests**

4.60 Prior to the second PRSC series, distribution of agricultural land to rural households was followed by the titling of most of it. But there was less progress in the issuance of Land Use Certificates (LUCs), which would begin to offer alternatives to customary practice among ethnic minorities. Issues to be addressed included completion of cadastral maps, increased transparency in land policy execution and reduced corruption. Effective guidelines were needed for the use and disposal of land, and the recording of transactions. State Forestry Enterprises (SFEs) needed to become more efficient, with unused forest land allocated to households, local communities and the private sector.

4.61 Reforms supported by the PRSC program aimed at (a) improving the management of forests, which were still largely under the control of State Forestry Enterprises (SFEs); and (b) increasing land conversion, reclamation and resettlement in the context of rapid urbanization. There were two prior actions under the first two operations of the series: (i) issue a strategy to strengthen linkages between protective and economic functions of forests, and promote local ownership; and (ii) issue guidelines for forest development based on participatory land-use planning and independent monitoring. Two complementary benchmarks were related to the clarification of settlement compensation and the transfer of

SFE land to local authorities for allocation to households, minorities and others. A number of other triggers proposed in earlier operations were postponed or dropped, although one concerning nationwide management of forests was partially implemented.

4.62 There were three original performance indicators: (i) percentage of users highly satisfied with the services provided by the land administration offices; (ii) proportion of forest land allocated to local people and communities, for all of Vietnam and for the Central Highlands; and (iii) proportion of land area under forest with a closed canopy, multi-story age profile and species diversity, abundance and distribution. The first and third indicators were dropped in PRSC 10,<sup>116</sup> and a new one was added: share of Land Use Right and House and Land Attached Ownership Certificates (LURHOCs) issued. With respect to the actual outcomes, the percentage of forest land allocated to local community was 60% compared to a target of 45% and a baseline of 27%. However, there had been no quantifiable progress in terms of protection of biodiversity, and there had been “mixed results or deterioration” with respect to forest quality.

## **Water and Sanitation**

4.63 By the mid-2000s, despite good water endowment, there was a need to balance the often conflicting demands of urban and rural areas. Pollution from untreated water and solid wastes in fast growing industrial and human settlement centers also affected the quality of water sources. Water-related risks, from typhoons to droughts, were taking a heavy toll on the poor. Addressing these challenges required: (a) adequate pricing of water use and wastewater disposal to reflect cost; (b) coordination across administrative boundaries for effective river basin management; (c) adoption of specific plans, reconciling protection and development, for the most important river basins and the most endangered water sources; and (d) formulation of an appropriate strategy to handle natural disasters and support the development of market-based risk management instruments, such as flood insurance.

4.64 The following two policies were supported by the PRSC: (i) Allocate institutional responsibilities for integrated river basin management; and (ii) develop a proposal to continue the current National Target Program for rural water supply and sanitation, which focuses on promotion of rural sanitation and addresses personal hygiene. In addition the benchmarks supported the following policies:

- Adopt natural disaster mitigation strategy with attention to non-structural measures and guidelines for provincial and ministerial action plans.
- Issue regulations to ensure financial sustainability of irrigation services and provide financial relief for poor farmers.
- Allocate institutional responsibilities to develop a unified national sanitation strategy
- Adopt a national action plan for information, education and communication for personal hygiene, safe water and environment sanitation.

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<sup>116</sup> As noted in chapter 3, this pillar was substantially affected by dropped/modified actions (triggers and benchmarks).



- Introduce a regular and transparent nation-wide monitoring system for urban sanitation to deliver information on state and development of the sector.

4.65 Further reforms in this area were undertaken under the climate change DPO series (two partially met prior actions under the second operation). Three original performance indicators were specified at the outset of the program: (i) percentage of the urban and rural population with access to improved or clean water; (ii) percentage to the urban and rural population with access to properly designed and installed sanitation (dropped under PRSC 10); and (iii) number of river basins with inter-provincial water allocation procedures established and operational.

4.66 With respect to the actual outcomes, the target for access to clean water by the rural population was attained (75% compared to a baseline of 48%) while that for the urban population was not (57% compared to a baseline of 85% and target of 95%). The target for percentage of population with hygienic sanitation (75%) was reached (32% baseline).

### **Environment and Climate Change**

4.67 Addressing the deterioration of the quality of surface water, air, marine and forest resources witnessed in the early 2000s required an effort on three fronts: (a) mainstreaming environmental issues in planning processes, through strategic environmental assessments (SEAs); (b) developing economic and administrative tools for pollution control; (c) expanding protected areas to maintain biodiversity. The manner in which these policies are implemented (timing and scope, and effective enforcement) is also of importance.

4.68 Reforms were supported through three prior actions: (a) approving national target program on adaptation to climate change and allocate institutional responsibilities for its implementation; (b) issuing technical guidelines for efficient use of water resources to complement the irrigation services fee waiver policy; and (c) issuing of technical guidelines by the Ministry of Public Investment for the application of strategic environmental assessments in the process of socioeconomic development planning. The reforms<sup>117</sup> were complemented through the following benchmarks:

- Mandating of public consultations on environmental impact assessments at commune level with public feedback incorporated in reports to relevant authorities.
- Strengthening incentives for solid waste management using economic instruments.
- Adopting regulations for performance contracts for sewerage and drainage at local levels.
- Adopting a legal framework for biodiversity protection to clearly delineate and better administer protected areas, and to improve the community consultation process.
- Issuing regulations on national environmental data collection, and collecting the data.

4.69 There were three original performance indicators related to PRSC reforms: (a) quality of surface water in key areas as measured by MONRE; (b) quality of air in key areas as

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<sup>117</sup> These initial reforms were deepened and sustained through the climate change DPO series (through six prior actions).

measured by MONRE/Vietnam Environment Protection Agency (VEPA); and (c) number of wetlands of international importance included in the protected area system as designated Ramsar sites.<sup>118</sup> The first indicator was modified prior to PRSC 10, as follows: quality of surface water Biological Oxygen Demand (BOD) in major river basins (Nhue-Day, Cau, and Dong Nai). The third indicator was dropped by the last operation<sup>119</sup>.

4.70 No data were reported at completion for the remaining indicators. Issues encountered included poorly defined initial indicators, for example concerning surface water and air quality. It was subsequently determined that, for the air quality indicator, the use of continuous monitoring data of total suspended particulates (TSP) from Hanoi and Ho Chi Minh City would be suitable. The collection of these data was reportedly underway, although the target value was not set. It proved difficult to determine what might constitute a good indicator for surface water quality, and use of Biological Oxygen Demand (BOD) from major rivers was being considered.

## **PILLAR 4 – PUBLIC GOVERNANCE**

### **Planning**

4.71 Planning reforms aimed to support the continued transition from a command to a market economy. The focus was on improving planning processes at provincial level, and mainstreaming of key principles such as broad-based consultations, poverty orientation, and use of indicators to monitor development outcomes. The expected results included improved provincial screening of public investments, introduction of modern planning principles in provinces, and adoption of integrated regional planning. The design of the planning policy included several weak policy actions, and many of those actions that might have achieved results were dropped from the program as the series evolved.

4.72 During implementation the main focus shifted to public investments. There were major shortcomings in Vietnam's public investment program, largely stemming from inefficiencies in planning and implementation at provincial level. The first (under PRSC 6) prior action was to allocate state capital expenditure transparently, using criteria such as population, poverty and ethnicity. The second (under PRSC 7) was to establish criteria for selecting public investment projects and mechanisms to monitor their financing and implementation. This was a partial implementation of the initially proposed trigger. It did not build on previous policy actions, but constituted an initial step towards objectives subsequently supported by the PIR series.

4.73 Additional reforms implemented as benchmarks were related to the monitoring of the SEDP. A strengthening of urban planning was associated with an indicator - screening of

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<sup>118</sup> The Ramsar Convention (formally, the Convention on Wetlands of International Importance, especially as Waterfowl Habitat) is an international treaty for the conservation and sustainable utilization of wetlands, recognizing the fundamental ecological functions of wetlands and their economic, cultural, scientific, and recreational value. It is named after the city of Ramsar in Iran, where the Convention was signed in 1971.

<sup>119</sup> This also relate to the modification and dropping of triggers and benchmarks noted in chapter 3.

public investments by provinces including the use of the use of sound cost benefit analysis—which was not achieved. By the time PRSC8 was designed (2008-2009), there was recognition that public investments reforms needed to be accelerated. The reforms were transferred to the new, more focused program of PIR that combined the objective of supporting Vietnam’s fiscal stimulus together with public investment reforms. The PRSC covered most of the agenda laid-out in the 2007 VDR.

4.74 The virtual removal of public investment reforms from the PRSC program was not accompanied by a re-focusing on other possible outcomes of this policy area. Only one trigger was proposed for PRSC 10 -- enhancing the management of transport infrastructure assets through decentralization. This did not become a prior action. The indicator on the proportion of provinces adopting participatory approach to planning in the preparation of annual plans and adopts a results-based monitoring approach was achieved. However, this area was not directly supported by policy actions under the program and cannot be attributed to it. The third indicator on the number of provinces with cross-sectoral and integrated regional planning was dropped in PRSC 10 and was not monitored or reported – it should be noted that the PRSC target of 2 provinces out of 58 was quite modest. There is no evidence that the regions have moved to a modern planning process as envisaged under the program.

### **Public Financial Management<sup>120</sup>**

4.75 PFM reforms built on the landmark adoption in 2002 of a revised Law on Budget, moves towards greater transparency for all agencies being funded by the budget (including SOEs), and the establishment of the State Audit of Vietnam (SAV). The agenda of the second PRSC series was to build on these achievements by reducing off-budget expenditures, strengthening internal controls, improving reporting and disclosure of budget execution, upgrading the oversight capacity of SAV and the National Assembly, and enhancing the efficiency of public expenditures. Additional new measures included the overhaul of the tax code, increased reliance on progressive taxes (such as on property), and the management of public debt and contingent liabilities.

4.76 The focus of the program was on independent audits, internal auditing, modernization of budgetary management systems, and external debt. There were prior actions under each operation of the series:

- Disclosing results of audits conducted by the SAV and its annual audit plan.
- Issuing regulations on content and timing of disclosure of SAV reports including audit reports of individual entities.
- Formulation of a public debt management law consolidating the management of domestic and external debt.
- Formulation of a regulation for internal audit development and implementation, and defining organizational responsibilities.

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<sup>120</sup> The PPAR’s assessment of this policy area benefited from the 2013 PEFA<sup>120</sup> and the ICR of the Vietnam Public Financial Management Reform Project.

- Annual publishing by the MOF of the synthesis report based on financial statements of State-owned Economic Groups and General Corporations.

4.77 These actions were to be complemented by the implementation of the following benchmarks:

- Publish annually a report on budget execution for the current year and a budget plan for forthcoming year.
- Issue regulations for periodic disclosure of external public debt and its composition.
- Implement regulations to guide the establishment and issuance of benchmark government bonds.
- Consolidate administrative procedures for all taxes into a single law, modernizing assessment and enforcement methods
- Revise the investment laws to improve efficiency in state capital expenditures and strengthen the management of public investment projects.
- Conduct mid-term reviews of the SEDP and strengthen a result-based approach in the M&E framework for planning.
- Conduct public financial management reforms including commitment accounting, vendor management and a new chart of accounts.
- Adopt procedures for the annual audit plan ensuring sufficient frequency and adequate provincial coverage.
- Strengthen the legal framework for taxing the use of non-agricultural land and the capital gains to increase efficiency and equity, and dissuade speculation.

4.78 A number of important measures that were initially planned for support by the series - such as integration of MTEF into the budgeting process, reducing off-budget expenditures, and introduction of international standards in financial statements -- were dropped from subsequent PRSC operations mainly because of lack of consensus. Although there were two prior actions on strengthening of external audit, there were no results indicators in this area. Two additional indicators, on internal audit and the extent of unreported public expenditures that were part of the initial design, were dropped in PRSC 10 as part of the restructuring of indicators.

4.79 Results were reported on the use of the Treasury and Budget Management Information System (TABMIS) and on the level of public debt. There was substantially expanded use of TABMIS in provinces documented by PEFA and by the PPAR mission.<sup>121</sup> All provinces had moved to TABMIS as of mid-2014. The results indicator of the series, from the perspective of coverage has thus been achieved. However, attribution of TABMIS expansion to PRSC is difficult as there were no policy actions directly supporting modern budgetary systems, and most of the Bank's assistance to Vietnam in this area relied on a specific Public Financial Management Reform Project. Moreover, the system's functionality remained below expectations at the time of the PPAR mission. It was expected that it would (a) provide for all commitments to be registered at the time purchase orders are made, or contracts entered into; (b) monitor the progress of contracts; and (c) ensure that sufficient budgetary provision is

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<sup>121</sup> Interviews with Budget Department of Ministry of Finance

made for payments due after the initial year in which commitments are made. But there is as yet no system of controls over commitments, and the information on budgetary expenditure is captured only at the payment stage. This affects the system's functionality, although TABMIS makes it possible to generate monthly reports of aggregate revenue and expenditure of all levels of government.

4.80 According to the PEFA, the inconsistent reporting of the expenditure carried over from the previous year, and expenditure charged against the current year's appropriations makes it difficult to compare execution reports with the original budget. Although TABMIS, which records the information about every transaction at central, provincial and district level, should record the administrative, locational, functional and economic nature of each transaction, current reporting arrangements do not provide for the consolidation of any of this detailed information into carried over expenditure which is estimated to amount about 25% of total expenditures in recent years.<sup>122</sup>

4.81 The PRSC supported the law on public debt management through PRSC8. It was approved by the Parliament in 2009 and helped established a comprehensive framework. The World Bank's CPIA reported no change in the ratings of debt management in Vietnam in 2006-2012. Based on the 2014 Debt Sustainability Analysis (DSA),<sup>123</sup> Vietnam has a low risk of external debt distress. However, public debt indicators are significantly higher than in previous DSAs, and are projected to worsen in the medium-term. As of 2014 the debt was approaching 55% of GDP due to the pro-cyclical fiscal expansion of 2012-2013 and it is expected to rise to around 60% of GDP in 2017. The results indicator was to maintain public debt below 55% of GDP. The DSA indicates that the alternative would lead to an unsustainable debt to GDP level. There are also concerns over contingent liabilities associated with SOEs and the financial sector and their possible impact on public debt. The deteriorating outlook for debt-sustainability is the main factor explaining the unchanged CPIA rating in spite of improvements in the institutional framework of debt management.

4.82 In the area of internal auditing there were two prior actions – (i) formulating a regulation for the development and implementation of internal audits of public sector agencies and defining organizational responsibilities, and (ii) starting an annual exercise of publishing the synthesis report based on financial statements of state-owned Economic Groups and General Corporations. Both prior actions were weakly implemented. Regarding the first, the draft decree that was expected to be submitted to the Government by May 2010 was not approved as of mid-2014 because the proposed internal audit organizations in public agencies were in conflict with existing inspection divisions whose functions partially overlapped with those of the internal auditors. According to SAV senior staff interviewed during the PPAR mission, reorganization of inspection divisions into internal audit units would be costly because of training needs. The indicator on internal auditing was dropped from the M&E framework in PRSC 10, thereby impeding evaluation. The PEFA rating of the effectiveness of internal audit (D+) indicates low capacity. Reforms in internal audit did not go beyond introduction of internal audit mechanisms in the Ministry of Finance and State

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<sup>122</sup> PEFA

<sup>123</sup> IMF Article IV report

Bank of Vietnam. Currently there are no mechanisms to enforce internal auditing in public agencies.

4.83 The publication of a synthesis report of state owned enterprises on the MOF website was not systematically implemented beyond 2011 and the action was therefore immaterial for enhancing internal audit functions in those enterprises.

4.84 The major issue of unreported expenditures, amounting to about 8% of GDP<sup>124</sup> did not benefit from any supporting RSC policy actions. The results indicator was, moreover, dropped in PRSC 10.

4.85 The State Audit of Vietnam has strengthened its capacity. According to SAV officials interviewed by the mission, the annual audit plans are being disseminated to public agencies every year in the first quarter. SAV prepares annual audit reports that are submitted to the National Assembly. These reports are important inputs into budget discussions and they become public after approval by the Parliament. According to Government Decree, the audited public agencies are responsible for disseminating the results. SAV itself holds press conferences to present the results of high profile agency audits. SAV carries out regular audits of provincial authorities, covering around 60% of provinces every year. SAV also audits 50% of communes every year. SAV audits have not focused on public debt transactions though this remains a strategic priority for the medium term.

4.86 Summarizing, during implementation of PRSC there were some important achievements in PFM, including establishment of a modern treasury management system (TABMIS), strengthening of external audit functions, and a PEFA exercise conducted in 2012/13. However, achievements in internal auditing and reporting of expenditures were less noteworthy. PFM in Vietnam continues to suffer from long-standing problems such as non-conformity of financial reporting with international standards, lack of multi-year fiscal projections, carry-over of expenditures to following years (these expenditures also lack of economic and functional classification), and lack of reporting at the commitment stage that limits the efficiency of TABMIS. The CPIA sub-rating for the quality of budget and financial management was lower in 2012 than 2006.

### **Public Administration Reforms (PAR)**

4.87 The civil service reform agenda aimed to achieve the following: (a) improved inter-ministerial and agency coordination; (b) introduction of common information technology (IT) standards; (c) quality certification for government agencies; (d) civil service pay reform; and (e) user feedback to improve service delivery.

4.88 The **PRSC** series had three expected results indicators: user satisfaction with governance services, number of provinces with e-governance services, and provincial departments with a One Stop Shop (OSS). There were two prior actions - developing draft pilot schemes to strengthen competition, merit-orientation, and transparency in the recruitment, appointment, and promotion of civil servants as part of PRSC 9; and adoption of

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<sup>124</sup> The PEFA rates this policy area as C+.

the new Public Administration Reform Master Program for 2011-2020 in 2011 as part of PRSC 10. Other reforms to be implemented through benchmarks were the following:

- Extend the One-Stop Shops (OSS) to all ministries and agencies and introduce inter-linkage between Shops to simplify administrative procedures further.
- Adopt principles of competition, merit-orientation and transparency in the recruitment, appointment, promotion and dismissal of civil servants.
- Dissociate the civil service pay structure from minimum wage setting and widening the range of minimum wages.
- Formulate common standards for IT applications and e-government interfaces at central and provincial levels.
- Develop indicators for monitoring and evaluating the implementation of PAR and provision of public administrative services.

4.89 Planned user surveys were not implemented; consequently, there are no measures of user satisfaction with public services. This results indicator was subsequently dropped. Regarding e-governance, the program included one policy benchmark to develop common standards for e-governance. However, the province level e-governance indicator was dropped from PRSC 10 as part of the rationalization of indicators. According to a Government report<sup>125</sup> provided to the mission, all provinces had web-sites and portals, and around 90% of official PCs in provinces had internet connection by 2013. Growing internet usage by the population (around 20% of households were connected to the internet as of 2013, more than doubling since 2006) also facilitates the use of e-governance services. However, there were few high level e-services available as of late 2014, and IT systems remain isolated. It is not possible to establish the extent to which businesses benefit from high level e-services, although this was the primary focus of the PRSC program in this area. In 2010, the Government adopted a National Program on e-governance to “provide online information and public services at high level, making operations of state agencies more transparent to better serve people and business.”<sup>126</sup> The ICR’s report that all provincial departments had OSSs was confirmed by PPAR mission.

4.90 A number of other recent developments in public administration reform are relevant to the program. The general Civil Service Law was approved in 2008. To facilitate its implementation, the Government adopted a decree in March 2010 on recruitment and management of civil servants based on the principles of transparency and merit. Adoption of a new civil service master plan followed the review of implementation of the previous master plan for 2001-2010. It was also expected that the related result oriented M&E system would be approved in 2012 after implementation of a pilot. However, there is no evidence that the Authorities have approved the M&E system.

4.91 It was important that public administration reforms are mainstreamed into the agenda of public agencies and provinces. In 2013, with support from development partners, the

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<sup>125</sup> E-Government Development in Vietnam: Current Status and Master Plan 2011-2015. Ministry of Information and Communication. June 2013

<sup>126</sup> The National Program on Application of IT to Operations of State agencies during 2011-15 (1605/QD-TTg, dated 27 Aug. 2010)

Government launched the Public Administration Performance Index to track progress among public agencies and provinces in key areas of service delivery. This index assesses the quality of public administration across six dimensions: (i) the extent of participation at local levels; (ii) transparency; (iii) vertical accountability; (iv) control of corruption; (v) public administrative procedures; and (vi) public service delivery. The 2013 report<sup>127</sup> found that there were some improvements between 2011 and 2013 in provinces in all areas except participation and public administration procedures. The report also found variation across regions. The World Bank CPIA sub-rating, a broader measure of the quality of public administration, did not change during the period 2006-2012.

## **Fighting Corruption**

4.92 The Government approach to fighting corruption was to rely on a series of technical measures aimed at strengthening systems, reducing opportunities for corruption, and increasing transparency. Fighting corruption was a critical dimension of the PRSC's Governance pillar. There were prior actions in all operations except PRSC 8. There were three results indicators in the initial policy matrix – the proportion of enterprises reporting paying bribes when dealing with tax administration officers or in relation to government regulations, the percentage of households reporting paying bribes when dealing with government agencies (as specified in the diagnostic study on corruption), and the proportion of entrepreneurs that see corruption as a binding constraint to business. The first two indicators were dropped from the policy matrix of PRSC 10, while two more appropriate indicators were added - the number of provinces and central level ministries in full compliance with asset declaration regulations and the number of declarations verified.

4.93 The prior actions were:

- Operationalization of the Steering Committee against corruption with power to suspend high-level officials if suspected.
- Implementation of the asset declaration requirements in regard to senior officials and their immediate families with penalties for non-compliance.
- Undertaking annual procurement compliance and performance audits of projects funded by state budget, publishing the findings of selected audits and adopting a pilot procurement code of ethics for participants, and launching an open access electronic bidding system.
- Develop a framework for monitoring progress on the implementation and results of efforts to prevent and combat corruption.

4.94 The anti-corruption policy area saw the largest relative number of dropped triggers among all PRSC policy areas. Two important triggers that were critical for the anti-corruption strategy were dropped from the program - the revision of the Press Law (PRSC 8) and enhancing access to information by the public (PRSC9) as part of the flexible approach pursued under the operation. In case of PRSC 9, the dropped triggers were substituted by a

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<sup>127</sup> The Viet Nam Provincial Governance and Public Administration Performance Index, Measuring citizens' experiences, PIPI 2013



policy action on procurement that aimed to address a corruption issue in procurement in some projects financed by a particular development partner.

4.95 Benchmarks complementing the prior actions consisted of: (a) disclosing results of anti-corruption investigations; (b) establishing a legal framework to protect and reward whistle blowing; (c) introducing mandatory rotation for key position and payment of salaries through bank accounts; (d) issuing an anti-corruption strategy; and (e) strengthening the procedures for declaring assets.

4.96 Among four above-listed results indicators in this area the ICR reported only one - the proportion of entrepreneurs that see corruption as a major obstacle, which in was 5.1% in 2009. More recent data is not available as the 2012 survey<sup>128</sup> did not pose the same question. However, according to the 2012 survey, 34% of households and 39% of firms listed corruption among the top three issues facing them. The survey also indicated that while households' experience with various manifestations of corruption has improved compared to 2005, the situation was less encouraging with regard to firms' experience. 63% of firms in 2012 reported deliberate delays by public officials, an increase from 57% in 2005. Intentionally citing wrong regulations was observed by 15% of firms in 2012 versus 11% in 2005. This information partially fills the gap of non-reporting of the two corruption related results indicators in the initial design of PRSCs.

4.97 The Bank supported implementation of asset declaration through Government Inspectorate (GI) directives. The ICR did not provide a value for the results indicator that was added during preparation of PRSC 10 and according to which it was expected that, as of the end of 2012, 27 provinces and 42 central level ministries would be in full compliance with asset declaration regulation and there would be 1000 verified asset declarations. Data could not be obtained during the mission, which was informed that many stakeholders remain concerned about the current system of asset declaration. In particular, according to the current law, 600,000 thousand public officials are required to submit declarations. This coverage is too broad to allow detailed inspection and verification of the declarations. In addition, declarations are not disclosed except within the agencies where civil servants work. This substantially limits their usefulness.

4.98 Through a policy action under PRSC 6, the Bank supported operationalization of the Central Anti-Corruption Steering Committee with the power to suspend suspected high-level officials. The Committee, however, was abolished in November 2012 and a new Committee was created directly under the Communist Party in 2013.<sup>129</sup> According to the Authorities, the transfer of the anti-corruption Committee to the Politburo would strengthen Vietnam's anti-corruption efforts as the new Committee is expected to be more independent than the previous one which was under the Prime Minister. However, as of 2014, there was no evidence that the Committee functioned better under the new arrangements.<sup>130</sup>

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<sup>128</sup> Corruption from the Perspectives of Firms, Citizens, and Public Officials: Results of Sociological Surveys: World Bank Publication, November 2012

<sup>129</sup> Interviews with World Bank staff.

<sup>130</sup> Interviews with World Bank staff and other stakeholders.

4.99 The National Assembly in Vietnam passed the revised law on anti-corruption in December 2012 as a prior action under EMCC1. In its initial stages, this action was supported by the PRSC program as a policy benchmark. The law on denunciation (to protect the confidentiality of whistle-blowers and protect witnesses) was approved in 2011 and became effective in 2012.

4.100 Corruption remains a major challenge for Vietnam and improvements in this area during the 2007-2014 period were relatively modest. The World Bank's CPIA shows no improvement in transparency, accountability, or corruption in the public sector since 2006. The Control of Corruption indicator of the World Bank Governance Indicators also remained largely unchanged in recent years. According to the 2012 sociological survey supported by the World Bank more than 80% of individuals surveyed considered that corruption remains prevalent in Vietnam.

### **Legal developments**

4.101 Legal development needs covered areas such an enabling framework for Civil Society Organizations, strengthening the lawmaking process, capacity development combined with adequate funding of the judiciary and of legal aid, and increased transparency.

4.102 The program expected to achieve results in increasing consultations with stakeholders in the formulation of laws, improving the enforcements of legal judgments and increasing the number of legally registered civil society organizations (CSO). There were two prior actions – establishment of separate legal, judicial, economic, and budget committees in the National Assembly to strengthen its supervisory role, and establishment of a National Bar Association. A third action, concerning access to information by the civil society and others, had been considered as a trigger for PRSC 10 but was not met and dropped.

4.103 Legal development was also supported by a number of benchmark policy actions on legal access, establishment of CSOs, strengthened consumer rights and consumer protection, improved monitoring of complaints on civil judgment executions, improve access to court judgment. At program completion, data only for one indicator were available, showing that all draft laws are posted on Government websites. The other two indicators on legal judgments and registered civil were not monitored or no data were available at completion. Furthermore, additional information was not available on progress in the area of increased enforcements of civil judgments, or in a number of registered civil society organizations.

### **Public Investment Reform (PIR) DPO Series**

4.104 The PIR series was underpinned by 21 prior actions distributed between two operations – see Table 4.5. Most policy areas covered by the PIR operations were originally subsumed within the governance pillar of the PRSC.<sup>131</sup> Two others were related to the growth pillar. Aside from providing Vietnam with financial support for the counter-cyclical stimulus at the time of the financial crisis, the PIR program aimed to accelerate and deepen reforms in an important area where progress had been quite limited. The operations aimed to

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<sup>131</sup> Some of the measures were related to environment and also affected the third pillar.

support measures to strengthen the selection, preparation, implementation and supervision of public investment projects – which constituted the program’s four thematic areas. These in turn contributed to the ultimate goal of increasing the efficiency and relevance of public investment.

**Table 4-5 PIR Prior Actions**

<b>PIR 1</b>	<b>PIR 2</b>
<i>Linked to SEDP Governance Pillar</i>	
Issue a law to decentralize the setting of cost estimates to Investment Owners and has issued a decree to align cost norms with the market.	Incorporate SEAs in the development master plans for four regions and one key sector.
Issue a law to clarify that late bids in procurement tenders for public investment projects shall be rejected.	Review the experience with the implementation of SEAs and design actions to improve SEAs’ preparation and use.
Issue a Decree to streamline provision of compensation to affected households, to align with market prices the compensation for land and property and to provide livelihood support.	Issue a Circular, including technical guidelines, to implement the use of electronic procurement (e-procurement) in pilot provinces and agencies.
Issue a Decision to align time of recording ODA funds in government accounts with the timing of actual receipts and expenditures.	Issue a Decree to clarify the rights and obligations of parties engaging in civil works contracts.
Issue a Circular to align with the market cost norms applied to local consultant fees, translation fees, workshops and other costs related to the preparation and implementation of ODA funded projects.	Issue a Decree to mandate the timely preparation and review of SEAs and EIAs in order to inform preparation of master plans and feasibility studies for investment projects, respectively.
Issue a Decision to clarify that project preparation costs set in percentage of total project cost are for reference only and are not budget caps.	Issue a Circular to mandate the sharing of independent audits of financial statements of ODA-funded projects with MOF and SAV.
Issue a Decree to harmonize terminology in documentation on prefeasibility and feasibility studies across budget- and ODA-funded projects.	Issue Circulars to align with the market cost norms applied to consultants, translation fees, workshops and other costs related to the preparation and implementation of budget-funded projects.
Issue a Decree to establish a consistent monitoring and evaluation framework for public investment projects including standardized monitoring tools.	Issue Circulars to define admissible expenses and sources of funding for the review of SEAs and EIAs.
	Issue a Circular to streamline payment procedures and clarify and simplify payment-supporting documents for ODA-funded projects.
	Issue Circulars to establish standard templates for project monitoring reports and set up the criteria legally required for individuals and institutions to carry out investment evaluation.
<i>Linked to SEDP Governance Pillar</i>	
Issue a law to allow a five-year period for FDI enterprises to re-register under the Enterprise Law.	Issue a Decision to pilot the use of the PPP Framework.

Source: PIR ICR

4.105 The policy areas did not explicitly cover the general issue of segmentation of the budget and better integration between the development and recurrent budgets, each of which is managed by a different ministry (the Ministry of Planning and Investment -- MPI -- and the Ministry of Finance -- MOF -- respectively). Information collected during the mission indicates that the two Ministries in charge work together but that some coordination issues

remain – for instance, taking into account the implications of public investments for future recurrent expenditures.

4.106 Unlike the PRSC, the PIR did not include complementary policies or benchmarks. There were significant modifications to seven triggers envisaged for the second operation. Table 4.6 summarizes the changes and their impact on the program supported by PIR.

**Table 4-6 Dropped/Modified Triggers**

<i><b>Trigger as in PIR 1</b></i>	<i><b>Prior Action for PIR 2</b></i>	<i><b>Impact on Program</b></i>
Incorporated SEAs in the development master plans for two regions and two key sectors.	Incorporated SEAs in the draft development master plans for four regions and one key sector.	Reform reversible and not fully implemented.
Submitted, for consideration by the National Assembly, a draft law on Public Investment providing a common framework for all public projects.	Dropped	Fundamental reform underpinning program abandoned.
Allocate the exercise of state ownership rights in two Economic Groups specialized in civil works outside MOC.	Transfer, from MOC, the exercise of state ownership rights in two economic groups specialized in civil works, namely the Housing and Urban Development Group and industrial Construction Group.	Negligible.
Issue a Decree to mandate the timely preparation and review of EIAs in order to inform preparation of feasibility studies for investment projects.	Decree to mandate the timely preparation and review of SEAs and EIAs in order to inform preparation of master plans and feasibility studies for investment projects, respectively	Broadening of reform.
Issue a joint Circular to define admissible expenses for the preparation and review of SEAs and EIAs and, issue a Decision to set adequate technical guidelines in each case.	Issue Circulars to define admissible expenses and sources of funding for the review of SEAs and EIAs.	Technical guidelines dropped, with consequence on ability to implement.
Issue issued a Decision to pilot the use of the PPP Framework which contains provisions on government participation, including financing.	The Borrower has issued a Decision to pilot the use of the PPP Framework.	Key provision on role of government unclear.
Issued a Decision to approve the Charter establishing the Association of Independent Evaluators.	Issue Circulars to establish standard templates for project monitoring reports and set up the criteria legally required for individuals and institutions to carry out investment evaluation.	Less ambitious reform.

4.107 As noted above, one of the changes was quite minor and another expanded the scope of the reform. The remaining modifications substantially reduced the program's ambitiousness and its potential contribution to the achievement of its objectives. The most important change concerned the relinquishment of the presentation of the Investment Law to the National Assembly. This measure aimed to put in place a common framework for all public projects, and ultimately to improve the efficiency of public investment. Dropping this trigger, due to lack of consensus over its content, resulted in a weakening in the quality and depth of the reforms under PIR. This was considered by the Bank to be such a critical area

that it was again included in the program subsequently supported by EMCC series.<sup>132</sup> Another important change concerned the dilution of the reform aimed at clarifying the role of Government in PPPs. The lack of an appropriate PPP framework still remains a significant constraint to greater private sector involvement in infrastructure,<sup>133</sup> which is essential in order to meet a projected US\$150 billion financing gap over the next 10 years. The last prior action under the second operation – production of a circular on template for project monitoring with a different trigger which supported a policy action on approval of the charter establishing the association of independent evaluators. Finally, two triggers were modified. The first prior action under the second PIR, the incorporation of SEA in development master plans, initially targeted two regions and two sectors, as opposed to four regions and one sector. The initial action had broader scope. Similarly, the eighth prior action above on funding of SEAs, excluded an important implementation complement related issuance of technical guidelines.

4.108 The **PIR** included a single prior action related to SOE reform: issued decisions to transfer, from the Ministry of Construction (MOC), the right to exercise state ownership in two economic groups specialized in civil works, namely the Housing and Urban Development Group and Industrial Construction Group.<sup>134</sup> This focused action, also separately supported by another development partner, was completed. This has contributed to a more even playing field in competition for civil works contracts by avoiding a potential conflict of interest between the Ministries as both overseeing the investment and being a service provider competing with others. Progress in this area is reflected in the outcome indicator whereby less than 15% of civil works companies remained under MOC management, from a starting point of 90% (and exceeding the 20% target). This constitutes an important result, especially if procurement were to become more transparent and competitive as a result of technical assistance provided earlier.<sup>135</sup>

4.109 The first operation supported issuing a law to allow a five year period for FDI to register under the enterprise law. This measure was implemented in substance, but through a different more immediate and simpler approach. It made the original reform redundant by unilaterally extending the scope of investors' original licenses to operate in Vietnam. The original objective of 100% registration was thus achieved, but with weak attribution to the program. The indicator was dropped from the second operation.

4.110 The remainder of this Section describes progress in various thematic areas aligned with the project sub-objectives.

4.111 *Project selection.* The indicator was: proportion of approved regional and sectoral master plans whose preparation was informed by a comprehensive SEA. The original target

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<sup>132</sup> A public investment law was adopted in June 2014.

<sup>133</sup> See joint 2012 ADB-AFD study: [Assessment of public-private partnerships in Vietnam](#)

<sup>134</sup> The two State Economic Groups were established by restructuring and merger of ten existing general corporations and one independent SOE, which used to belong to MOC.

<sup>135</sup> PIR ICR para. 32. Vietnam is also now member of the [Construction Sector Transparency Initiative \(CoST\)](#) supported by the World Bank.

was 1/3<sup>rd</sup> of regional master plans and 1/5<sup>th</sup> for key economic sectors <sup>136</sup> and was closely linked and attributable to the first prior action listed in Table 4.5. The second operation included revised targets of 66%, for draft (as opposed to actual) master plans and only one key economic sector. The former was exceeded as 100% of draft master plans were informed by an SEA. However, according to mission interviews, decreasing the number of key economic sectors covered further lessened the impact of this reform. It was important to develop sector specific approaches whereas master plans are at a more general level (ultimately an investment associated with a sector).

4.112 *Project Implementation.* There were four indicators associated with this area: (i) number of agencies using e-procurement; (ii) proportion of civil works companies under MOC management; (iii) adequate compensation (as per decree) of people displaced by projects; and (iv) timely completion of EIA as part of project preparation. These indicators, which did not change throughout the program, were closely associated with prior actions on e-procurement, transfer of civil works companies out of MOC, preparation of EIA, and decree on compensation (see Table 4.5). The first indicator was met and the second slightly exceeded (MOC only controlled 15% of the construction market compared to a target of 20%). However, no information, other than anecdotal, was provided in the ICR on the last two<sup>137</sup> and the mission was unable to obtain information demonstrating progress. In particular, the absence of EIAs, as an integral part of formulating public investments projects, remain an issue. Furthermore, the recently approved investment law does not cover this area. Technical reasons have been advanced for this segmented approach (the law originally envisaged under PIR would have covered EIAs this area).

4.113 *Financial Management.* There were three indicators to measure progress in this area: (i) time to record ODA projects; (ii) adequate funding of EIA; and (iii) proportion of ODA with audits conducted by SAV, or with independent audits received by SAV. These indicators remained unchanged throughout the program. The ICR reports that all indicators were either met or exceeded. However, two issues warrant attention. First, even though SAV may not have been receiving the audits, most externally financed projects are likely<sup>138</sup> to have been reviewed by independent auditors in a timely manner – in the case of the World Bank this is mandatory for all operations. Therefore, the issue addressed was more integration of ODA audits into national systems than lack of accountability. The quantitative indicator for adequate funding of EIA (0.5% of project costs) is meaningless, since it depends on overall project size and its complexity – depending on the circumstances, 0.5% may be too high or too low. The prior action under the first operation stated that the percentage was for reference and not a cap. In many ways, the preparation of timely EIAs (the second indicator) is probably the more relevant issue (assuming the EIAs meet quality norms).

4.114 *Project Implementation.* There was one indicator associated with this area: projects reviewed by independent project evaluators. This target was not met because the main trigger

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<sup>136</sup> There is not any definition of key economic sectors in any of the DPO documents.

<sup>137</sup> For example see ICR para. 68

<sup>138</sup> As confirmed in the text of the PD for the first operation (para. 100).

related to this policy area was dropped in the second operation because delays in establishing an association of independent evaluators – it is unclear why the indicator was not modified.

4.115 *Fiscal Stimulus*. Even though the PIR supported the fiscal stimulus, it did not include indicators related to this objective, and this omission constituted a significant design weakness. The stimulus program, while encouraging economic activity, also increased Vietnam's vulnerability as it led to overheating and strong pressure on international reserves. The Government switched policy back to stabilization in November 2009, after it had become clear that the stimulus was unsustainable. This, however, was only partially implemented as policy makers were reluctant to sacrifice economic growth ahead of January 2011 Party Congress. After the Congress, the Government approved Resolution 11, to pursue "tight and prudent monetary and fiscal policy."<sup>139</sup> By 2012, Vietnam's economy had returned to a relatively stable macroeconomic environment after the unstable stop/go period of 2007-11. The economy, however, remains vulnerable to internal and external shocks. The fiscal position deteriorated after the consolidation in 2011 and became pro-cyclical in 2012-2013.<sup>140</sup> The IMF estimates that a debt to GDP ratio of no more than 40 to 45% should be the medium-term benchmark for Vietnam rather than the 55% obtaining at the end of 2014.<sup>141</sup> Substantial improvements in fiscal management and institutional transformation in the SOE and banking sectors are required to reduce the risks to more manageable levels.

## **P135 Phase 2 DPO Series**

### **Objective 1: Strengthened Poverty Targeting**

4.116 *Commune, Village and Household Selection*. The Government and the development partners collaborated fruitfully on beneficiary selection and fund allocation methodology. DPO-1 supported improved pro-poor targeting, the enforcement of which was then tracked through DPO-2 and DPO-3. The adopted criteria were transparent and verifiable, based on a methodology for identifying the poor, which was agreed jointly between government and development partners, and which was a prior action of the first operation. By the end of the program 46 out of 50 provinces were applying the improved targeting criteria. As agreed under a DPO-3 benchmark, the list of beneficiaries was posted at the commune and village offices, as was information about infrastructure investments (the latter also at the construction sites). The Impact Evaluation completed in 2012 indicated that the targeting both of the communes selected for inclusion into the P135 program as well as the designation of the most disadvantaged groups within them was good.

4.117 *Program Resource Allocation*. Forty one out of 50 provinces have issued criteria for budget allocation requiring that higher allocations be provided to the more disadvantaged communities and villages. This resulted in allocations being "pro-poor" at the commune and village level. The 2010 MTR raised a concern over whether commune/village officials tended to distribute the funds allocated under P135 to the commune/village equally across the

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<sup>139</sup> <http://en.vietnamplus.vn/Home/Resolution-of-the-11th-Party-National-Congress/2011/15543.vnplus>

<sup>140</sup> [International Monetary Fund \(IMF 2014\), Article IV, October 2014](#)

<sup>141</sup> IMF 2014, op. cit.

population. The Impact Evaluation does not support that view: “While the program impact on income and poverty of the Kinh & Hoa ethnic groups is neither large nor statistically significant, it has large and statistically significant impacts on the income and poverty rates of ethnic minority groups” (IE report p.12). This indicates that targeting was successful. The same report, however, showed that while the communes covered by P135 received more funds than communes not covered by the program, they also received substantially less non-P135 support (which is an indication of substitution between the two sources of funds).

4.118 *Enhancing Sustainability of Program Investment.* The main action to achieve this was to be an allocation of 6.3% (based on estimates of needs by CEM) of infrastructure investment funds to Operations and Maintenance (O&M). A central budget line was created to that effect. However, the funds tended to be used for upgrading and major rehabilitation rather than routine maintenance, essential for sustaining infrastructure investments over time.

4.119 *Pro-Poor Orientation of Production/Livelihoods Support.* The outcome in the policy matrix was that “poor upland communities increase incomes and diversify livelihoods in a sustainable market-responsive manner as verified by baseline and end of project survey indicators of changes in crop agricultural income and increased share of non-rice income”. In practice the program continued to subsidize agricultural production inputs for the poor which suggested that the old model<sup>142</sup> of promoting self-sufficiency as means to achieve food security still held sway.

4.120 The outcome indicator in this area changed over time and ended up being that “average income per capita per year would be greater than 3.5 million VND (about US\$160) for at least 70% of the population”. In 2007-2012 the percentage of the population that had earned more than VND 3.5 million had risen from 31% to only 41%, missing the target by a wide margin (this may be because the target was too ambitious). It is not clear from the end-line survey what contributed to the increase. Productivity of the traditional crops (rice, corn and cassava) had not increased significantly. The available evidence indicates that the program did not succeed in moving a substantial proportion of farmers from a subsistence to a more market-oriented agricultural model, although there were exceptions such as the Ra Ban commune discussed in Box 4.2 below. The improvement in incomes from agricultural activities seemed to be derived more from subsidized inputs. The mid-term review (late 2008) found implementation manuals for this policy area had not yet been issued by the Ministry of Agriculture and Rural Development (MARD). A corrective prior action (prior action in third operation) was therefore introduced, but it was too late to improve the outcome.

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<sup>142</sup> See DPO2-3 ICR, p.5



### Box 4-2 The Tale of Two Communes supported by P135

The mission went on a two day visit to Bac Kan, a relatively poor province in the Northern Mountains, with a poverty rate that remains twice the national average.

The first visit was to the Ra Ban commune that graduated from the P135 program as the poverty rate declined from 50.3% in 2006 to 4.6% in 2010 based on MOLISA poverty line that is not adjusted by inflation and thus overestimate the extent of poverty reduction. The key to its success was a rapid expansion of orange and mandarin orchards, with any household that had the land and manpower receiving subsidized seedlings. Some years earlier a technical institute in the provincial capital had determined that Ra Ban had a good microclimate for oranges. Villagers that had the land suitable for oranges went from 90% of their production being rice in 2006 to 10% by 2012. Those who had less suitable land were able to reduce their acreage under rice to only 60%. Many turned to raising pigs. Several villagers were using credit to boost production. A typical amount was \$1,500 per year at interest rates varying between 0.65 and 0.9% per month. Many could use more if they could get it (but did not seem to be willing to put up collateral for it). In general there was a high level of satisfaction with the infrastructure put in place (local roads, irrigation). They were connected to electricity under a different NTP.

The second visit was to the Luong Bang commune. This commune was in the same district as the Ra Ban commune but in a more remote area and at a considerably higher elevation. It was also much more heavily forested. While poorer than the Ra Ba commune, the rate of improvement was almost as rapid, despite not having a star crop like oranges and a visibly harder terrain to work with. There were major increases in the production of rice and corn, and strong expansion in animal husbandry and forestry. Almost all hamlets now have access to a road (although some are not all-weather and there are many landslides during the rainy season). Many more households now have latrines. There has been an expansion in irrigated land. Average incomes have doubled in real terms between 2006 and 2010

## Objective 2: Decentralization, Participation and Empowerment

4.121 *Informed Public Participation in Program Planning and Management.* Based on the beneficiary analysis survey,<sup>143</sup> levels of participation by households in project selection meetings has increased from 49% in 2007 to 74% in 2012 (target was 70%). Satisfaction with the selection of projects stood at 92% by 2012 (target 85%). There was an increase in the percentage of households who reported that they had voiced their opinion at project selections meetings (37% compared to a baseline 14%) and 26% felt that their opinion had been considered (baseline 8%). The qualitative outcome in this area is hard to assess. Participation was inclusive, but this says little about the quality of participation (information about which would have required assessments by independent monitors present in meetings). The 2010 MTR states that people's participation "could be described as consultation at best". The Government's final report says that the quality of participation was not always high and that the principles of openness and democracy have only been exercised superficially. On the other hand, these are new activities for most of these people and to participate may be intimidating if one does not possess specialized knowledge. On balance, there would appear to be a gathering momentum in this process of improving participation and decision-making processes at the local level.

<sup>143</sup> Op. cit. Annex 2

4.122 *Devolution of Investment Ownership.* For a commune to assume investment ownership it had to form a Project Management Unit (PMU). The PMU would then hold the legal authority to administer the activities and financial transactions of the commune projects. The PMU would then hold the legal authority to administer the activities and financial transactions of the commune projects. By 2010, 94% of all communes had PMUs. Of those, 94% involved local households in participatory planning, 74% had a training plan for commune officials, 90% had a communication plan, and 87% were organizing participatory M&E activities. These numbers reflect broad participation by households in the prioritization and implementation of the chosen projects, even if their contributions would depend on how effectively the training and communication plans were implemented.

#### **Box 4-3. Stakeholders' feedback based on visit to Bac Kan region**

**Ra Ban.** The six women in the women's focus group reported being satisfied with the selection of projects to be implemented. They typically got to a decision in two or three meetings. They reported no bias between men and women in decisions making. They felt that the targeting was fair. The households determined to be poor were voted through village meetings. Afterwards, district officials would visit the households to check on their assets and confirm income information. The process was annual with a fair amount of transitioning out of poverty, but also some back into poverty. The women reported satisfactory progress in material well-being. Incomes had risen. Electricity gave them access to information via the radio and TV as well as being able to acquire electrical appliances. All the women in the focus group had cell phones. Most households now had access to a motorcycle (and would now like their roads to be paved). Good progress was also reported in non-material areas. They had access to a health clinic. They reported that they had received useful training in orange tree planting, rice production and pig-raising. They still spoke Tay (a local dialect) at home, although increasingly their children communicated in Kinh (the national lingua franca). They placed great emphasis on education and could point to young people who had gotten through school and were getting jobs in nearby towns. One was even studying in a university in Hanoi.

**Luong Bang.** The five women in the women's focus group agreed that there has been substantial progress but had hoped for more. They felt that access to electricity was the greatest change in their lives. They agreed that road access has greatly improved and there was strong progress in irrigation (but would now like the dams and canals to be done in concrete to reduce maintenance). They said that they would plant many more trees under the replanting schemes but needed long-term credits because the potential benefits from logging were too far away. They had received training in tree planting. They agreed that they were materially better off. They all had cell phones and most households had a motorbike. They also agreed that non-material aspects of life such as access to health and education had improved. Some worried that the children once educated will leave and may not support them in their old age.

4.123 By program completion, there was a gap between the desire for Community Investment Ownership (CIO) in principle and carrying it out in practice. 97% of commune staff interviewed in 2007 wanted communes to become investment owners. But taking up the responsibilities that go with ownership was not easy. The commune staff had to prepare designs for each selected project, estimate the needed resources, organize bidding and selection of the contractor and then supervise implementation. All this involved capacity building of both institutions and individuals, which takes time. While the number of CIOs

more than doubled during the program, only 46% of the communes were infrastructure investment owners by 2010, well below the ambitious initial target of 100% (revised to 70% in DPO-3).

4.124 *Local Institutional Capacity Building Support.* The program was based on the understanding that decentralization could not take root without intensive training of commune cadres and local people for their various functions. Local authorities organized training on administration, financial and project management skills for nearly 180,000 commune and village staffs. Training was delivered in the form of short 5-6 day courses (Impact Evaluation (IE) report p.79). Virtually all staff on Commune Supervisory Boards and in the Project Management Units received some training. By the end of the period, 82% of the officials thought the training to have been relevant, 60% thought the duration of training was sufficient and 90% were satisfied with the quality of the trainers. However, fewer than 20% of the trained officials were women (there was no target set for this aspect of the program). Officials do not appear to have been fully qualified. Data indicate that only 40% of the households were satisfied with the qualifications of the members of the supervision board and only 30% felt that the project management board was sufficiently qualified.

### **Objective 3: Fiduciary Transparency and Accountability**

4.125 *Procurement of Small-Scale Infrastructure.* End-of program indicators regarding procurement of small-scale Infrastructure were that 80% of contracts would be awarded through open and competitive bidding and/or other non-direct contracting methods and that they would be verified by State Audit of Vietnam's (SAV) annual audit reports. In addition, in selected provinces, at least 70% of works below the relevant threshold would follow community contracting. To promote competitive contracting, second operation supported the issuing of a manual on procurement according to stipulated guidelines, including elements regarding transparency and procurement planning. The manual was issued but the enforcement of procedures was weak. Competitive bidding for contracts over VND 1 billion (about US\$50,000) has increased over time, but the majority of contracts between VND 300 million (about US\$15 million) and VND 1 billion were procured by direct contracting. Community Participation Procurement (amounts below VND 300 million) has been attempted in only a few provinces. However, according to the 2010 World Bank Country Economic Memorandum, reporting and auditing of procurement performance was insufficient and inadequate.

4.126 *Public Financial Management.* The program was to be audited by SAV in a selected number of provinces, with this number increasing over time. By the end of the program all provinces had been audited and some had been audited twice. The quality of the audits was deemed acceptable by Government and development partners. The DG of SAV confirmed to the PPAR mission that P135 audits now cover the entire budget, including the donor contributions. The audits are annual. The sample to be audited in any one year is not entirely random since at least some projects have to be picked from each province. The results are immediately sent to the relevant development partner.

4.127 However, full public disclosure of financial information was not achieved by the time P135 closed as the semi-annual financial reports were not published regularly on the MOF

website (an agreed outcome) and the results of the audits were published on the SAV website only in summary form (rather than by individual province). By 2010 there was an increase in the number of projects with financial information made public at the commune level to 75% (from 51% in 2007), but only 21% of the households were aware of the available information.

4.128 *Community contributions.* One of the measures to promote public accountability and future sustainability of the projects was for communities to contribute cash or labor. It was hoped that this would lead to better maintenance of the projects in the future. To some extent this was happening, although it may well have been limited by the fact that these communes are by definition relatively poor households contributing to the construction of the projects increased from 22% to 36%, and average contribution in cash rose from 12 to 135 thousand VND. Almost all of the work done by the households was unpaid.

#### **Objective 4: Monitoring and Evaluation**

4.129 *Process Monitoring.* The Government retailored the Aligned Monitoring Tool/ Program Monitoring Tool (AMT/PMT) system<sup>144</sup> used at the central level to the needs of P135. However, the resulting MIS was fully operational in only 11 of the 50 provinces by the end of the program. There were also issues with the unfamiliarity of its information requirements at the lower levels of government accustomed to a different reporting format. Citizen Report Cards which were supposed to be produced annually, were produced only once in 2008 as an initial pilot and there was no follow-up.

4.130 *Impact Evaluation.* While there were delays with both the baseline and end-line surveys, by completion a good quality data set was available for analysis. It was analyzed in some detail by a team assisted by external consultants. The MIS system now exists (although it is fully operational for only a fifth of the provinces) and the outcomes of the end-line survey showed progress across a series of indicators.

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<sup>144</sup> Part of M&E of [SEDP](#)

## 5. Summary Performance Evaluation

### *A. Clustered Approach*

373. This chapter evaluates the outcomes of the three completed DPO series (second PRSC, PIR and P135), as well as Bank and Borrower performance. The presentation may differ from that of other PPARs since commonalities between the operations allow for clustering of some of the analysis. Given the in-depth analysis of various dimensions of the three series presented in the previous four chapters, this Chapter summarizes the resulting performance ratings.

374. A specific issue facing the evaluators concerned the deterioration of the quality of PRSC reforms over time (the first operation was approved in 2007, the fifth and last in 2012). This weakening took place at the same time as the international financial crisis of the late 2000s early 2010s. Care has been taken care that the evaluation takes into account exogenous factors where warranted.

375. It should be noted that, as more than two years had passed between the first and second operation, two ICRs were prepared for P135, one covering the first operation and the other the last two. The review below is for the whole series.

### **Program Development Objective (PDO)**

376. The development objectives were as follows:

- a. **PRSC.** The main objective of the proposed series of operations was to help Vietnam develop the economic policies and institutions needed to become a middle-income country (PD PRSC 6 para. 38). This formulation did not change throughout the series, even though it was omitted from latter documents (e.g., from the PD for PRSC 10). This broad objective is distilled into a series of specific objectives according to SEDP/PRSC policy pillar:

- Promotion of growth and transition to a market economy that will foster the development of businesses in an environment crucial to the sustained growth of the country's economy.
- Poverty reduction and social inclusion, enabling all players and stakeholders to participate and to enjoy the benefits of development and growth.
- Sustainable management of the environment and natural resources as the country seeks to harness the benefits of natural resources and the environment for development and growth while ensuring their sustainability.
- Building institutions that can support the country's development strategy through improving governance.

5.1 **PIR.** The overarching objective of the proposed program is to “support modern governance,” one of the four main “pillars” of Vietnam’s Socio Economic Development Plan, and the fourth objective of the PRSC series. Specifically, and according to the project documents, the program aimed to raise the productivity of investment through four specific improvements in:

- project selection (environmental screening);

- project implementation (cost estimates, bidding rules, bidding transparency, conflict of interest, dispute resolution, land acquisition, environmental management);
- financial management (reporting and control, administrative costs, environmental budgets, subsidies and guarantees); and
- project oversight (project documentation, monitoring and evaluation). The text of the PDs<sup>145</sup> imply another objective: supporting the Government's fiscal stimulus.

This report includes this objective in its evaluation of the program.<sup>146</sup>

- **P135.** The PD for the first operation defines the following objectives: support policy and institutional actions to improve the results of one of Vietnam's principal National Target Programs for poverty reduction, known as "Program 135, Phase 2" (P135; and referred to as P135 throughout this report). This formulation was not changed during the series. However, the second operation defined the following policy areas, which may be treated as specific objectives :
  - poverty targeting;
  - decentralization, participation and empowerment;
  - fiduciary transparency and accountability; and
  - monitoring and evaluation.

## Relevance of Objectives

5.2 The DPOs founded upon the SEDPs, complemented by a specific targeted program in the case of P135, which in the case of the 2006-11 SEDP was operationalized primarily through the 2007 VDR as well as numerous other analytical works. That SEDP and the current one are fully consistent with one-another, even if their perspective changes somewhat from attaining middle-income status to dealing with this challenges associated with that status, as well as exogenous issues, notably the international financial crisis. Both applicable Bank CPSs in place since 2007 (see Chapter 2) supported the SEDPs were closely aligned with it. Furthermore, the PIR, notwithstanding design flaws, was an important part of the Bank's response to the international financial crisis.

5.3 All three DPOs were relevant to Bank Strategy at the time they were approved, even though in the case of the PIR the series was introduced in an ad-hoc way and additionality to PRSC was modest. Increased budget support could have been achieved through a further increase in the PRSC envelope and the measures PIR support could have been integrated into the PRSC matrix as they were related to previous actions. The objectives of these DPOs remained highly relevant to the CPS, in place at their closure. In view of these

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<sup>145</sup> The stimulus is the center of the whole operation described in PDs. It is discussed as an integral part of the operation throughout these reports and is cited explicitly as a main policy area (e.g., in Loan and Program Summary).

<sup>146</sup> This approach is slightly different from that proposed in the ICRR, which treats the stimulus as a separate objective to that of supporting modern governance, whereas it is seen as a part of modern governance.

considerations, the following ratings apply to their strategic relevance: (a) PRSC and P135 **High**; and (b) PIR **Substantial**.

## Relevance of Design

5.4 *Choice of Instrument.* All three series included a significant policy reform agenda, which made the choice of a DPO instrument suitable. However, there was some concern as to whether P135 would not have been better supported through an investment lending instrument (such as a SWAP). This PPAR concludes that in such a case the required policy reforms would have been delayed. As it was, the Government effectively earmarked the necessary resources, thus ensuring full funding of the program. However, effective reliance on Government's fiduciary and safeguards systems and policies may have resulted in some issues being overlooked.

5.5 *Macro.* Greater attention would advantageously have been paid to macroeconomic and fiscal issues. This applies both to the PRSC series, which should have played a more significant role in promoting sustainable policy options, and to the PIR series, which was part of the response to a macroeconomic crisis. These two programs, however, contained no macroeconomic actions. Moreover, there was inconsistency in the Bank's approach. While the second operation in the PIR series was delayed in 2010 because of concerns over the country's macro and fiscal framework, PRSC 9 went ahead as planned in the same year, resulting in fragmentation of macro-policy dialogue.

5.6 It is questionable whether there was sufficient justification for proceeding to implement the later operations in the both the PRSC and PIR series. This PPAR finds that, once PRSC actions became vague and reversible, and two critical measures were dropped from the PIR, neither of the subsequent operations (the second in the PIR series, and PRSC 10) should have proceeded. In contrast, when issues emerged in P135, external support was put on hold until a mid-term review could take place and the program could thereafter continue on a better footing.

5.7 *Chain of logic.* The following paragraphs examine the quality of the results framework for each operation. Each series is underpinned by a separate framework and is therefore discussed individually.

## PRSC

5.8 The program encompassed 17 policy areas across four pillars of the SEDP. Its ambition was to serve as a vehicle to mobilize and deliver General Budget Support<sup>147</sup> to Vietnam by the donor community. The breadth of the program and the choice of policy areas was thus relevant.

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<sup>147</sup> Funding allocated to the Government consolidated fiscal account, whereas for some other development partners sector budget support resources once disbursed remain earmarked for the sector.

5.9 The program's result framework suffered from weaknesses detailed in Chapter III. In a comprehensive program such as this, the relevance, significance and institutional depth of each prior action is very important. Although the program supported many important actions, it suffered from weakening quality of prior actions with the progression of the series. In particular, 30 out of 53 prior actions are assessed to have had various shortcomings, of which seven prior actions were found as not relevant for the results, 14 prior actions had insufficient institutional depth and criticality, while 13 prior actions had problems with measurability of their contribution to the results. A clear trend of weakening of quality was observed from one operation to another.

5.10 Declining policy content is explained in part by the strong emphasis placed on predictability of disbursements. Flexibility may have helped maintain good working relations between the Bank and the Authorities, and facilitated development partner coordination, thereby reinforcing predictability. However, predictability delivered limited benefits to Vietnam. Unlike some other PRSC recipients, external support to Vietnam constituted a small part of available resources for public expenditures. While the flexibility accompanying predictability weakened the program by postponing key reforms.

5.11 The indicators at the outset were relatively closely related to objectives. However, many indicators were only partially attributable to actions supported by the PRSC, and some outcomes depended on exogenous factors.

## **PIR**

5.12 The primary design logic of the PIR was to put in place a set of reforms that would, with a lag, result in improved efficiency of public investments. This objective was supported by 21 actions over two operations. The primary drivers of this result in terms of policy areas were the proposed law on public investments and PPP framework that defined the government's roles. By the time the second operation was in 2011 neither could be realized within the series' time frame due to lack of consensus. Yet, the results framework and indeed objectives were left unchanged. Although the expected results were closely linked to prior actions and largely attributable to the program. They were largely outputs that were not immediately connected to objectives. The program did not include actions to support sound implementation of Government's fiscal stimulus, which was a major design weakness affecting the quality of Bank's engagement in macro and fiscal policies.

## **P135**

5.13 The program consisted of four main policy areas and 13 sub-areas. The first DPO included 11 prior actions, the second 8, and the last 4. As explained in earlier chapters, the prior actions in the first two DPOs were strong, those in DPO-3 were less convincing. Furthermore, some actions did not apply to the program's whole geographical area. The initially proposed reforms were complemented by the 46 future actions (some of which were triggers for the next operation) envisaged in the first operation's PD. Subsequently, this list was reduced to 18 benchmarks under the last two operations. As detailed in Chapter III, the relevance of actions was generally robust, especially after the programs mid-term review prior to the second operation. Overall, the actions were relevant to the objectives sought.



Similarly, indicators, as revised after the mid-term review, provided an improved chain of logic. The most important one concerned poverty reduction in targeted zones.

5.14 In view of the above analysis, the rating for relevance of design for each series is: **modest** for PRSC and PIR and **substantial** for P135.

## Implementation

5.15 All DPOs were fully disbursed at effectiveness. Table 5.1 below summarizes the key dates. It should be noted that all operations closed on schedule.

5.16 An important change in approach from the Bank's perspective was the "branching" of DPOs, where the Bank approved sectoral DPOs in parallel with the PRSC. Under the first PRSC series, this instrument was seen as the sole means for policy dialogue and support between the Government, and the World Bank and development partners. This approach was justified by the breadth of issues covered by the first PRSC series and the desire then to consolidate policy dialogue within the purview of a single instrument. It was substantially modified with the approval of five new DPO series after 2007. The reasons given for the branching varied: (a) supporting an anti-poverty sector expenditure program (P135); (b) accelerating sector reform (Power, Higher Education, Climate Change, and PIR); and (c) addressing the macroeconomic crisis by financing part of the stimulus package (PIR). It should be noted that the current CPS envisages a much narrower approach with a single DPO series covering only what are seen as the most critical issues, some long left unaddressed, facing Vietnam.

**Table 5-1 Key dates Vietnam DPOs**

Operation	Approval	Effectiveness	Closing, actual
PRSC 6	6/21/2007	12/3/2007	12/31/2007
PRSC 7	6/26/2008	10/24/2008	12/31/2008
PRSC 8	6/25/2009	10/5/2009	12/31/2009
PRSC 9	6/24/2010	10/27/2010	12/31/2010
PRSC 10	12/15/2011	4/11/2012	6/15/2012
PIR 1	12/22/2009	3/30/2010	9/30/2010
PIR 2	5/24/2011	7/13/2011	12/31/2011
P135 1	3/21/2007	8/15/2007	12/31/2007
P135 2	5/21/2009	10/5/2009	12/31/2009
P135 3	4/26/2011	8/29/2011	12/30/2011

*Source:* ICRs

## Achievements of Objectives

5.17 All DPOs include an implicit objective whereby the macroeconomic situation has to be satisfactory throughout their implementation. While this situation may have prevailed for

PRSC 6 and 7 and the first P135, there were weaknesses in the macroeconomic framework after (and including) 2009. There was also a progressive deterioration over time of the quality of the reforms supported by the PRSC and PIR series, and improvements in those supported by P135.

5.18 Achievement of objectives for each operation and by objective is discussed below. This draws on the detailed analysis of results presented in Chapter IV.

### ***Poverty Reduction Support Credit***

5.19 The program initially had 51 results indicators; 10 more indicators were added in PRSC 10, while 27 indicators were dropped during the preparation of PRSC 10. The ICR, however, provides data for those indicators that were dropped. During the mission attempts were also made to update the data for the indicators, including those that were dropped – with mixed success due to imperfect availability of information. In total, out of 61 results indicators the ICR provided data on 40, of which 25 indicators were met or exceeded, 3 were partially attained (result between target and baseline) and there were no data for another 7. The update of data with more recent observations did not substantially change the overall picture of achievement of target values. This relatively low number of indicators that were monitored and/or were reported to have reached the target is explained by shortcomings in program achievements in some areas only, but it also reflects weaknesses in M&E design and implementation.

### **Objective 1: Promotion of growth and transition to a market economy that will foster the development of businesses in a business environment crucial to the sustained growth of the country's economy - Substantial**

5.20 Assessment of achievement of this objective was based on assessment of results under five underpinning policy areas -- global integration, private sector development, reforms in SOEs, reforms in the financial sector, and infrastructure. In policy areas related to global integration, private sector development and infrastructure the program achieved important results in supporting Vietnam's growth agenda and implementing reforms. Following the accession to WTO, the country deepened its integration with the global economy and exports boomed. Sustainability is likely as FDIs recovered quickly after the slowdown during the international crisis. Vietnam remains an attractive destination for FDIs thanks to factors such as geographic location, positive policy "bias" toward the so called "external sector", investments in infrastructure, completion of WTO-related reforms under the program, and a comparatively advantageous cost structure in the economy.

5.21 The growth of MSMEs and foreign investments diminished the importance of SOEs in the economy. This is evidenced by credit to the SOE sector, which remained constant in nominal terms between 2009 and 2013, and fell from 29.4% of total credit to 16.5% during the same period.<sup>148</sup> Furthermore, as of 2011, it was estimated that about 400,000 SMEs operated in Vietnam (about 60,000 were established during the 2006-2011 period) and employed 77% of the workforce. The PRSC included a number of benchmarks aimed at

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<sup>148</sup> IMF 2014 op. cit.

improving the investment climate for MSMEs, which contributed to their growth. Similarly, regarding infrastructure, the separation of power transmission and generation assets was a fundamental reform that allowed the subsequent introduction of competition in electricity. Similarly, the decentralization of investment ownership in the transport sector improved the integration of capital and recurrent expenditures (and ultimately efficiency of investments in the sector). Finally, clarification of treatment of unsolicited bids improved transparency and was an important action in the absence of a more comprehensive PPP law.

5.22 The results were less impressive regarding State Owned Enterprises and the financial sector. The program focus in SOE reforms was in divestiture efforts to limit the direct role of the state in the economy. The reform agenda in this area has performed below expectations. Financial sector reforms have been progressing slowly. The Central Bank is now more independent and capable, which is a necessary condition to ensure the presence of a sound financial system. Nevertheless, the quality of the banking sector portfolio has not improved under the program, while no state owned bank complied with the international standards of loan classification as of mid-2014. While recognizing limited progress in two policy areas, overall progress in other areas explain the substantial rating for this objective.

**Objective 2: Poverty reduction and social inclusion, enabling all players and stakeholders to participate and to enjoy the benefits of development and growth - Substantial**

5.23 Assessment of achievements is based on the results of four policy areas – education, health, social protection and gender. There were important achievements in health insurance, maternal mortality, and poverty reduction. Although the data suggest that some results in education and gender equality were less than expected, this may reflect M&E weaknesses. Supporting data collected by the mission suggest substantial improvement in many dimensions of education and gender inequality as well as achievement in areas such as health insurance, maternal mortality and poverty reduction. The results were less encouraging in promoting social insurance among various groups, while sustainability of pension system remains a challenge. On balance, the efficacy of the second sub-objective was substantial.

**Objective 3: Sustainable management of the environment and natural resources as the country seeks to harness the benefits of natural resources and the environment for development and growth while ensuring their sustainability - Modest**

5.24 Assessment of achievements in this sub-objective is based on the results of three policy areas – land and forest, water, and environment. Prior actions in this policy area aimed to increase the land allocated to local communities; increasing the issuance of land-use certificates; improve the population's access to clean water; increase the number of river basins managed with inter-provincial water allocation procedures; improve the quality of surface water, and increase the number of wetlands of international importance in the protected area system. This objective was supported only by a small number of supporting actions, even though more might have been justified by the complexity. Quantifying results in these three policy areas was also hindered by lack of data – values were not reported by the ICR in seven out of ten indicators. On balance, the program's achievements were partial at best.

#### **Objective 4: Building institutions that can support the country's development strategy through improving governance - Modest**

5.25 Assessment of achievements in this sub-objective is based on the results of five policy areas consisting of planning, public financial management, public administration reforms, legal developments and anti-corruption. With the exception of public administration reforms, the progress was below expectations. In the policy area of planning, no substantial progress was achieved in public investment management and integration of modern planning in provinces. In PFM, in spite of some achievements in external audit and introduction of a modern treasury management system, the overall progress in PFM in 2007-2012 was below expectations. Specifically, the issues of off-budget expenditures, conformity of the budget classification with international standards, and lack of progress in internal audit remain are significant shortcomings.

5.26 In the area of anti-corruption, some of the institutions supported by PRSC, including the steering committee and asset declaration, did not perform in line with the initial expectations and Vietnam's CPIA rating in control of corruption has not improved since the mid-2000s. In the policy area of legal developments, design included insufficiently ambitious. Consequently, the only relevant result recorded was the posting of draft laws on the Government's website.

5.27 Public administration reforms were more tangible and better sustained. The list of important achieved results include institutionalization of the one-stop shop, adoption of the Civil Service Law and subsequent government decrees, the Master Plan for Public administration reforms, introduction of public administration performance index for assessing performances of the provinces. That said, the CPIA rating of the quality of public administration has remained unchanged since 2006, and is yet to reflect the reforms.

#### ***Public Investment Reform***

5.28 There is almost no quantitative evidence that the efficiency of public investments improved on the basis of reforms supported by PIR, which was an ultimate but not specific objective of the operation that might have been visible at time of writing, two years later. The only indicators suggesting such progress is the falling public investment to GDP ratio. If this reduction had been through the elimination of projects with lowest rates of return and/or reduced cost for a specific project, then efficiency would likely have risen. However, it is unknown<sup>149</sup> how this reduction was achieved (for example it could have been across-the-board or by postponing new, potentially more efficient, investments).

#### **Objective 1 – Enhancing Project Selection - Modest**

5.29 The sole step in the process concerned environmental screening. There were two significant changes in the formulation of one of two prior actions, compared to the original trigger, concerning incorporation of SEAs in development master plans. The main one was that the condition was relaxed (as detailed in Table 4.6) to encompass only the draft of such

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<sup>149</sup> The Bank is currently undertaking such a study.

plans. The second is that the action concerned one sector rather than the original two. The second prior action (a review of experience) was process-oriented and equivalent to a study rather than a reform with negligible evidence of impact.

5.30 This area originally contained another action related to re-registration of FDI firms, which would simplify entry and enhance competition within the economy, including that with public investments in productive sectors. This result was achieved, through other means, which were not attributable to this part of the program, but could be considered part of post WTO accession reforms supported by the PRSC. However, the relevant indicator was dropped from the second operation, and the sub-objective was only partially met.

### **Objective 2 – Improving Project Implementation - Negligible**

5.31 The five areas consisted of: (i) project approval; (ii) capacity building; (iii) conflict of interest; (iv) dispute resolution; and (v) environmental management. The key action consisting of the submission of an investment law was dropped altogether due to lack of political consensus and internal resistance – its importance is reflected in the fact it was taken up again under the EMCC. The measure on conflict of interest was also partial. Furthermore, two indicators related to the last two areas could not be measured. There were thus major shortcomings in meeting objectives.

### **Objective 3 – Enhancing Financial Management - Modest**

5.32 All the actions under this pillar were implemented. There were significant modifications to two triggers for the second operation. The decision on the PPP framework no longer contained any language on provisions on the scope of Government participation in PPPs – an area where there has been limited progress to-date. In the case of environmental budget, the action no longer included language on preparation of SEAs. The indicators, while met, suffered from shortcomings which renders them only partially meaningful – as discussed previously in Chapter IV.

### **Objective 4 – Improving Project oversight - Negligible**

5.33 The sole policy action concerned improved M&E of projects through, as trigger, the establishment of the Association of Independent Evaluators. This reform was relaxed under the revised prior action, which called for establishing the criteria for individuals and institutions to carry out investment evaluation. The indicator related to this action showed no progress was achieved with regards to public projects being reviewed by independent evaluators.

### **Objective 5 – Supporting Fiscal Stimulus - Modest**

5.34 The shortcomings of the fiscal stimulus and the stop-go policies it reflected were detailed in the earlier macroeconomic discussions in Chapter II and III. Overall, the attempt to finance the stimulus while supporting stabilization efforts -- without a macroeconomic framework -- proved too challenging: the DPL series did not effectively contribute to a well-calibrated, well-timed countercyclical policy program.

## ***Program P135 Phase 2 Support Program***

### **Objective 1: Strengthened Poverty Targeting - Substantial**

5.35 *Commune, Village and Household Selection.* The Government and the development partners collaborated on beneficiary selection and fund allocation methodology. DPO-1 supported improved pro-poor targeting, the enforcement of which was then tracked through the last two DPOs. The IE agreed that the targeting both of the communes and villages selected for inclusion into the P135 program as well as the designation of the most disadvantaged groups within them was good.

5.36 *Program Resource Allocation.* The criteria for budget allocation requiring that higher norms be applied to the more disadvantaged communities and villages has been issued by 41 out of 50 provinces. This resulted in allocations being “pro-poor” at the commune and village level. Targeting appears to have been successful.

5.37 *Enhancing Sustainability of Program Investment.* The key to achieving this goal was to be an allocation of 6.3% of infrastructure investment funds to Operations and Maintenance (O&M). A central budget line was created to that effect. However, the funds tended to be used for upgrading and major rehabilitation rather than routine maintenance.

5.38 *Pro-Poor Orientation of Production/Livelihoods Support.* The agreed outcome in the policy matrix was that “poor upland communities increase incomes and diversify livelihoods in a sustainable market-responsive manner as verified by baseline and end of project survey indicators of changes in crop agricultural income and increased share of non-rice income”. In practice, the program continued to subsidize agricultural production inputs for the poor.

5.39 The outcome indicator in this area changed over time and ended up being the “average income per capita per year for at least 70% of the population”. The indicator rose from 31% to only 41%, missing the target by a wide margin (although the target was too ambitious). In any case, the Program’s approach in agriculture does not seem to have been successful in moving a substantial proportion of the farmers from subsistence to a more market-oriented agricultural model.

### **Objective 2: Decentralization, Participation and Empowerment - Substantial**

5.40 *Informed Public Participation in Program Planning and Management.* Levels of participation by households in project selection meetings has increased from 49% in 2007 to 74% in 2012 (target was 70%). Satisfaction with the selection of projects stood at 92% by 2012 (target 85%), 37% of households reported that they had voiced their opinion at project selections meetings (baseline 14%) and 26% felt that their opinion had been considered (baseline 8%). The qualitative outcome is, however, hard to assess.

5.41 *Devolution of Investment Ownership.* By 2010, 94% of all communes had PMUs. Of those 94% involved local households in participatory planning, 74% had a training plan for commune officials, 90% had a communication plan, and 87% were organizing participatory M&E activities. Efforts for communities to become investment owners were serious. While

the number of CIOs more than doubled during the Program, only 46% of the communes were investment owners by 2010 (versus an overly ambitious target of 70%).

*5.42 Local Institutional Capacity Building Support.* A substantial training effort was made under the Program. By the end of the period, 82% of the officials thought the training to have been relevant, 60% thought the duration of training was sufficient and 90% were satisfied with the quality of the trainers. However, fewer than 20% of the trained officials were women.

### **Objective 3: Fiduciary Transparency and Accountability - Modest**

*5.43 Procurement of Small-Scale Infrastructure.* Competitive bidding for contracts over about US\$50,000 has increased over time, but the majority of contracts over value continued to be procured by direct contracting. Community Participation Procurement has been tried in only a few provinces. Reporting and auditing has been insufficient.

*5.44 Public Financial Management.* By the end of the program all provinces had been audited and some had been audited twice. The quality of the audits was deemed acceptable to the Government and development partners. However, full public disclosure of financial information was not achieved by the time P135 closed. By 2010 there was an increase in the number of projects with financial information made public at the commune level to 75% (from 51% in 2007), but only 21% of the households are aware of the available information.

*5.45 Community contributions.* Households contributing to the construction of the projects increased from 22% to 36%, and average contribution in cash rose from 12 to 135 thousand VND. Almost all of the work done by the households was unpaid.

### **Objective 4: Monitoring and Evaluation - Modest**

*5.46 Process Monitoring.* The MIS was fully operational in only 11 of the 50 provinces by the end of the program. There were also issues with the unfamiliarity of its information requirements at the lower levels of government which were used to a different reporting format. Citizen Report Cards were produced only once (2008) as an initial pilot and there was no follow-up.

*5.47 Impact Evaluation.* While there were delays with both the baseline and end-line surveys, in the end a good quality dataset was available for analysis and was analyzed in some detail by a team under the auspices of consultants. The results of the analysis made a crucial contribution to assessing the impact of P135.

## **Outcome Ratings**

### ***Poverty Reduction Support Credit***

*5.48* The overall outcome rating is assessed as **moderately satisfactory** that reflects high relevance of objectives, modest relevance of design, substantial achievements in business development and social inclusion objectives, and modest achievements in environmental and governance objectives. The rating reflects Vietnam's impressive economic performance

driven by global integration, as well as accompanying improvements in poverty and social inclusion. Although attribution is in general challenging, this evaluation finds that through the program the Bank helped Vietnam to maintain the focus on growth and poverty reduction agendas and address many impediments important for improving short-term economic performance. The program, however, did not achieve many of its intended results in environmental and governance, which are the areas where economic growth does not necessarily guarantee a positive change, and a transformative push is often needed which was not present in the program.

### ***Public Investment Reform***

5.49 The outcome rating is assessed as **unsatisfactory**. This reflects substantial relevance of objectives and modest relevance of design. There were major shortcomings in the achievement of objectives, with three thematic areas rated modest and the other two negligible. There was little evidence indicating that the measures taken attained their intended results or contributed significantly to the longer term goal of promoted greater efficiency in public investments. The lack of measures supporting the attainment of an adequate macroeconomic framework was a major weakness, especially given that this series aimed to address, in part, the macroeconomic consequences of the international financial crisis. The program should have included macroeconomic measures.

### ***Program P135 Phase 2 Support Program***

5.50 The overall outcome rating is assessed as **moderately satisfactory**. This rating reflects high relevance of objectives and modest relevance of design. Overall, many of the objectives in the four policy areas of the DPO series were achieved. The efficacy of two out of four specific objectives is rated substantial, while that of the other two is rated modest. Overall, targeting of poor households was good, and funds for operations and maintenance were allocated at the agreed level, although they were, at times, spent on rehabilitation rather than routine maintenance. Public participation in program planning and management increased substantially. Ownership of infrastructure investments by communes increased. Community contracting improved, although there is a long way to go before competitive bidding replaces direct contracting. There was progress in public financial management, although public disclosure could have been more comprehensive and timely. Accounting of community contributions improved over time. Monitoring of processes was a case of too little too late, but the impact evaluations proved valuable in assessing the final outcome of the program.

### **Risks to Development Outcome**

5.51 All three series face similar risks such as macroeconomic and policy reversal. These are likely to be manageable in terms of maintaining achievements to-date. A specific assessment of risks for each series is provided below.



### ***Poverty Reduction Support Credit***

5.52 As Vietnam's GDP has been growing at a satisfactory, albeit slowing, rate while poverty has simultaneously been reduced, some of the risks have become less relevant. The potential for the economy to grow faster and become more complex driven by fundamental factors is apparent. Nevertheless, some new risks have emerged with Vietnam's middle income status. As the economy becomes more sophisticated, public sector performance and governance have to improve. Macroeconomic risks, including reduced fiscal space, are serious and may affect growth and poverty reduction through increased volatility. However, more focused reforms are being implemented under the EMCC program, while continued policy dialogue helps sustain reform and discourage policy reversal. The Risks to Development Outcome was ***Moderate***.

### ***Public Investment Reform***

5.53 There were limited achievements under this series. Policy reversal is still possible where actions were largely at the level of commitments in the form of expression of intension. Nevertheless, the Government seems to be aware of the need to improve the efficiency of public investments and the recently approved Public Investment Law under EMCC is an important step forward. It remains to be seen whether the country will put in place a transparent and competitive enabling framework for PPPs that attracts qualified international operators. If so, in-country capacity to oversee PPPs, evaluate their risks and manage contingent liabilities will require strengthening. The Risks to Development Outcome was ***Moderate***

### ***Program P135 Phase 2 Support Program***

#### **P135 - Moderate**

373. Achievements in poverty reduction are unlikely to be reversed. However, unless the momentum is maintained, the gap between the poor and less poor communities may increase. Elements of risk include:

- Funding for the follow-up program P135-3 may decrease. After several years of year-to-year extensions, the development partner backing has fallen off substantially. CEMA in a field interview noted the drop-off in funding and the difficulty of keeping up the skills of its staff due to high staff turn-over. An erosion of skills gained under the Program is likely.
- External cooperation modalities may change. The World Bank has moved away from budget support and returned to project funding for remote areas that may lead to a slower disbursements observed in other parts of the portfolio.
- The Bank is piloting an entirely different approach to social assistance, more in line with the needs and capabilities of a middle income economy (Social Assistance System Strengthening Project<sup>150</sup> approved in 2014). This may however temporarily restrict resources going to the very poor while new channels are established.

<sup>150</sup><http://documents.worldbank.org/curated/en/2013/12/18744604/vietnam-credit-social-assistance-system-strengthening-project>

- The new P135 program may not have the backing that P135 had and there are questions concerning what will remain over time of the institutional and individual capabilities that have been built. On the other hand, different programs may address the need of communities previously covered by P135.
- The livelihoods component was unsuccessful and the effectiveness of a new rural approach especially for the remote and mountainous areas still needs to be demonstrated (New Rural Development in Vietnam – From Field to Policy).
- It is not clear that the O&M approach that was introduced under P135 will remain in place.
- Process Monitoring is unlikely to be sustained except perhaps in the few provinces where it had been successfully implemented.

The Risks to Development Outcome was *Moderate*

## Bank Performance

5.54 There are cross-cutting features for both aspects of Bank performance (Quality at Entry and Quality of Supervision) and across series that affect the performance rating. It also should be noted that for annual DPOs the difference between Quality at Entry and Quality of Supervision Quality at Entry and Quality of Supervision may be blurred. The depth and breadth of knowledge products underpinning the DPOs were impressive, as was the quality of poverty and social assessment. Bank-led donor harmonization was also of a high standard, at least until PRSC9. This allowed timely identification of technical assistance needs and provision. The dialogue with Government appears to have been deep and built on a relationship of trust, even if this resulted in too much “flexibility” after 2009, at a time when there were changes to the composition of the Bank teams and new relationships had to be established. Lessons learned were well integrated in project design, even if other than for P135 there might have been more attention to lessons from outside Vietnam. However, the treatment of the macroeconomic situation was inadequate, especially after 2008. Also, the environmental underpinning of DPOs could have been stronger from the outset of the series. Finally, M&E was generally weak, a shortcoming widely spread among World Bank DPOs.

### *Poverty Reduction Support Credit*

#### *Quality at Entry – Moderately Satisfactory*

5.55 Strengths in Bank performance at entry included strong linkages between program design of PRSC 6 and 7 and analytical work, leading the complex development partner coordination process, and increasing the size of the financial envelope to provide counter-cyclical assistance in the wake of 2008-2009 financial and economic crisis.

5.56 Shortcomings include a gradual softening of proposed policy actions for subsequent operations over time, de-linking of the operations from the initial design in PRSC 9 and 10, weak macro dialogue, and no incorporation of necessary macro actions in the program. The design of monitoring and evaluation also suffered from weaknesses that are attributable to the choice of the indicators that sometimes were too general to effectively measure program’s results that the Bank attempted to improve with mixed results at PRSC 10. Finally,

the effectiveness of collaboration with development partners was both a strength, as it improved harmonization and lowered transactions costs faced by Government, and a weakness, since there was a large number of policy actions over 17 policy areas.

*Quality of Supervision – Moderately Unsatisfactory*

5.57 The Bank established clear mechanisms of program supervision that allowed combining an effective integration of various stakeholders into the monitoring of the program's implementation. Supervision benefited from the leadership of sector staff in the country office. However, the quality of supervision appears to have declined over time. One noteworthy shortcoming was the lack of response to emerging problems in M&E in timely manner. The revision of the M&E framework was done at the end of the program with shortcomings, such as introducing some new results indicators that were not linked to policy actions supported by the Bank. Also, declining quality of reforms can be attributable in part to "flexibility" during supervision. Bank dialogue with the Authorities suffered from insufficient attention to macroeconomic risks. The Bank could have been more candid in identifying the shortcomings inherent in PRSC 10 and recommended the early closure of the series, as the weakening of prior actions resulted in marginal contributions to the completion of the original program.

On the basis of the above, and taking into account the outcome rating, the overall Bank performance is ***Moderately Satisfactory***.

***Public Investment Reform***

*Bank performance – Unsatisfactory*

5.58 Given the difficulty of separating the role of the Bank at entry and during implementation, because of the reorientation of the program between the first and second operation, and given that no supervision reports were produced, a combined assessment of Bank performance is appropriate. Program preparation was ad-hoc, as reflected in weaknesses such as lack of readiness of certain reforms, an inadequate results framework and limited participation from other development partners. There may have also been a disconnect between the identified need to support the macro-program and to provide budget support, while at the same time trying to accelerate reforms in the Governance pillar in areas with limited traction. In any event, the design of the series was substantially undermined when key triggers were dropped as prior actions. Indeed, it is not evident why the Bank proceeded with the second operation, since the program was by then much weakened. Government officials interviewed during the PPAR mission stated that, from their perspective, the program was premature, since policy dialogue underpinning key reforms had not matured by the time the decision was taken to proceed with it. Some counterparts expressed the view that the draft investment law prepared with the help of the Bank could have been improved.

***Program P135 Phase 2 Support Program***

*Quality at Entry – Moderately Satisfactory*

374. The first PD of this series presented a good summary of the experience and lessons learned in CDD operations in East and Southeast Asia. In particular, that significant training of key personnel would be needed up front, and a process monitoring system should be in place at the start of the operation. The need for technical assistance was identified upfront, and a large technical assistance package accompanied the implementation of the series and covers those requirements in parallel (even though sequencing issues resulted in implementation problems noted elsewhere).

5.59 The choice of instrument seemed risky, even though policy reforms were correctly identified. A SWAP, for example would have required up front rather than parallel TA in the flagged areas. The need to accelerate certain policy reforms, which is hard to achieve under investment lending, may have driven this choice, which with the benefit of hindsight appears to have been justified.

5.60 It may also have been driven by the wish of development partners to coordinate aid as much as possible through budget support in accordance with the resolutions of the Paris Declaration and the Hanoi Statement. The PRSC series' track record and that of other operations encouraged expectations that a budget support operation to reduce poverty in the lagging mountainous and remote regions would be timely.

5.61 The original design and the first operation had shortcomings in terms of both program content and M&E, revealed at the mid-term review, and the treatment of safeguards was incomplete. However, shortcomings were addressed in the second and third operations (which are also part of quality at entry).

#### *Quality of Supervision – Moderately Satisfactory*

5.62 For the first two years of the Programmatic series (during which only one operation was approved) the Bank, the other development partners and the government addressed emerging issues. Early supervision identified various problems such as need for capacity building and improving M&E. The in-depth mid-term review (MTR) in late 2008 was fundamental in improving project design and performance. It confirmed that the delays in mobilizing technical assistance in the areas of training and process monitoring had to be overcome, and that the intermediate monitoring and outcome indicators should be made more precise. This meant that additional prior actions had to be carried out before the approval of the second operation to strengthen the program and help ensure its success. Given the difficulties being experienced, it would have been helpful to Bank management had supervision reports been filed.

5.63 The MTR proposed 10 medium-term actions that were implemented and improved the quality of the program. This resulted in rapid progress during the second and third operations, and paved the way for success, as evidenced in this evaluation. This vindicated the view at entry that the programmatic series was the way forward, even if the expectations of timely TA interventions were optimistic.

On the basis of the above and taking into account the outcome rating, the overall Bank performance is rated *Moderately Satisfactory*.

## **Borrower Performance**

### ***Poverty Reduction Support Credit***

#### *Government Performance – Moderately Unsatisfactory*

5.64 Government's ownership of the PRSP agenda was uneven across reform areas and appears to have diminished over time. Transition to middle income country status was the Authorities' main objective. However, the focus on structural reforms to make such a transition sustainable and pave the way for long-term balanced growth was weaker. Vietnam's performance in attracting foreign direct investment, in integrating into the global economy and in overall growth performance, was satisfactory. Performance was also good in poverty reduction and social inclusion. These developments have, nonetheless, taken place against the background of structural deficiencies in SoEs and financial sector, and challenges in PFM and anti-corruption that the PRSC series could not address because of lack of reform momentum. The period under review was also characterized by increased risks associated with macroeconomic management.

#### *Implementing Agency – Moderately Satisfactory*

5.65 The Central Bank (SBV) was the focal point in the PSRC series. It's special PRSC Coordination Unit reported to the Steering Committee, which brought together and gave a voice to key line Ministries. Given that most of the policy actions were sector specific, the SBV satisfactorily coordinated PRSC activities and consulted with stakeholders on selecting the policy actions. Timely implementation was one of the key criteria in identifying the actions for the program. However, this also reflected the prioritization of timely disbursements over the depth of reform.

On balance, Borrower performance, taking into account the outcome rating, is assessed as ***Moderately Satisfactory***.

### ***Public Investment Reform***

#### *Government Performance - Unsatisfactory*

5.66 In the absence of a Steering Committee, there was no practical distinction between Government and Implementing Agency performance. The program was implemented directly by Government agencies, notably the State Bank of Vietnam, and the Ministries of Finance and of Planning and Investment. The significant weakening of the reform agenda in the second operation was akin to a policy reversal as it undermined objectives. Furthermore, the mission found that the consensus around the program was weak. As fiscal space diminished, contingent liabilities in the banking and SOE sectors were rising, and the macroeconomic situation was becoming more fragile. However, this did not motivate the Government to undertake transformative changes, such as facilitating PPPs, rationalizing public investment and reducing investments with low viability. Borrower performance is rated **Unsatisfactory**.

## ***Program P135 Phase 2 Support Program***

### ***Government Performance - Moderately Satisfactory***

5.67 Government's commitment to, and ownership of, the program was strong. It had started the P135 Program itself in 2001 and had long experience in alleviating poverty and hunger in the remote and mountainous regions of Vietnam. However, a policy framework in this area was an innovation, so it took time to resolve a number of issues. The decentralized nature of the program added to its complexity. The dominant modality at the start was still one of issuing guidelines and regulations from the center which, at times, were not attuned to practical needs at the local level. These difficulties were addressed as the key agencies at the center (MOF, SAV, the Ministry of Agriculture and Rural Development, MPI) played an active role in the supervision and in implementing the follow-up actions.

### ***Implementing Agencies Performance - Moderately Satisfactory***

5.68 There was a large number of implementing agencies at various levels of the administration. Cross-sectoral coordination was achieved through a steering committee structure, which operated under the Prime Minister's Office at the central level, and Peoples Committees at the province and district levels. Day-to-day coordination was carried out by the Standing Members of these committees - Committee for Ethnic Minorities (CEM) at the national level, the Province Board of Ethnic Affairs (PCEA) or Department of Planning and Investment (DPI) at province level and Peoples Committee Offices at the district level.

5.69 There was some difficulty surrounding CEM's role in the hierarchy. Neither the CEM at the central level nor the PCEM at the province level had the executive powers of similar level bodies of the regular Ministries, with the appropriate staffing capacity to manage and implement projects. It remained more of a coordinating body. Effective implementation of P135 thus depended on local government leadership, typically the Office of the District Peoples Committee, which performed well. Over time these coordination problems were ironed out, notably following MTR, and implementation agencies became effective.

In view of the above ratings, overall Borrower performance is rated **Moderately Satisfactory**.

## **Monitoring and Evaluation**

### ***Poverty Reduction Support Credit***

5.70 *Design.* The design of M&E was based on the SEDP monitoring framework from which indicators were selected for the first PRSC operation. The Bank's focus was on quantitative indicators collected routinely. Many indicators were, nonetheless, too broad to be attributed to the specific interventions that the program was supporting (poverty reduction, export and FDI performance, for example). Another weakness was a reliance on indicators for which data collection was not guaranteed because they were not part of core statistics used by Government. Out of a total of 61 indicators, values for 21 were still unavailable at completion and at the time of the PPAR mission. Moreover, data were not available even for

two of the ten indicators added to the program during preparation of the last operation. Ascribing a similar number of indicators for all policy areas did not take account of the fact that some areas were more demanding in terms of data than others.

5.71 *Implementation.* M&E implementation was carried out by a special unit in the State Bank of Vietnam in coordination with relevant sectoral ministries. Although the weakening of pace and depth of the reform program had become apparent by PRSC 8, the M&E framework was not significantly revised until the preparation of PRSC 10. This could advantageously have been done sooner.

5.72 *Utilization.* The Steering Committee was responsible for monitoring the program and was thus in theory the main user of M&E results. No evidence is provided concerning utilization in the ICR or other documents.

The quality of M&E is rated *Modest*.

### ***Public Investment Reform***

5.73 *Design.* Some indicators were over-specific, others were only partially attributable to the program, a few were unclear, and, as a whole, they lacked a clear logical link to the development objectives. Conceptually, they were closer to intermediate outcome indicators. At the time of the second operation, some indicators were dropped following modification to prior actions, but the same issues remained. The framework was not designed to determine whether or not public investments were becoming more efficient. This reflected the fact that the measures actually supported by the program could not have been expected to yield such a result.

5.74 *Implementation.* The fact that three indicators out of nine were not measured, and another showed no progress (from a baseline of zero) reflects shortcomings in M&E implementation. The ICR mentions data limitation as an issue. This seems to be also related to the low priority given to implementing M&E and collecting data, even for a sample of projects.

5.75 *Utilization.* An appropriate M&E should have been able to provide evidence of the program's contributions to increase efficiency of public investment. This would have constituted its greatest use. No information is provided in documents concerning utilization of the M&E framework. M&E is rated *Negligible*.

### ***Program P135 Phase 2 Support Program***

5.76 *Design.* Overall the revised indicators, which were revised and improved from one operation to the next, provided an adequate basis for measuring attainment of objectives. In the area of process monitoring, the original design involved the retailing of the AMT/PMT system used by the government at the central level to the needs of provinces, districts and communes. It also improved the ability to follow the money from the center to the commune, as well as to aggregate the information from the commune to the higher administrative levels. The resulting MIS was not fully operational until the end of the program and even then only

in 11 out of 50 provinces. Citizen Report Cards which were supposed to be produced annually, were produced only once (2008) as an initial pilot and there was no follow-up.

5.77 *Implementation.* The AMT/PTM tool was adequate at the central level for which it had been designed but was difficult to implement at lower administrative levels. The tool itself and the many indicators it contained were unfamiliar to the staff at local levels. Although training was increased substantially following the mid-term review, and a number of provinces were selected as pilots for testing the entire system, delays and design deficiencies impeded effective use of the framework during program implementation. A baseline survey was carried out in 2008 and helped in the development of better monitoring indicators in DPOs 2 and 3. An end of the program survey was carried out in 2011/12. Both used a randomized survey approach with designated treatment and control groups of communes and villages. The results were essential in evaluating the program.

5.78 *Utilization.* There is no discussion of M&E utilization in the ICR, although there is evidence that M&E results were used to implement the program, notably with respect to targeting the poor.

The overall rating for M&E is **Substantial**.



## 6. Conclusions and Lessons Learnt

### Conclusions

6.1 This review presented an overview of Vietnam's economic and social performance. It assessed the extent to which World Bank DPOs during 2007-12 contributed to its achievements and their sustainability. The main conclusion that emerges from the historical overview is that the country's growth performance during the 1990s and until the mid-2000s was very strong. Effective poverty alleviation also took place during that period, and has been sustained since. This was thanks to transformative measures (especially land reform, enterprise reform and WTO accession) that were taken by Government during the first half of the 2000s (in turn building on earlier reforms) with substantial development partner advice and support, which was generally led by the Bank.

6.2 However, during the period under review (2006-2013) the next generation of transformative reforms (notably as highlighted in the 2007 and 2009 VDRs) were either postponed or diluted, and were thus less effective. Areas such as SOE and financial sector reform, more efficient public investments, anti-corruption, and more effective environmental policies, received insufficient attention. Over the same period, Vietnam departed from the prudent macro-fiscal stance that characterized it in the 1990s early 2000s.

6.3 Past reforms continue to drive strong FDI and buoyant exports. Vietnam can build on these strengths to avoid further loss of growth momentum. This could be based on the implementation select transformative reforms aimed at strengthening the role of the private sector, facilitating the emergence of medium- to large domestic enterprises, and sustainably expanding infrastructure in an efficient manner. The progressive elimination of the stock of contingent liabilities and reducing other risks to the sustainability of fiscal policy would create a more stable macroeconomic environment. One of Vietnam's strengths lies in its social compact, the main elements of which should be maintained, while progressively evolving towards a less paternalistic approach based on stakeholder empowerment.

6.4 The Bank and other development partners can help the country address these priorities through more selective budget support instruments. This is indeed envisaged in the Country Partnership Strategy (2012-16). The 2016-2020 SEDP also provides an opportunity to generate political consensus around these issues in the context of an increasingly complex economy.

6.5 The Bank should be more willing to cease supporting programs should they become so weakened as to make it likely that key objectives would not be achieved. Technical and policy dialogue would be maintained. In this context, high caliber knowledge products will need to continue being prepared, and the relationship of trust that supports frank dialogue with Government needs to be reinforced. Harmonization with all key stakeholders, external and internal, will be important. Strong commitment to deeper reforms would help to sustain Vietnam's economic performance while addressing the challenges of an increasingly complex, middle-income economy, and deepening global integration.

## **Lessons from the Bank's macroeconomic engagement through DPOs.**

**6.6 The model of the Bank's engagement in macroeconomic and fiscal policies through DPOs in Vietnam since 2007 has not been effective.** An important finding emerging from this PPAR is that, while diagnosis of macroeconomic risks was adequate, this was not reflected in program design, despite a highly volatile environment exacerbated by sub-optimal policy choices. This situation was, moreover, aggravated by the lack of an IMF program and the relative weakness of macroeconomic policy dialogue between the Government and the Bretton Woods Institutions. The Bank may have been exposed to reputational risks if its policy lending had been seen as a de-facto endorsement of controversial macro policies. DPOs following those reviewed in this PPAR are still not underpinned by relevant macro policy content, although macroeconomic risks persist. This indicates that the lessons learned during the 2007-2013 period do not appear to have been fully learned.

**6.7 Macroeconomic dialogue could advantageously be consolidated in a presence of multiple parallel DPOs.** The fragmentation of policy lending into multiple DPOs implemented in parallel in Vietnam during the period of increased macro risks might have weakened Bank's focus on macro framework and even resulted in inconsistencies in policy dialogue. The Bank should have avoided situations when preparation of one operation is held back for concerns over the macro-framework while a parallel DPO is approved and disbursed in the same macro environment. To avoid the repetition of such a situation, there should be a unique and consistent approach towards assessing the adequacy of macroeconomic underpinning of DPOs. When substantial risks are present, policies underpinning the most suitable, in terms of scope and objectives, budget support operation should be reoriented to alleviate them.

**6.8** Combining the objectives of external financing for crisis response and promotion of long-standing institutional reforms may not be effective in cases where risks to non-implementation of reforms are high. The Bank's experience with the Vietnam PIR series indicates that, when financing needs are urgent, it will find itself under pressure to go ahead with disbursements even if the reform implementation is not satisfactory. Crisis response operations should first of all focus on ensuring the sustainability of macro and fiscal framework, and should be underpinned by critical macro, fiscal and structural actions, especially in cases when the IMF is not present operationally.

### ***Lessons Learnt – Results and M&E Framework***

**6.9 Wide-ranging DPOs need to be based on stronger and better quality actions.** The importance of each individual prior action increases in multi-sectoral operations with many policy areas because of the implicit limit on the number of total prior actions for operational purposes. If in a series of five operations, for example, each policy area can have a maximum of two or three prior actions in the course of five to six years it is important to ensure that those prior actions have sufficient institutional depth, relevance and criticality. Related to this, in multi-sectoral complex operations there might be no substitutability between the prior actions of unrelated policy areas, which means that weaknesses of prior actions in one sector cannot be offset by relevant and critical prior actions in another sector.

**6.10 Lack of focus on and delays in implement essential triggers can weaken the program.** In terms of indicative triggers, the Bank has flexibility and discretion in its treatment of the triggers. The transition from Bank's former conditionality framework to the model applied in the series reviewed in this PPAR puts a high premium on sequencing the reforms and ensuring continuity, thus giving considerable significance to the role of triggers for the operations and the overall reform program. Dropping a trigger should be considered as an exceptional event, rather than a regular occurrence, permissible only if the risks to non-implementation of reforms are duly addressed.

**6.11 Partially met triggers require greater attention.** Sometimes "partially met" triggers become prior actions even though they may be less relevant and critical than the originally proposed action. The dilution of content may be to such an extent that these actions would probably not have been considered as prior actions if proposed at the outset. The Bank should pay special attention to possible risks in adopting partially met triggers as prior actions, especially when there is not any realistic expectation that the full original reform will not implemented in a reasonable timetable thereafter.

**6.12 It is crucial to have a strong knowledge base for upstream design of reforms and parallel technical assistance (TA) to support their implementation.** Development partners were willing to put significant resources in these areas, in order to complement Bank financing and dialogue (Vietnam, prefers not to borrow, even on concessional terms, for TA). Selectivity is therefore needed to ensure that the most pressing needs are addressed. Should unmet demand remain, this may be tackled through complementary Bank TA operations, for instance in support of reform teams.<sup>151</sup> However, these operations need to be carefully designed in order to match the timing and sequencing needs of DPOs (an issue that arose in the case of P135), and to ensure that the bulk of resources is allocated to meet specific implementation requirements, as opposed to general capacity building (such as purchase of vehicles and equipment, and training). Furthermore, this approach calls for outsourcing knowledge generation and advice to an appropriate mix of experts, both national and international, who can accompany the reforms in medium-term.<sup>152</sup>

**6.13 The design and implementation of M&E for DPOs remains a challenge, and needs to be reconsidered each time a new operation is considered within a series.** The PD.<sup>153</sup> for the second PIR mentions a lesson learnt elsewhere, whereby an effective M&E mechanism should not just be based on administrative reporting. However, both the PIR and the PRSC suffer from this issue as M&E is not used as a mechanism for feedback and readjustment of activities to improve impact. The P135 is more successful in this area

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<sup>151</sup> FIAS 2008: [Reform Teams - How the Most Successful Reformers Organized Themselves](#) Reform teams consist of a small group of national experts who together with world-class expertise help Governments implement ambitious reforms.

<sup>152</sup> In order to achieve such continuity, the experts' contracts may be based on a retainer model. Sorter procurement may also be achieved through framework contracts, whereby a short-list of competitively prequalified consortia/firms expected activities are called upon to provide experts within short delays of 2-4 weeks. The EU has successfully implemented this approach.

<sup>153</sup> para. 71

because the mid-term review provided a venue for reassessing the implementation of the program. Even there, the change in PRSC indicators took place only for the last operation, although it had become clear much earlier that the relaxation of policy actions required an adjustment in indicators and goals. In both the PRSC and the PIR series there is a disconnect between development objectives, actions and indicators. In the case of the PRSC, there was a logical chain between objectives and indicators, but it is hard to see how some of the reforms would lead to the intended results (the attribution issue). The issue with the PIR is that while there is strong relationship between the reforms and results, their logical link to the development objectives is weak, especially after key reforms were dropped.

### ***Lessons Learnt – Bank Approach***

**6.14 There is a need to reexamine how the Bank approaches sectoral DPOs and how this instrument is differentiated from investment lending.** In Vietnam, the distinction between DPOs and investment loans has become blurred, especially with the practice of earmarking funding for the sector the programs support. It can be argued that the four sectoral DPOs might have been best supported by SWAPs and investment lending. The advantage of DPOs is that they disburse rapidly, support to the consolidate budget, and in practice promotes the use of national fiduciary and safeguards systems. However, this approach limits Bank inputs (say on a key study) on the ultimate use of the resources and their underlying processes. To avoid sharp trade-offs that may discourage the use of the most appropriate lending instrument, it seems that in the case of investment lending, it may be desirable to experiment, at least on pilot basis, with further harmonization/convergence between Bank fiduciary and safeguard procedures and national ones.

**6.15 The Bank and other development partners should be willing to “walk away” from an unproductive policy dialogue and withdraw their support of low impact reforms.** The delays in P135 (second operation), the second PIR operation and PRSC 10 appear to have been caused by concerns with the quality of the program. In the case of P135, the mid-term review largely addressed the main concerns. However, the last operations in both PIR and PRSC series cannot be readily justified by the contribution to objectives of the weak reform they supported.

**6.16 The Bank’s recent guideline that suggest to limit the number of operations in a series to three constitutes an appropriate measure.** Long-term DPO series need to be kept relevant by maintaining a high level of ambition with respect to the reforms they support. As evidenced by the second PRSC series, a longer-term approach may be hard to sustain.

**6.17 Knowledge generated and/or embodied in Bank operations should be properly documented and made public.** Bank disclosure policy call for documents it produces being made public, unless classified as confidential. Furthermore, to the extent possible, documents on which policies are based should be easily identifiable and retrieved. In order to preserve knowledge and improve transparency, PDs should properly refer to studies (in some cases the title cited was incorrect) and provide URL links. There is also a question whether disclosure policy is strictly respected (e.g., some energy studies do not appear to have been made public).

**6.18 It is difficult to evaluate the performance of DPOs in Vietnam without the benefit of a clear reference on what constitutes the norm.** This review identifies strengths and weaknesses in the Vietnam DPOs by referencing their own internal logic. However, it is unable to systematically address questions such as how did the Vietnam second PRSC series compared to other PRSCs in terms of ambition, design, results etc. This may result in inconsistency in ratings across countries and projects (ratings contain a subjective element based on the skills, experience and perception of the evaluation team, as well other factors). This issue seems to argue in favor of a new meta-evaluation<sup>154</sup> of completed PPARs on similar DPOs, with lessons learnt and recommendations on a more consistent cross-country approach to be reflected in future individual operation evaluations and/or PPARs.

### *Specific Lessons Learnt from P135*

**6.19 Budget support may not be the best instrument for financing a sector investment program.** While a budgetary support operation for a CDD-type program turned out to be moderately satisfactory in the case of Vietnam, the Bank and other development partners had taken a considerable risk. For most countries, it would be highly advisable that the training, at least of the critical personnel (which in a highly decentralized program means a very large number of people), would be done in advance and that an M&E system were in place at the start of the program. There was much retro-fitting under the P135 series that could have been avoided.

**6.20 The state of decentralization needs to be fully factored into the design and implementation of targeted poverty programs.** Decentralization of government institutions and introducing greater participation at the commune and village levels was an objective of the program as a tool to empower the targeted communities. Various monitoring indicators were used to measure progress on this front. But they did not provide an idea of what would have been “good practice” in terms of an optimal level of decentralization and participation given the stage of development. An alternative approach could have been to select a control group of provinces that had been decentralizing on their own and could serve as a comparison group for the provinces attempting to develop decentralized structures under P135. That could have enabled the selection of a group of indicators to be used for measuring success before the start of the operation

**6.21 Production support to poor communities needs to be tailor-made and well thought through.** Much was made of expanding the production component of the program. But the targeted communities were seriously underdeveloped for good reasons. They were remote, mostly mountainous, often forested, and inhabited by people who have eked out livings in these places for centuries. Such places are notoriously difficult to develop and there are few success stories around the world to give guidance. Packages that had worked in other parts of Vietnam (typically used in the more hospitable lowlands) were not likely to be relevant, and subsidies are not sustainable in the long run. This portion of the program could have been better thought through and explored through a series of pilot projects rather than being a part of a budget support operation.

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<sup>154</sup> See IEG 2010 for an [evaluation of PRSCs](#) based on operations completed and evaluated by 2008.

6.22 **Good analytical work, economic and other, contributes to success.** Populous countries with large externally financed programs, such as Vietnam, are likely to benefit from an amount and variety of analytical work, typically using standard economic tools. Smaller countries with more modest analytical programs can probably learn useful things from a selective reading of the analytical work performed in more abundantly staffed countries. But Vietnam also profits from relevant non-economic analytical work that illuminates the likely behavior of the people involved both at the highest levels as well as at the village level in a way that informs the design of the programs. This sort of work is important but by its nature country specific.<sup>155</sup>

6.23 **Well-designed impact evaluations are a valuable dimension of M&E.** The impact evaluation turned out to be very important in assessing the impact of P135, not only regarding poverty but also non-income components of welfare, participation, decentralization and empowerment. This has direct relevance to other National Targeted Programs in Vietnam and elsewhere. It is important that funding of such activities be included in the original project design as their late inclusion may lead to implementation difficulties.

6.24 **Vietnam's social compact was instrumental in supporting certain achievements, but may not be readily replicable elsewhere.** Vietnam's reforms have relied on a top-down approach, which nevertheless draws in various stakeholders into the program and strengthens their ownership and voice. This is notably the case for targeted programs such as P135. While the country's history and social compact are quite specific, there are generic elements, such as effective engagement of local political authorities and communities that may be useful elsewhere.

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<sup>155</sup> An example was Martin Rama's "Making Difficult Choices: Vietnam in Transition" (2008). For behavioral implications at the village level the best example would be Edwin Shanks et al "CDD in Vietnam" (2003).

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## Annex A. Basic Data Sheet

### VN – FIRST PROGRAM 135 PHASE 2 SUPPORT (P104097) (CR.4274-VN)

#### Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	60.8	64	105
Loan amount	50	53.4	107
Cofinancing	10.8	10.8	100

#### Cumulative Estimated and Actual Disbursements

	<i>FY08</i>
Appraisal estimate (US\$M)	50
Actual (US\$M)	53.4
Actual as % of appraisal	107
Date of final disbursement: <b>November 30, 2007</b>	

*\*The data was taken from Client Connection*

#### Project Dates

	Original	Actual
Initiating memorandum	11/10/2006	08/15/2007
Negotiations	02/08/2007	02/08/2007
Board approval	03/21/2007	03/21/2007
Signing	05/17/2007	05/17/2007
Effectiveness	08/15/2007	08/15/2007
Closing date	12/31/2007	12/31/2007

#### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>
<b>Lending</b>	
Robin Mearns	Senior NRM Specialist, Task Team Leader EASRE
Son Thanh Vo	Operations Officer, Co-Task Team Leader EASRE
Vinh Quoc Duong	Environment Specialist, Environmental Safeguard EASSD
Lan Thi Thu Nguyen	Social Development Specialist, Social Safeguard and Ethnic Minority EASSD
Kien Trung Tran	Senior Procurement Specialist, Procurement EAPCO
Agnes Albert-Loth	Financial Specialist, Financial management EAPCO

Hung Viet	Le Financial Specialist, Financial management	EAPCO
Robert S. Chase	Senior Operations Officer, CDD Expert	SDV
Gregory Eliyu Guldin	Consultant Social Safeguards and Ethnicity	
Dzung The Nguyen	Operations Officer Agriculture Economics	EASRE
Dung Thi Thuy Dao	Team Assistant, Program Documentation	EASRE
Chris J. Redfern	Consultant Operations	
Yoshiko Ishihara	Consultant Social Development and Ethnicity	
Edwin Shanks	Consultant Rural Institutional Development	
Carolyn Turk	Senior Poverty Reduction, Poverty Reduction Specialist	PREM
Jennifer K. Thomson	Senior Financial Management Specialist, Financial management	EAPCO
Hoi-Chan Nguyen	Senior Counsel, Lawyer	LEGAL
Evelyn Bautista-Laguidao	Program Assistant, Program Documentation	EASRE
<b>Supervision</b> (from Task Team Members in all archived ISRs)		
Robin Mearns	Senior NRM Specialist, Task Team(to September 2008)	SDV
Steven Schonberger	Lead Operations Officer Task Team Leader (from October 2008)	AFTAR
Son Thanh Vo	Operations Officer, Co-Task Team Leader	EASVS
Lan Thi Thu Nguyen	Social Development Specialist, Social Safeguard and Ethnic Minority	EASSD
Kien Trung Tran	Senior Procurement Specialist Procurement	EAPCO
Hung Viet Le	Financial Specialist, Financial management	EAPCO
Dung Thi Thuy Dao	Team Assistant, Administration	EASRE

### Staff Time and Cost

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY06		
FY07	19.01	45,524.65
<b>TOTAL</b>	<b>19.01</b>	<b>45,524.65</b>
<b>Supervision</b>		
FY07	5.36	10,857.13
FY08	19.8	50,948.43
FY09	1.9	1,253.06
<b>TOTAL</b>	<b>46.07</b>	<b>110,583.27</b>

**Other Project Data**

Borrower/Executing Agency:

**Follow-on Operations**

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Second Program 135 Phase 2 Support	4580-VN	107.16.	05/21/2009

**VN - SECOND PROGRAM 135 PHASE 2 SUPPORT (P107062) (CR. 4580-VN)****Key Project Data (amounts in US\$ million)**

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	107.16	107.16	100
Loan amount	107.16	107.16	100
Cofinancing	-	-	

**Cumulative Estimated and Actual Disbursements**

	<i>FY12</i>
Appraisal estimate (US\$M)	107.16
Actual (US\$M)	107.16
Actual as % of appraisal	100
Date of final disbursement: <b>November 10, 2011</b>	

*\*The data was taken from the ICR.*

**Project Dates**

	Original	Actual
Initiating memorandum	09/30/2009	10/05/2009
Negotiations	04/07/2009	04/07/2009
Board approval	05/21/2009	05/21/2009
Signing	07/09/2009	07/09/2009
Effectiveness	10/05/2009	10/05/2009
Closing date	12/31/2009	12/31/2009

**Task Team members**

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<b>Lending</b>	
Steven N. Schonberger	Lead Rural Development Specialist, Task Team	EASRE
Son Thanh Vo	Rural Development	EASVS
Severin Kodderitzsch	Rural Country Coordinator	EASVS
Chan Hoi Nguyen	Senior Counsel	LEGES
Cung Van Pham	Finance Management Specialist	EAPFM
Kien Trung Tran	Procurement Specialist	EAPPR
Lan Thi Thu Nguyen	Social Specialist	EASVS
Ly Thi Dieu Vu	Environment Specialist	EASVS
Carolyn Turk	Senior Economist	EASPR

Daniel Mont	Senior Economist	EASPR
Valerie Kozel	Senior Economist	EASPR
Dung Thi Thuy Dao	Program Assistant	EACVF
Nina Queen	Program Assistant	EASER
Huynh Thi Thu Thuy	Consultant	
Carolyn Turk	Senior Economist	EASPR
Daniel Mont	Senior Economist	EASPR
Valerie Kozel	Senior Economist	EASPR
Dung Thi Thuy Dao	Program Assistant	EACVF
<b>Supervision</b>		
<b><i>Names</i></b>	<b><i>Responsibility/Specialty</i></b>	
Steven N. Schonberger	Lead Rural Development Specialist	EASER
Son Thanh Vo	Rural Development Specialist	EASVS
Severin Kodderitzsch	Rural Country Coordinator	EASVS
Mei Wang	Senior Counsel	LEGES
Cung Van Pham	Finance Management Specialist	EAPFM
Daniel Mont	Senior Economist	EASPR
Kien Trung Tran	Procurement Specialist	EAPPR

### Staff Time and Cost

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY08	5.38	31.6
FY09	31.99	178.3
<b>TOTAL</b>	<b>37.37</b>	<b>209.9</b>
<b>Supervision</b>		
FY08	0	0
FY09	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

### Other Project Data

Borrower/Executing Agency:

#### Follow-on Operations

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Third Program 135 Phase 2 Development Policy Support Operation	4918	50.00	04/26/2011



## VN - THIRD PROGRAM 135 PHASE 2 DEVELOPMENT POLICY SUPPORT OPERATION (P117610 ) (CR. 4918-VN)

### Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	50.00	49.42	98
Loan amount	50.00	49.42	98
Cofinancing	-	-	

### Cumulative Estimated and Actual Disbursements

	<i>FY12</i>
Appraisal estimate (US\$M)	50.00
Actual (US\$M)	49.42
Actual as % of appraisal	98
Date of final disbursement: <b>November 21, 2011</b>	

*\*The data was taken from the ICR.*

### Project Dates

	Original	Actual
Initiating memorandum	11/24/2010	08/29/2011
Negotiations	03/10/2011	03/10/2011
Board approval	04/26/2011	04/26/2011
Signing	05/31/2011	05/31/2011
Effectiveness	08/29/2011	08/29/2011
Closing date	12/30/2011	12/30/2011

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<b>Lending</b>	
Son Thanh Vo	Rural Development Specialist, Task Team	EASVS
Keiko Kubota	Lead Rural Coordinator	EASVS
Sean Bradley	Senior Social Development Specialist	EASER
Hisham A. Kahin	Senior Counsel	LEGES
Cung Van Pham	Sr. Financial Management Specialist	EASFM
Kien Trung Tran	Sr. Procurement Specialist	EASRP
Dung Thu Thuy Dao	Program Assistant	EACVF

Khan LinH Thi Le	Program Assistant	EACVF
<b>Supervision</b> (from Task Team Members in all archived ISRs)		
<b><i>Names</i></b>	<b><i>Responsibility/Specialty</i></b>	
Son Thanh Vo	Rural Development Specialist, Task Team	EASVS
Keiko Kubota	Lead Rural Coordinator	EASVS
Steven M. Jaffee	Lead Rural Development Specialist	EASVS
Sean Bradley	Senior Social Development Specialist	EASER
Lan Thi Thu Nguyen	Social Specialist	EASVS
Kien Trung Tran	Procurement Specialist	EAPPR
Cung Van Pham	Finance Management Specialist	EAPFM
Dung Thu Thuy Dao	Program Assistant	EACVF
Khan Linj Thi Le	Program Assistant	EACVF
Tam Thi Do	Team Assistant	EACVF

### Staff Time and Cost

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY10	21.56	34.2
FY11	31.89	71.4
<b>TOTAL</b>	<b>53.45</b>	<b>105.6</b>
<b>Supervision</b>		
FY12	13.28	59.1
<b>TOTAL</b>	<b>13.28</b>	<b>59.1</b>

### Other Project Data

Borrower/Executing Agency:

#### Follow-on Operations

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Public Investment Reform 1	7838	500.00	12/22/2009



## VN - PUBLIC INVESTMENT REFORM 1 (P117723) (LN.7838-VN)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	500.00	500.00	100
Loan amount	500.00	500.00	100
Cofinancing			

### Cumulative Estimated and Actual Disbursements

	<i>FY 10</i>
Appraisal estimate (US\$M)	500.00
Actual (US\$M)	500.00
Actual as % of appraisal	100
Date of final disbursement: <b>February 24, 2010</b>	

*\*The data was taken from the ICR.*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	09/28/2009	09/28/2009
Appraisal	11/17/2009	11/17/2009
Board approval	12/22/2009	12/22/2009
Signing	12/30/2009	12/30/2009
Effectiveness	03/30/2010	03/30/2010
Closing date	09/30/2010	09/30/2010

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
<b>Lending</b>		
Martin Rama	Lead Economist, Task Team Leader	EASPR
Quang Hong Doan	Senior Economist, Task Team Leader	EASPR
Cuong Duc Dang,	Senior Operations Officer, Transport	EASVS
Hisham A. Abdo Kahin	Senior Counsel, Legal	LEGES
Tuan Minh Le	Senior Economist	AFTPR
Kofi Awanyo	Senior Procurement Specialist	EAPPR
Alain A. Barbu	Manager, Portfolio and Operations	EACVF
Dean A. Cira	Lead Urban Specialist	EASVS
Viet Tuan Dinh	Senior Economist	EASPR
Robert J. Gilfoyle	Senior Financial Management Specialist	EAPFM

Douglas J. Graham	Senior Environmental Specialist	EASVS
Dung Anh Hoang	Operations Officer, Transport	EASVS
Hoa Thi Hoang	Senior Operations Officer, Urban Development	EASVS
Miguel Navarro-Martin	Senior Financial Officer	BDM
Dzung The Nguyen	Senior Operations Officer, Rural Development	EASVS
Son Duy Nguyen	Operations Officer	EACVF
Hao Thi Mong Pham	Sr. Social Development Specialist	EASVS
Richard Jeremy Spencer	Country Sector Coordinator	EASVS
Thang-Long Ton	Economist	EASPR
Hung Tan Tran	Power Engineer	EASVS
Phuong Thi Minh Tran	Senior Operations Officer	EASVS
Phuong Thi Thanh Tran	Senior Environmental Specialist	EASVS
Paul Valley	Senior Transport Specialist	EASVS
Son Thanh Vo	Operations Officer	EASVS
Ly Thi Dieu Vu	Operations Analyst	EASVS
Quyen Hoang Vu	Economist	EASPR
Phuong Minh Le	Team Assistant	EACVF
Dung Thi Ngoc Tran	Team Assistant	EACVF

### Staff Time and Cost

<i>Staff Time and Cost (Bank Budget Only)</i>		
<i>Stage of Project Cycle</i>	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY10	44.57	158,328.00
<b>TOTAL</b>	<b>44.57</b>	<b>158,328.00</b>
<b>Supervision</b>		
	0	0
<b>TOTAL</b>	<b>44.57</b>	<b>158,328.00</b>

### Other Project Data

Borrower/Executing Agency:

#### Follow-on Operations

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Public Investment Reform 2	4944& 8053-	350.00	05/24/2011

## VN-PUBLIC INVESTMENT REFORM 2 (P120946) (CR.4944 & LN 8053-VN)

### Key Project Data

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	350.00	349.84	100
Loan amount	350.00	349.84	100
Cofinancing			

### Cumulative Estimated and Actual Disbursements

	<i>FY12</i>
Appraisal estimate (US\$M)	350.00
Actual (US\$M)	349.84
Actual as % of appraisal	100
Date of final disbursement: <b>November 14, 2011</b>	

*\*The data was taken from the ICR.*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	06/23/2010	07/13/2011
Appraisal	02/15/2011	02/15/2011
Board approval	05/24/2011	05/24/2011
Signing	07/13/2003	07/13/2011
Effectiveness	10/11/2011	10/11/2011
Closing date	12/31/2011	12/31/2011

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<b>Lending</b>	
Deepak Mishra	Lead Economist, Task Team Leader	EASPR
Quang Hong Doan	Senior Economist, Co- Task Team	EASPR
Hisham A. Abdo Kahin	Senior Counsel	LEGES
Tuan Minh Le	Senior Economist	AFTPR
Kofi Awanyo	Senior Procurement Specialist	EAPPR
Alain A. Barbu	Manager, Portfolio and Operations	EACVF
Cuong Duc Dang	Senior Operations Officer	EASVS
Viet Tuan Dinh	Senior Economist	EASPR
Robert J. Gilfoyle	Senior Financial Management Specialist	EAPFM
Sameer Goyal	Finance and Private Sector Coordinator	EASFP

Douglas J. Graham	Environment Country Sector Coordinator	EASVS
Thang Long Ton	Economist	EASPR
Keiko Kubota	Senior Economist	EASPR
Valerie Kozel	Senior Economist	EASPR
Dzung The Nguyen	Senior Operations Officer	EASVS
Son Duy Nguyen	Senior Operations Officer	EACVF
Hoa Thi Mong Pham	Senior Social Development Specialist	EASVS
Martin Rama	Lead Economist	SARCE
Kien Trung Tran	Senior Procurement Specialist	EAPPR
Phuong Thi Minh Tran	Senior Operations Officer	EASVS
Phuong Thi Thanh Tran	Senior Environmental Specialist	EASVS

### Staff Time and Cost

<i>Staff Time and Cost (Bank Budget Only)</i>		
<i>Stage of Project Cycle</i>	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY12	21.31	134,779.2
<b>TOTAL</b>	<b>21.31</b>	<b>134,779.2</b>
<b>Supervision</b>		
FY12	7	24,961
<b>TOTAL</b>	<b>7</b>	<b>24,961</b>

### Other Project Data

Borrower/Executing Agency:

#### Follow-on Operations

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Public Investment Reform 2	4332	175.00	06/21/2007

## VN POVERTY REDUCTION SUPPORT CREDIT 6 (P101724) (CR. 4332- VN)

### Key Project Data

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	175.00	179.41	103%
Loan amount	175.00	179.41	103%
Cofinancing			
Cancellation			

### Cumulative Estimated and Actual Disbursements

	<i>FY08</i>
Appraisal estimate (US\$M)	175.00
Actual (US\$M)	179.41
Actual as % of appraisal	103%
Date of final disbursement: <b>December 26, 2007</b>	

*\*The data was taken from the ICR.*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	03/08/2007	12/03/2007
Appraisal	05/10/2007	05/10/2007
Board approval	06/21/2007	06/21/2007
Signing	09/19/2007	09/19/2007
Effectiveness	12/03/2007	12/03/2007
Closing date	12/31/2007	12/31/2007

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<i>Lending</i>	
Hang Thu Nguyen	Program Assistant	EACVF
Vivek Suri	Lead Economist	EASPR
	<i>Supervision</i>	
Hoi- Chang Nguyen	Consultant, Legal	OPCIL
Hang Thu	Program Assistant	EACVF
Quan Anh	Consultant	EASVS
Vivek Suri	Lead Economist	EASPR
Dung Thi Ngoc	Program Assistant	HDNSP

**Staff Time and Cost**

<i>Staff Time and Cost (Bank Budget Only)</i>		
<i>Stage of Project Cycle</i>	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY07	35.00	227.70
FY08	0.00	-1.26
<b>TOTAL</b>	<b>35.00</b>	<b>226.44</b>
<b>Supervision</b>		
FY07		
FY08	1	43.99
<b>TOTAL</b>	<b>1</b>	<b>43.99</b>

**Other Project Data**

Borrower/Executing Agency:

**Follow-on Operations**

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
7th Poverty Reduction Support Credit	4487-VN	150.00	06/26/2008

## VN POVERTY REDUCTION SUPPORT CREDIT 7 (P105287) (CR. 4487-VN)

### Key Project Data

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	150.00	137.24	91%
Loan amount	150.00	137.24	91%
Cofinancing			
Cancellation			

### Cumulative Estimated and Actual Disbursements

	<i>FY09</i>
Appraisal estimate (US\$M)	150.00
Actual (US\$M)	137.24
Actual as % of appraisal	91%
Date of final disbursement: <b>December 11, 2008</b>	

*\*The data was taken from the ICR.*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	02/22/2008	10/24/2008
Appraisal	05/12/2008	05/12/2008
Board approval	06/26/2008	06/26/2008
Signing	07/29/2008	07/29/2008
Effectiveness	10/24/2008	10/24/2008
Closing date	12/31/2008	12/31/2008

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<b>Lending</b>	
Keiko Kubota	Senior Economist	EASPW
Hung Viet Le	Sr Financial Management Specialist	EASOS
Hoi-Chan Nguyen	Consultant	OPCIL
Nguyen Chien Thang	Senior Procurement Specialist	EASRP
Jennifer K. Thomson	Manager, Financial Management	SARFM
Dung Thi Ngoc Tran	Program Assistant	HDNSP
Quyen Hoang Vu	Economist	EASPV
Myla Taylor Williams	Country Program Coordinator	EACVQ
	<b>Supervision</b>	

Keiko Kubota	Senior Economist	EASPW
Hoi-Chan Nguyen	Consultant	OPCIL
Cung Van Pham	Sr Financial Management Specialist	EASFM
Quynh Xuan Thi Phan	Financial Officer	GEFOB
Dung Thi Ngoc Tran	Program Assistant	HDNSP
Quyen Hoang Vu	Economist	EASPV

### Staff Time and Cost

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
	<b>Lending and Supervision</b>	
FY08	49	189.59
FY09		0
<b>TOTAL:</b>	<b>49</b>	<b>189.59</b>

### Other Project Data

Borrower/Executing Agency:

#### Follow-on Operations

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
8 <sup>th</sup> Poverty Reduction Support Credit	4610-VN	350.00	06/25/2009



## VN POVERTY REDUCTION SUPPORT CREDIT 8(P111164) (CR. 4610-VN)

### Key Project Data

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	350.00	373.29	107
Loan amount	350.00	373.29	107
Cofinancing			
Cancellation			

### Cumulative Estimated and Actual Disbursements

	<i>FY 10</i>
Appraisal estimate (US\$M)	350.00
Actual (US\$M)	373.29
Actual as % of appraisal	107
Date of final disbursement: <b>October 28, 2009</b>	

*\*The data was taken from Client Connection*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	02/26/2009	02/26/2009
Appraisal	05/07/2009	05/07/2009
Board approval	06/25/2009	06/25/2009
Signing	08/07/2009	08/07/2009
Effectiveness	10/05/2009	10/05/2009
Closing date	12/31/2009	12/31/2009

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<i>Lending/ Supervision</i>	
Keiko Kubota	Senior Economist	EASPR
Hisham A. Abdo Kahin	Senior Counsel	LEGES
Sylvester Kofi Awanyo	Lead Procurement Specialist	EASR2
Cung Van Pham	Sr Financial Management Specialist	EASFM
Martin G. Rama	Lead Economist	SARCE
Dung Thi Ngoc Tran	Program Assistant	HDNSP
Quyen Hoang Vu	Economist	EASPV

**Staff Time and Cost**

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
	<b>Lending and supervision</b>	
FY09	65.78	289,489
FY10	0	0
<b>TOTAL:</b>	<b>65.78</b>	<b>289.489</b>

**Other Project Data**

Borrower/Executing Agency:

**Follow-on Operations**

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
9 <sup>th</sup> Poverty Reduction Support Credit	4782-VN	150.00	06/24/2010

## VN POVERTY REDUCTION SUPPORT CREDIT 9(P111182) (CR. 4782-VN)

### Key Project Data

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	150.00	152.06	101
Loan amount	150.00	152.06	101
Cofinancing			
Cancellation			

### Cumulative Estimated and Actual Disbursements

	<i>FY11</i>
Appraisal estimate (US\$M)	150.00
Actual (US\$M)	152.06
Actual as % of appraisal	101
Date of final disbursement: <b>11/29/2010</b>	

*\*The data was taken from the ICR.*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	11/18/2009	11/18/2009
Appraisal	05/04/2010	05/04/2010
Board approval	06/24/2010	06/24/2010
Signing	07/29/2010	07/29/2010
Effectiveness	10/27/2010	10/27/2010
Closing date	12/31/2010	12/31/2010

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<b>Lending and Supervision</b>	
Keiko Kubota	Senior Economist	EASPR
Hisham A. Abdo Kahin	Senior Counsel	LEGES
Cung Van Pham	Sr Financial Management Specialist	EASFM
Martin G. Rama	Lead Economist	SARCE
Thang-Long Ton	Economist	EASPW
Dung Thi Ngoc Tran	Program Assistant	HDNSP
Quyen Hoang Vu	Economist	EASPV

**Staff Time and Cost**

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
	<b>Lending and supervision</b>	
FY10	58.63	240,564
FY11	0	0
<b>Total</b>	58.63	240,564

**Other Project Data**

<i>Borrower/Executing Agency:</i>			
<b>Follow-on Operations</b>			
<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
10 <sup>th</sup> Poverty Reduction Support Credit	5030-VN	150.00	12/15/2011

## VN POVERTY REDUCTION SUPPORT CREDIT 10(P111183) (CR. 5030-VN)

### Key Project Data

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	150.00	143.16	95%
Loan amount	150.00	143.16	95%
Cofinancing			
Cancellation			

### Cumulative Estimated and Actual Disbursements

	<i>FY12</i>
Appraisal estimate (US\$M)	150.00
Actual (US\$M)	143.16
Actual as % of appraisal	95%
Date of final disbursement: <b>06/06/2012</b>	

*\*The data was taken from Client Connection*

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	01/18/2011	01/18/2011
Appraisal	10/25/2011	10/25/2011
Board approval	12/15/2011	12/15/2011
Signing	01/29/2010	01/12/2012
Effectiveness	04/11/2012	04/11/2012
Closing date	06/15/2012	06/15/2012

### Task Team members

<i>Names</i>	<i>Responsibility/Specialty</i>	
	<b>Lending and Supervision</b>	
Keiko Kubota	Senior Economist	EASPR
Hisham A. Abdo Kahin	Senior Counsel	LEGES
Thang-Long Ton	Economist	EASPW
Quyen Hoang Vu	Economist	EASPV

**Staff Time and Cost**

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ Thousands (including travel and consultant costs)</i>
	<b>Lending and Supervision</b>	
FY11	29.14	209,457
FY12	22.52	142,384
<b>TOTAL:</b>	<b>51.64</b>	<b>351,841.00</b>

## Annex B. Other Vietnam and Project Data

**Table B.1: Progress towards attaining MDGs**

**STATISTICAL ANNEX**

	Indicators	1990	2005	2008- 2009	2010- 2013
<b>MDG1: Eradicate Extreme Poverty and Hunger</b>					<b>Achieved</b>
1	Poverty rate	58% (1992)	19.5% (2004)	14.5% (2008)	9.6% (2012*)
2	Poverty gap	18.4% (1993)	4.7% (2004)	3.5% (2008)	5.9% (2010)
3	Under-five malnutrition	41%	25.3%	18.9 (2009)	16.8% (2011)
<b>MDG2: Achieve Universal Primary Education</b>					<b>Achieved</b>
1	Net primary enrolment rate	87%	95%	97% (2009)	97.67% (2012)
2	Primary completion rate		85.6%	88.5% (2009)	92.08% (2012)
3	Net secondary enrolment rate		81%	83.1% (2009)	87.24% (2012)

	Indicators	1990	2005	2008- 2009	2010- 2013
<b>MDG3: Promote Gender Equality and Empower Women</b>					<b>Achieved in many targets</b>
1	Ratio of Female to Male primary enrolment	47.7% (1998)	47.7%	47.9% (2009)	48.5% (2011)
2	Ratio of Female to Male secondary enrolment	47% (1998)	47.9%	48.5% (2009)	48.5% (2011)
3	Ratio of Female to Male upper-secondary enrolment	46.4% (1998)	48.9%	52.6% (2009)	53.2% (2011)
4	Ratio of Women's representatives in National Assembly (NA) of Vietnam	18.48% (9 <sup>th</sup> NA. term 1992-1997)		25.76% (12 <sup>th</sup> NA. term 2007-2011)	24.40% (13 <sup>th</sup> NA. term 2011-2016)
5	Ratio of Women's representatives at Provincial People's Councils	21.1% (term 1999-2004)		23.9% (term 2004-2009)	---
6	Ratio of Women's representatives at District People's Councils	21 % (term 1999-2004)		23% (term 2004-2009)	---
7	Ratio of Women's representatives at Commune People's Councils	16.1% (term 1999-2004)		19.5% (term 2004-2009)	---
<b>MDG4: Reduce Child Mortality</b>					<b>Attainable</b>
1	Under-five mortality rate	58‰	27.3‰	25‰ (2009)	22.8‰ (2012)
2	Under-one mortality rate	44.4‰	26.0‰	16‰ (2009)	15.2‰ (2012)

	Indicators	1990	2005	2008- 2009	2010- 2013
<b>MDG5: Improve Maternal Health</b>					<b>Attainable</b>
1	Maternal mortality ratio per 100,000 live births	233	80	69 (2009)	64 (2012) <sup>135</sup>
2	Ratio of births attended by skilled medical staff		92.71% (2006)	94.8% (2009)	96.7% (2011)
3	Ratio of women aged 15-49 using contraception	73.9% (2001)		80% (2008)	78.2% (2011)
4	Ratio of pregnant women having at least 3 check-ups during their pregnancy		84.3%	86.4% (2008)	86.7% (2011)
<b>MDG6: Combat HIV/AIDS, Malaria and Other Diseases</b>					<b>Difficult to obtain</b>
1	HIV prevalence rate			0.28% (estimated)	0.28% (estimated 2011)
2	Number of HIV-infected adults having ARV		7,812 (2006)	36,008 (2009)	66,167 (09/2012)
3	Number of HIV-infected children having ARV		428 (2006)	1,987 (2009)	3,715 (09/2012)
4	Number of malaria-infected cases	293,000 (2000)		60,867 (2009)	45,588 (2011)
5	Number of malaria-infected deaths	71 (2000)		27 (2009)	14 (2011)
6	Ratio of newly recovered tuberculosis-infected patients		89.9% (2007)	89.8% (2009)	90.0% (2011)
	Indicators	1990	2005	2008- 2009	2010- 2013
<b>MDG7: Ensure environmental sustainability</b>					<b>Difficult to obtain</b>
1	Forest coverage prevalence	27.8%	37%	40% (estimated 2010)	40.7% (2012)
2	Share of rural population having access to clean water	30%		79% (2009)	80% (2012)
3	Share of rural households having sanitary toilets	20%		43% (2009)	58% (2012)
4	Share of households living in temporary housing	22.7% (1999)		7.8% (2009)	5.6% (2010)
<b>MDG8: Global Partnership for Development</b>					<b>Achieved for some targets</b>
1	Total imports and exports (million USDs)		69,206	127,045	228,364 (2012)
2	ODA commitment (million USDs)	2,400 (2000)	3,748	8,064 (2009)	6,485 (2013)



**Table B.2: Export/GDP %**

World Development Indicators	Exports of goods and services (% of GDP)						
Country Name	2006	2007	2008	2009	2010	2011	2012
East Asia & Pacific (all income levels)	34.8	35.4	35.8	29.7	32.8	33.4	32.6
Europe & Central Asia (all income levels)	39.2	39.5	40.4	36.2	39.6	42.2	42.4
Latin America & Caribbean (all income levels)	26.4	25.8	25.9	25.7	24.7	26.2	24.7
Least developed countries: UN classification	29.8	29.9	30.6	25.5	27.7	29.6	27.2
Low income	23.9	24.6	25.0	22.2	24.0	26.5	24.8
Lower middle income	29.4	28.2	29.6	25.0	26.5	28.4	27.4
Middle East & North Africa (all income levels)	50.8	50.8	56.2	47.1	49.0	54.3	54.4
Middle income	34.3	33.6	33.3	27.8	29.7	31.0	29.6
High income: nonOECD	76.8	75.8	78.8	72.3	75.6	80.2	79.9
OECD members	25.2	25.9	26.9	23.7	26.0	27.7	27.7
Sub-Saharan Africa (all income levels)	35.0	34.4	37.3	29.3	30.0	32.9	31.2
Upper middle income	35.9	35.3	34.5	28.7	30.8	31.8	30.3
Vietnam	67.7	70.5	70.3	63.0	72.0	79.4	80.0

Source: <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS/countries?display=default>

**Table B.3: Comparisons of Access to Electricity**

Electricity access in 2011 - Regional aggregates				
Region	Population without electricity millions	Electrification rate %	Urban electrification rate %	Rural electrification rate %
Developing Countries	1,257	76.5	90.6	65.1
Africa	600	43	65	28
<i>North Africa</i>	<i>1</i>	<i>99</i>	<i>100</i>	<i>99</i>
<i>Sub-Saharan Africa</i>	<i>599</i>	<i>32</i>	<i>55</i>	<i>18</i>
Developing Asia	615	83	95	75
<i>India</i>	<i>306</i>	<i>75</i>	<i>94</i>	<i>67</i>
<i>Rest of developing Asia</i>	<i>309</i>	<i>87</i>	<i>95</i>	<i>80</i>
Latin America	24	95	99	81
Middle East	19	91	99	76
Vietnam	4	96	100	94
Transition economies & OECD	1	99.9	100.0	99.7
World	1,258	81.9	93.7	69.0

Source: [WEO-2013 Electricity access database](#)

**Table B.4: Comparison of M2 /GDP**

Country Name	2006	2007	2008	2009	2010	2011	2012
East Asia & Pacific (all income levels)	162.8	158.5	161.0	180.1	177.9	181.1	184.7
Europe & Central Asia (all income levels)	125.2	132.7	137.8	149.5	145.9	142.9	141.1
Latin America & Caribbean (all income levels)	42.1	44.6	45.3	49.8	50.5	54.1	57.1
Least developed countries: UN classification	32.0	31.6	32.0	38.4	39.1	39.8	40.4
Low income	37.7	38.2	38.8	42.8	46.2	47.1	46.9
Lower middle income	56.2	60.1	60.0	62.9	61.7	60.7	61.0
Middle East & North Africa (all income levels)	58.4	62.1	58.7	71.4	62.4	55.5	53.2
Middle income	80.1	81.0	83.2	99.2	98.7	101.3	107.9
High income: nonOECD	68.5	72.1	66.7	86.0	81.2	76.0	77.2
OECD members	116.7	121.1	128.8	138.1	134.7	137.1	136.4
Sub-Saharan Africa (all income levels)	42.5	45.6	45.2	49.2	47.9	47.9	47.1
Upper middle income	87.4	87.4	89.6	109.6	109.6	112.7	120.7
Vietnam	79.2	100.6	93.7	105.6	114.9	99.8	106.5

Source: <http://data.worldbank.org/indicator/FM.LBL.MQMY.GD.ZS>

**Table B.5: Comparison of Industry as share of GDP**

World Development Indicators							
Industry, value added (% of GDP)							
Country Name	2006	2007	2008	2009	2010	2011	2012
East Asia & Pacific (all income levels)	34.06	33.88	33.41	32.39	33.50	32.87	
Europe & Central Asia (all income levels)	27.66	27.51	27.14	25.42	25.90	25.88	25.46
Latin America & Caribbean (all income levels)	34.74	34.02	34.10	32.22	33.32	32.58	31.76
Least developed countries: UN classification	28.77	28.47	28.50	27.04	27.65	28.32	28.67
Low income	22.87	23.16	23.01	22.76	23.27	23.53	23.61
Lower middle income	33.04	32.85	32.81	31.72	31.20	31.37	30.91
Middle East & North Africa (all income levels)	51.37	50.52					
Middle income	38.50	38.07	38.10	36.31	36.78	36.70	36.06
High income: nonOECD	38.03	37.26	37.47	34.38	35.16	37.90	37.06
OECD members	26.09	25.94	25.37	23.64	24.15	24.09	
Sub-Saharan Africa (all income levels)	32.19	32.13	32.85	30.09	29.04	29.57	28.74
Upper middle income	40.21	39.70	39.77	37.75	38.53	38.43	37.75
Vietnam	38.58	38.51	37.08	37.39	38.23	37.90	38.63

Source: <http://data.worldbank.org/indicator/NV.IND.TOTL.ZS>

### Table B.6: Select CPIA Indicators

[illegible]

**Table B.7: Analytical basis of DPOs**

<i>World Bank Studies</i> <sup>156</sup>		
Source	Coverage/comment	Citation in DPOs
The Vietnam Development Report 2004 - Full Text	Part of PSIA	PD PRSC 6
The Vietnam Development Report 2005 - Official		PD P135 1
The Vietnam Development Report 2006 – Official	Analysis of land markets	PD PIR 1-2
The Vietnam Development Report 2007 – Official	The report, aiming high, built on the analytical work done (previous Vietnam reports) over the previous PRSC cycle, on structural reforms, institutional modernization, and on social inclusion.	PD PRSC 6-10
The Vietnam Development Report 2008 - Official	The report on social protection delves further into social inclusion pillar of the SEDP. Covers three main areas of socially inclusive growth strategy: opportunity to thrive, support for those left behind, and insurance to cope with shocks.	PD PRSC 7-10
The Vietnam Development Report 2009 - Official	The report, Capital Matters, focuses on constraints to the mobilization of resources for accumulation and on the efficiency of investments by both the public and the private sector.	PD PRSC 8-10; PIR 1-2
The Vietnam Development Report 2010 - Official  NB: VDR 10 announced in PD for PRSC 9 was delayed and still mentioned as ongoing in PD for PRSC 10	The VDR 2010, Modern Institutions, explores the evolution of power from the central government apparatus to various institutions, including local governments, service delivery units, legal and judiciary systems and institutions of oversight, the latter including entities as varied as the National Assembly, mass media and official bodies investigative bodies. It analyses the mechanism of accountability for these institutions.	PD PRSC 9-10
Analytical work on the social impacts of global integration, on gender, and on environmental issues was also used for the design of the proposed PRSC series.	No specific reference before PRSC 8. Perhaps previous VDR and/or uncited studies.	PD PRSC 6, 7
PER (IEG award <a href="http://web.worldbank.org/external/default/main?noSURL=Y&amp;theSitePK=1324361&amp;pagePK=64253958&amp;contentMDK=21780645&amp;piPK=64252979">http://web.worldbank.org/external/default/main?noSURL=Y&amp;theSitePK=1324361&amp;pagePK=64253958&amp;contentMDK=21780645&amp;piPK=64252979</a> ) and CFAA, 2005 and 2007 - English and NA Public available on intranet <a href="http://irisservices.worldbank.org/85256D6D0070FA6A/(SEC)?OpenAgent&amp;I4_SERVICE=VC&amp;I4_KEY=025DC9C72060AB8C852572AE0053D8190491ED8A1E54922F852572ED00058CD2&amp;I4_DOCID=1CD51865F8A897C3852575370023AEC6">http://irisservices.worldbank.org/85256D6D0070FA6A/(SEC)?OpenAgent&amp;I4_SERVICE=VC&amp;I4_KEY=025DC9C72060AB8C852572AE0053D8190491ED8A1E54922F852572ED00058CD2&amp;I4_DOCID=1CD51865F8A897C3852575370023AEC6</a>	While noting the progress made, they pointed out areas that are in need of further improvements. These include the process of budget development, accessibility of financial information, and accounting and auditing framework. These recommendations form the basis for policy dialogue conducted through the PRSC series. NB: Presumably used before 2009 but not mentioned	PD PRSC 8-10; PIR 1-2; P135 2-3

<sup>156</sup> Stale studies cited in PDs, e.g., more than 5 years old and/or subsequently updated are not listed in this summary, neither are documents that are neither public nor by the World Bank – e.g., some donors' project documents.

Energy - The policy dialogue in the energy sector is informed by extensive analytical work over the past ten years. <sup>157</sup>	Extensive studies. NB: Not referenced here as more peripheral.	PD PRSC 8-10
Gender - Woman's retirement age 2008 <a href="https://openknowledge.worldbank.org/bitstream/handle/10986/3139/517360WPOP10601t0age0Report1E1final.pdf?sequence=1">https://openknowledge.worldbank.org/bitstream/handle/10986/3139/517360WPOP10601t0age0Report1E1final.pdf?sequence=1</a>	Joint study with research institute associated with MOLISA.	PD PRSC 8-10
Forest and land management - Forest and forest land management by community and farmers in Vietnam have been a subject of many studies. These studies include A Brief History of Forest Policy Work from the Field (2002), Review of Policy and Implementation Framework for Decree 200 (2005), and Vietnam Land Policy Stocktaking Study (2008). A study titled Policy Note on Improving Land Acquisition and Voluntary Land Conversion in Vietnam was also conducted in 2009, focusing on reforming compensation procedures for land acquisition.	Extensive studies. NB: Not referenced here. May need to be looked at for environment section.	PD PRSC 8-9
Environment Monitor – 2004 Official; 2005 Full report; 2006 Official;	Joint with SIDA. Used in PSIA. NB: Looks as if series stopped in 2006. 2002-3 reports also available.	PD PRSC 6
Country Environmental Analysis - English	CAE	PD PRSC 6
Environment - Review and Analysis of the Pollution Impacts from Vietnamese Manufacturing Sectors (2008)	In partnership with the International Center for environmental Management as well as the Ministry of Industry and Trade (MOIT) and MONRE.	PD PRSC 8, 9
Environment Assessments –harmonization <a href="http://ccbp.mpi.gov.vn/LinkClick.aspx?fileticket=SkfJMTKOEIE%3D&amp;tabid=230">http://ccbp.mpi.gov.vn/LinkClick.aspx?fileticket=SkfJMTKOEIE%3D&amp;tabid=230</a> ; Energy <a href="http://icem.com.au/documents/envassessment/wb_sea/WB_SEA_BD_and_HPP.pdf">http://icem.com.au/documents/envassessment/wb_sea/WB_SEA_BD_and_HPP.pdf</a> ; Red River Delta (NA); Asia country systems <a href="http://siteresources.worldbank.org/INTEAPREGTOPENVIRONMENT/Resources/SEApogressreviewinEAPFINAL.pdf">http://siteresources.worldbank.org/INTEAPREGTOPENVIRONMENT/Resources/SEApogressreviewinEAPFINAL.pdf</a>	Input to PSIA – Done by consultants, mostly under Bank projects	PD PIR 1-2
Diagnostic Framework for Assessing Public Investment Management and Public Investment Management Case Study for Vietnam - NA Public	The Diagnostic Framework for Assessing Public Investment Management, produced in early 2009 by the Public Sector and Governance Unit of the PREM anchor. This study provided a very useful starting point to design the results framework, an area in which few precedents are available.	PD PIR 1-2

<sup>157</sup> Recent analytical work includes support for the preparation and passing of the Electricity Law (2004) and the Roadmap for Reform of the Electricity Sector (2006), electricity Licenses (2006 and 2007), Conceptual Design of Competitive generation Market (2008), Framework for Thermal BOT Tenders (ongoing), Development of Market Rules for the Competitive Generation Market (ongoing), and Grid Code, Distribution Code and Metering Code (ongoing). Work on restructuring of the electricity sector includes *Restructuring the Power Transmission Business* (2005), *Equitization of the Power Sector* (2006) and most recently a policy note on *Restructuring for the Competitive Generation Market* (2008). Pricing studies include *Bulk Power, Distribution Margin and Retail Tariff Design study* (2005), *Retail Tariff Methodology* (2008), *Tariff Calculation Model* (ongoing), and *Transmission Pricing Methodology* (ongoing). The Bank has also reviewed energy plans and planning processes, particularly Power Master Development Plan No.6 (2006) and the Gas Master Plan for Southern Vietnam (2008). In addition, Vietnam Gas Sector Development Framework was completed in 2010.

Vietnam Infrastructure Strategy- Full Report		PD PIR 1-2
Joint PPAR by 6 development banks -	Identify ways to upgrade the performance on the ODA-funded programs. However, the exercise led to a systematic identification of gaps between Vietnamese laws and regulations on public investments and accepted international practice.	PD PIR 1-2
Other studies – National procurement 2007 and study of land policy 2008	NB: Somewhat vague mention in PD	PD PIR 1
Evaluation P135 phase 1 – Not found		PD P135 1
Country Social Assessment - Official	The CSA identifies six primary factors for continued ethnic minority poverty: poverty; lower levels of education; less mobility; less access to financial services; less productive lands; lower market access; and stereotyping and other cultural barriers.	PD P135 2-3
External Studies		
Source	Coverage	Citation in DPOs
SEDP 2006-2010 - <a href="http://siteresources.worldbank.org/INTPRS1/Resources/Vietnam_PRSP%28July-2006%29.pdf">http://siteresources.worldbank.org/INTPRS1/Resources/Vietnam_PRSP%28July-2006%29.pdf</a>	Clearly spells out the government's priorities and approach to development for the next five years. A careful "reading" of the SEDP is critical to translate it into a concrete set of policy actions to be implemented during the new PRSC cycle. Prioritization, sequencing and monitoring are part of such "reading". Even PRSC 10 was based on this SEDP.	PD PRSC 6, 7
Water Sector Review (2008) - <a href="http://www.adb.org/sites/default/files/projdocs/2008/40621-VIE-MCS.pdf">http://www.adb.org/sites/default/files/projdocs/2008/40621-VIE-MCS.pdf</a>	Prepared for the Office of the National Water Resources Council on behalf of the Government of Vietnam, funded by the Asian Development Bank (ADB), informs the water sector dialogue.	PD PRSC 8, 9
Socio-Economic Impacts of WTO Accession on Rural Women (2009) - <a href="http://www.unwomen-eseasia.org/docs/WTO.pdf">http://www.unwomen-eseasia.org/docs/WTO.pdf</a>	Authored by ILSSA, UNIFEM, and AUSAID.	PD PRSC 9-10
Evaluation of PRSC 1-10 by DPs -	Not made public	PD PRSC 10

## Annex B.8: Links between DPOs and other operations - Listed in PDs

<i>World Bank Projects/TA</i>		
<i>Source</i>	<i>Coverage/comment</i>	<i>Citation in DPOs</i>
<a href="#">Vietnam - Financial Sector Modernization and Information Management System Project (English)</a> – PAD; <a href="#">Vietnam - Second Payment System and Bank Modernization Project (English)</a> – ICR; Financial Market Infrastructure Development (project dropped). <i>NB: Policy notes, IDF and TA also mentioned in PD but no public source on scope and content. There is reference to policy notes in VDRs.</i>	Financial Sector. Work hand-in-hand with the PRSCs' efforts to modernize the central bank, increase disclosures of relevant financial information, and contribute to the development of the financial sector in general.	PRSC 8-10
Primary Teacher Development Project – ICR; <a href="#">Vietnam - Primary Education for Disadvantaged Children Project</a> – ICR; <a href="#">Vietnam - School Education Quality Assurance Program Project</a> – PAD;	Education. Bank lending operations and non-lending activities complement the PRSC's focus on fundamental education strategy and policies in the areas of quality, equity and accountability. Investment lending supports the development and implementation of standards-based approaches to education delivery, especially to disadvantaged groups of children	PRSC 8-10 P135 2-3
<a href="#">Vietnam - Higher Education Project</a> – ICR; <a href="#">Vietnam - Second Higher Education Project</a> – ICR;	Higher Education	PRSC 8-10 P135 2-3 Higher Education 1-3
<a href="#">Vietnam - System Efficiency Improvement, Equitization, and Renewables Project</a> – ICR; <a href="#">Vietnam - Forest Sector Development Project</a>	EA/PSIA. Discounts the possibility of any likely negative impacts from any of the policy actions.	PRSC 8
P135; <a href="#">Vietnam - Northern Mountains Poverty Reduction Project</a> – ICR; <a href="#">Vietnam - Second Northern Mountains Poverty Reduction Project</a> – PAD	PSIA input for PRSC and P135 CDD Link to P135	PRSC 10, P135 1-3
<a href="#">Vietnam - Public Financial Management Reform Project</a> – PAD; <a href="#">Vietnam - Customs Modernization Project</a> – ICR; <a href="#">Vietnam - Tax Administration Modernization Project</a> – PAD	PFM;	PIR 1; P135 1-2; Climate Change 1 Power 1
<a href="#">Vietnam - Community Based Rural Infrastructure Project</a> – ICR; <a href="#">Vietnam - Forest Protection and Rural Development Project</a> – ICR; <a href="#">Coastal Wetlands Protection and Development Project</a> – PPAR (cluster)	CDD/Social	P135 1-3
<a href="#">Vietnam - Third Rural Transport Project</a> – PAD	Environmental lessons	P135 1
<a href="#">Vietnam - Mekong Delta Water Resources Management for Rural Development Project</a> – PAD; <a href="#">Mekong - Integrated Water Resources Management Project</a> – PAD (regional project); <a href="#">Vietnam - Red River Delta Rural Water Supply and Sanitation Project</a> – ICR; <a href="#">Vietnam - Water Resources Assistance Project</a> – PAD; <a href="#">Vietnam - Agriculture Competitiveness Project</a> – PAD; <a href="#">Viet Nam - Urban Water Supply Development Project</a> – PAD; <a href="#">Vietnam - Urban Water Supply and Wastewater Project</a> – PAD; <a href="#">Vietnam - GEF Coastal Cities Project</a> – PAD; <a href="#">Vietnam - Results-Based Rural Water and Sanitation under the National Target Program Project</a> – P4R PAD; <a href="#">Vietnam - Industrial Pollution Management Project</a> – PAD; <a href="#">Vietnam - Irrigated Agriculture Improvement Project</a> – PAD	Climate resilient development. Water, Urban and Agriculture	Climate Change 1-2
Energy DPOs; <a href="#">Vietnam - Clean Production and Energy Efficiency Project</a> – PAD; <a href="#">Vietnam - System Efficiency Improvement, Equitization, and Renewables Project</a> – ICR;	Lower carbon intensity development. Energy efficiency	Climate Change 1-2 Power 1

<a href="#">Vietnam - Distribution Efficiency Project</a> - PAD		
<a href="#">Vietnam - Natural Disaster Risk Management Project</a> – PAD; <a href="#">Vietnam - Managing Natural Hazards Project</a> – PAD; <a href="#">Vietnam - Mekong Delta Region National Urban Upgrading Project</a> – PAD; <a href="#">Vietnam - Coastal Resources for Sustainable Development Project</a> – PAD; <a href="#">Vietnam - Danang Sustainable City Development Project</a> – PAD	Capacity to formulate, prioritize and implement climate change policies.	Climate Change 1-2
<a href="#">Vietnam - Renewable Energy Development Project</a> – PAD;	Financing framework – Carbon finance <i>NB: PFM project already referenced.</i>	Climate Change 1-2
<a href="#">Vietnam - Second Transmission and Distribution Project</a> – PAD; <a href="#">Vietnam - Second Rural Energy Project</a> – PAD; <a href="#">Vietnam - Rural Distribution Project</a> – PAD; <a href="#">Vietnam - Trung Son Hydropower Project</a> - PAD	Power	Power 1-2
<a href="#">Vietnam - New Model University Project</a> – PAD; <a href="#">Vietnam - Fostering Innovation through Research, Science and Technology Project</a>	Tertiary education	Higher Education 1-3

### Noteworthy aspects of Implementation arrangements

- Three economic agencies, in addition to line Ministries, are involved in administration of DPOs. SBV is the implementing agency for PRSC, PIR and Climate Change DPOs, and MOF and MPI take the primary lead on the reforms. In the case of P135, CEM implements it in cooperation with four other ministries. Line Ministries are responsible for implementing the other two sectoral DPOs. The role played by SBV in 3 DPO series is unusual and appears to contribute to the complexity of implementation arrangements (a point that was made by some those interviewed during the mission).
- PDs for PIR and PRSC generally provide minimal explanation on the role of line Ministries. Those listed are responsible for a reform. Arrangements under P135 are more detailed.
- Under PRSC, line Ministries are mentioned as being members of the Steering Committee under the chairmanship of the Deputy Prime Minister<sup>158</sup>, which plays a significant in overseeing reforms. IEG's review<sup>159</sup> of the first PRSC series concluded that the Steering Committee is an effective vehicle to draw attention to coordination issues that need to be resolved by higher authorities. However, this effectiveness appears to have declined during the latter part of the PRSC series. This may have contributed to the diminished ambitions of reforms over time. P135 also relied on a similar Steering Committee, with slightly different participation by line ministries. No specific Steering Committee was established for PIR.
- The institutional setting for the other sectoral DPOs was somewhat more streamlined. The steering Committee for the Power DPO was chaired by the line Ministry (MOTI). The MOET was responsible for implementation of the Higher Education operation. Finally, MONRE was the main counterpart for the Climate Change operation.
- Civil society involvement in the PRSC appears to be mainly through consultations with apex organizations and highly structured, as part of a growingly inclusive

<sup>158</sup> Perhaps the role of this committee was already well established and additional explanation was not needed.

<sup>159</sup> IEG 2010, para. 4.50



process.<sup>160</sup> In the case of the PIR, civil society participation was indirect, through the PRSC. Given close links to the PRSC, overlapping institutions and ambition of reform, it is unclear why the PIR was not overseen by the PRSC steering committee.

- All DPOs benefitted from significant development partner involvement in terms of financing and/or participation in the dialogue. Reflecting Vietnam's emerging middle-income country status, the number of development partners involved in the PRSC decreased over time (from 12 to 8), which in principle should have facilitated harmonization.

## Annex B.9: Consolidate Policy Matrices by Pillar – DPOs 2007-2013

### Promote Growth and Contribute to Transition to Market Economy

#### Global Integration

2008	PRS C-7	Establishment of consultation and information gathering mechanisms to identify the social and environmental impacts of accession to the World Trade Organization. <i>NB: Also related to environment</i>	
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRS C 6-10	<ul style="list-style-type: none"> <li>• Grant trading and distribution rights to all foreign firms in line with international commitments</li> <li>• Issue regulations to guide the intellectual property law with adequate enforcement mechanisms</li> <li>• Harmonize agricultural health and food safety regulatory tools with international standards in line with the SPS agreement</li> <li>• Tackle the infringement of copyrights and trademarks on a commercial scale in line with TRIP Agreement</li> <li>• Set up M&amp;E framework for the implementation of government policies post-WTO accession</li> <li>• Make commercial scale infringements of patent, trademark rights and rights of design a crime</li> <li>• Improve competition and efficiency of the pharmaceutical sector through prevention of unfair commercial use of trial data</li> <li>• Adopt a plan for industrial and trade</li> <li>• Adopt Master Plan for national single window to facilitate trade by simplifying transit-related regulatory requirements</li> </ul>	

#### State Sector Reform

2007	PRSC 6	Further restrict list of sectors where 100-% state ownership is to be retained.
2009	PRSC 8	Strengthen the financial management of SOEs and their investments in other entities, defining the level of such investments.
2010	PRSC 9	The Recipient has issued regulations on state-owned economic groups for better corporate governance and setting limits for cross shareholding.
2011	Public Investment 2	The Recipient has issued Decisions to transfer, from MOC, the exercise of state ownership rights in two economic groups specialized in civil works, namely the Housing and Urban Development Group and Industrial Construction Group.
2013	First Economic Management & Competitiveness DPO	The Recipient, through Prime Minister, has issued Decision Number 929, QD-TTg dated July 17, 2012 to restructure state economic groups and general corporations, which includes a classification of these groups and corporations by level of government ownership, and time bound actions with responsibilities across government agencies.
<i>Dropped prior action</i>		<i>Reason/status</i>

<sup>160</sup> IEG 2010 op. cit., para. 2.4

2008	PRSC 7	Complete equitization of two SOCBs, with participation of strategic investors	<b>Partial</b> - Stock market slump made GoV reluctant to sell at this time. Instead approved equitization plans for 2 SOCBs and completed equitization for 1.
2010	PRSC 9	Adopt regulation on State-owned Economic Groups for better corporate governance, exercising of the state-ownership rights, and supervision	<b>Partial</b> - Decree on improving corporate governance of State-owned Economic Groups was issued, and the Law on Examination and Treatment was adopted.
2012	PRSC 10	Develop a time-bound plan to separate the exercising of the state-ownership rights from regulatory function in Economic Groups and large General Corporations	<b>Partial</b> - The Prime Minister issued a regulation to expedite equitization of state-owned enterprises, and MPI submitted to the Prime Minister a review of the state owned Economic Group model.
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<ul style="list-style-type: none"> <li>• Use share auctions as the main mechanism for equitization, and allow foreign strategic investors</li> <li>• Classify all SOEs according to performance and publish the results</li> <li>• The State Capital Investment Corporation (SCIC) to begin receiving state ownership rights in equitized SOEs from ministries and provinces.</li> <li>• Transfer state ownership rights in equitized SOCBs and selected General Corporations to SCIC</li> <li>• Separate the exercise of ownership rights from the regulatory function in unequitized SOEs</li> <li>• Ensure competition and transparency in the sale of state capital in equitization process</li> </ul>	

### **Financial Sector Reform**

2007	PRSC 6	Require public disclosure of financial statements of SOCBs in line with internationally accepted standards
2008	PRSC 7	Approval of the equitization plans, with the participation of strategic investors, for two state-owned commercial banks, and completed implementation of one of said plans.
2008	PRSC 7	Assessment of the transparency and scope of lending and other transactions among affiliated parties within Economic Groups and General Corporations. <i>NB: Could also be classified under PSD</i>
2009	PRSC 8	Prepare a revised law on the State Bank of Vietnam focusing its mandate on and enhancing its autonomy in regard to monetary policy and financial sector stability.
2009	PRSC 8	Prepare a strategic plan to ensure prudential and effective investments of social security funds.
2010	PRSC 9	The Recipient has finalized regulations to better assess commercial banks' portfolio risks, enhance public disclosure, and strengthen supervision.
2012	PRSC 10	The Recipient, through MOF, has formulated a time-bound roadmap to improve corporate and government bond markets to foster financial and economic growth.
2012	PRSC 10	The Recipient, through SBV, has issued a regulation to enhance public disclosure and communication of SBV's policies and banking sector statistics.
2013	1st Economic Management & Competitiveness DPO	The Recipient, through Prime Minister, has issued Decision Number 254/QD-TTg dated March 1, 2012 providing a comprehensive credit institutions restructuring plan and direction on related policy actions including enhancing role of foreign participation in domestic commercial banks, incentives for consolidation of banks - especially weak banks - and a plan to deal with non-performing loans.
2013	1st Economic Management & Competitiveness DPO	The Recipient, through State Bank of Vietnam, has issued Circular Number 02/2013/TT-NHNN dated January 21, 2013 to improve banking supervision through strengthened regulations on asset classification, internal credit rating, and loan loss provisioning to better address credit risks.
<i>Dropped prior action</i>		<i>Reason/status</i>

2008	PRSC 8	Approve a strategic plan to ensure prudential and effective investment of social security funds	Partial - Plan was submitted to the Vietnam Social Security for comment, the last step before submission for official approval by the Prime Minister
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<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<ul style="list-style-type: none"> <li>• Increase equity stake allowed to foreign strategic investors in commercial banks</li> <li>• Issue a road map to enhance bank supervision, including off-site supervision and risk-management tools</li> <li>• Enhance the role of the banks' boards of directors and introduce fit-and proper tests in line with international best practices</li> <li>• Improve monitoring of foreign indirect investment by strengthening prudential rules and supervision for custodians and brokers</li> <li>• Adopt a contingency plan to address potential adverse effects stemming from the global financial crisis on banking sector</li> <li>• Complete equitization of one SOCB, and make progress in soliciting participation of strategic investors</li> <li>• Develop a medium-term strategy for Vietnam Development Bank</li> <li>• Revise regulation to facilitate bank resolution and restructuring</li> <li>• Improve regulations on securities to foster development of domestic capital market</li> <li>• Formulate a Banking Sector Strategy 2011-2020 with the aim of enhancing the soundness and stability of the financial sector and to promote competition</li> </ul>	

### **Private Sector Development**

2009	Second P135	To support the implementation of agriculture production aspects of Inter-ministerial Circular 01, the Recipient, through MARD, has issued Circular 12/2009/TT-BNN, dated March 6, 2009, which includes, inter alia, transparent criteria for selecting beneficiaries and activities to be supported by the Program 135 Phase II, and guidance on beneficiary cost sharing. <i>NB: Also related to social protection.</i>	
2010	Public Investment Reform 1	The Borrower has issued a law to decentralize setting of cost estimates to Investment Owners; and has issued a Decree to align cost norms with the market.	
2010	Public Investment Reform 1	The Borrower has issued a law to allow a five-year period for FDI Enterprises to re-register under the Enterprise Law.	
2012	PRSC 10	MOF has formulated a time-bound roadmap to improve corporate and government bond markets to foster financial and economic growth. <i>NB: Also related to financial sector</i>	
2013	Higher Education DPO3	The Government has issued Decree No. 73/2012/ND-CP of September 26, 2012, on foreign cooperation and investment in education, setting forth the parameters for the establishment and operation of foreign-capitalized education institutions.	
2013	First Economic Management and Competitiveness DPO	The Recipient, through Prime Minister, has issued Decision Number 263/QĐ-TTg dated March 5, 2012 for ministries and provincial authorities to review the impact of administrative procedures on the business environment and recommend actions to streamline procedures, avoid duplication, and reduce regulatory burden on the private sector.	
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<ul style="list-style-type: none"> <li>• Introduce investment climate monitoring tool as part of annual enterprise survey</li> <li>• Reduce processing times and rationalize fee structure for business registration</li> <li>• Clarify authority on investment certificates and conditional sectors, and standardize related documentation</li> <li>• Issue guidelines to foreign investors transitioning to new Investment and Enterprise laws</li> <li>• Establish consultative mechanism to streamline licenses and oversee implementation of new investment-enterprise regime</li> </ul>	

		<ul style="list-style-type: none"> <li>• Establish single-window mechanism for businesses to cover registration, tax, and seal formalities in selected provinces</li> <li>• Simplify enterprise registration including by unifying tax and business identification numbers and streamlining seal procedures</li> <li>• Rationalize incentives related to Enterprise Income Tax and simplify tax procedures for household businesses</li> <li>• Raise the cap on shareholdings by single foreign investors in unlisted companies</li> <li>• Issue regulation on agricultural extension in disadvantaged areas to promote poverty reduction</li> <li>• Promote SME development through revising regulations, formulating an action plan for supporting industries, and improving coordination among responsible ministries</li> <li>• Establish national business registry with unique number for business, tax, statistics, and seal agencies</li> <li>• Improve disclosure requirements of audited financial information of public companies</li> <li>• Adopt regulation on disclosure of financial risks in the financial statements of enterprises and banks</li> </ul>	
2009	Higher Education DPO1	<ul style="list-style-type: none"> <li>• Issue regulation on ownership arrangements for private HEIs. <i>NB: Also related to Global integration.</i></li> </ul>	Done
2010	Higher Education DPO2	<ul style="list-style-type: none"> <li>• Issue regulation on foreign cooperation and investment in higher education, establishing common rules with domestic entities in line with WTO obligations. <i>NB: Action no longer mentioned in policy matrix for DPO2. Also related to Global integration.</i></li> </ul>	Drop

### **Infrastructure – Energy**

2009	PRSC 8	Adopt a pricing system for electricity from renewable energy sources, and provide incentives for government procurement of energy-efficient equipment. <i>NB: Also environment</i>
2010	Power Sector Reform DPL	The Borrower has, through the MOIT, issued a Decision (No. 6713-QD-BCT dated December 31, 2009) establishing design principles for the implementation of the VCGM.
2010	Power Sector Reform DPL	The Borrower has, through the MOIT, issued a Circular (No. 27/2009/TT-BCT dated September 25, 2009) establishing metering systems standards and procedures for generation plants participating in the VCGM.
2010	Power Sector Reform DPL	The Borrower has, through the OOG, issued a Notice (No. 232/TB-VPCP dated July 31, 2009) establishing a sector structure to allow for the introduction of the VCGM.
2010	Power Sector Reform DPL	The Borrower has, through the Prime Minister, issued a Decision (No. 21/2009/QD-TTg dated February 12, 2009): (a) increasing the average tariff in 2009 to Vietnamese Dong 948 / kWh; and (b) implementing transparent annual tariff-setting from 2010-12 based on cost recovery principles, including the unbundling of the average retail tariff into power supply cost components and the delegation of tariff changes of less than five% (5%) to the MOIT.
2010	Power Sector Reform DPL	The Borrower has, through the Prime Minister, issued a Decision (No. 21/2009/QD-TTg dated February 12, 2009) restructuring the residential block tariff system to establish the principle of the subsidy to the consumer as a percentage of production cost and extend the subsidy mechanism and residential tariff structure to local distribution utilities.
2010	Power Sector Reform DPL	The Borrower has, through the MOST, issued Decisions (No. 2740/QD-BKHCN dated December 9, 2008 and No. 632/QD-BKHCN dated April 20, 2009) establishing energy efficiency standards for consumer goods accounting for large quantities of electricity consumption.
2010	Power Sector Reform DPL	The Borrower has, through the MOIT, issued a Circular (No. 05/2009/TT-BCT dated February 26, 2009) introducing time-of-use tariffs for industrial zones and commercial, industrial, and irrigation consumer categories.
2012	PRSC 10	The Recipient, through the Prime Minister, has adopted a Gas Master Plan to 2015 With Visions to 2025, including -a time-bound instruction to MOIT to prepare a Gas Market Reform Roadmap to 2020 for consideration by the Prime Minister.
2011	Climate Change DPO	The Recipient's Prime Minister has issued Decree Number 21/201 1/ND-CP dated March 29, 2011 guiding the implementation of the Law on Energy Efficiency and Conservation, and has received from MOIT for approval a draft Decree on administrative sanctions in the field of energy saving and efficiency. <i>NB: Also related to environment</i>

2012	Second Power Sector Reform DPL	Establishment of market rules for the Vietnam Competitive Generation Market; issuance of instructions to Vietnam Electricity (EVN) for the preparation of market procedures for said Market; and delegation of authority to Electricity Regulatory Authority of Vietnam for the review and approval of said market procedures.
2012	Second Power Sector Reform DPL	Establishment of methodologies and procedures for the development and approval of standard contracts and pricing for generation (except for build-operate-transfer and strategic multipurpose hydropower).
2012	Second Power Sector Reform DPL	Establishment of methodology for cost-recovery-related revenue requirements for strategic multipurpose hydropower.
2012	Second Power Sector Reform DPL	Formal communication of a decision to establish generation companies with a portfolio of EVN power plants (except for strategic multipurpose hydropower) and to be independent successor companies in due course with no cross-ownership with respect to transmission or with the Single Buyer.
2012	Second Power Sector Reform DPL	Establishment of a market-based mechanism for the adjustment of average electricity tariffs, including annual updates and adjustments during the year as necessary to reflect changes in generation costs.
2012	Second Power Sector Reform DPL	Establishment of methodologies for the determination and approval of transmission revenue requirements for National Power Transmission Corporation and transmission charges to be paid to National Power Transmission Corporation by transmission users.
2012	Second Power Sector Reform DPL	Establishment of load research regulations for power companies. <i>NB. Prior action added.</i>
2012	Second Climate Change DPO	The Recipient, through the Ministry of Industry and Trade, has issued Circular Number 39/2011/TT-BCT dated October 28, 2011 on qualifications and certification of energy auditors and energy managers.
<i>Dropped prior action</i>		<i>Reason/status</i>
2012	Second Power Sector Reform DPL	Prime Minister submits Energy Efficiency and Conservation Law to National Assembly. <b>Done</b> – Action completed. Replaced with additional reform.
<i>Policy measures not included as prior action</i>		<i>Status</i>
2007-12	PRSC 6-10	Separate power transmission and generation assets and regroup transmission assets under a single National Power Transmission Corporation.
2012	Second Climate Change DPO	Regulation with requirements and procedures for energy consuming designated enterprises to submit annual and five-year energy efficiency plans adopted. <b>Done</b>

### Infrastructure – Other

2007	PRSC 6	Decentralize investment ownership to better integrate capital and recurrent budgets in the road transport sector. <i>NB: Also related to public investment</i>
2007	PRSC 6	Clarify contract specifications, investor qualifications and treatment of unsolicited proposals for BOT projects
2008	PRSC 7	Adopt market-based pricing systems to estimate the costs of state-funded civil engineering investments. <i>NB: Also related to public investment</i>
2011	Public Investment Reform 2	The Recipient has issued a Decision to pilot the use of the PPP Framework.
<i>Dropped prior action</i>		<i>Reason/status</i>
2011	Public Investment Reform 2	The Borrower has issued a Decision to pilot the use of the PPP Framework <b>which contains provisions on government participation, including financing.</b> <b>Partial</b> – <i>NB: Only first part of action taken-up.</i>
2012	PRSC 10	Enhance the management of transport infrastructure assets through decentralization and adoption of financial mechanisms for investment, operation and maintenance <b>Not Met</b> - MOF has started an annual exercise of publishing the synthesis report based on financial statements of state owned Economic groups and General Corporations.
<i>Policy measures not included as prior action</i>		<i>Status</i>
2007-12	PRSC 6-10	Adopt wastewater charges based on cost recovery, with provisions to protect the poor Adopt market-based pricing systems to estimate the costs of state funded civil engineering investments

		<p>Introduce modern principles of transparency and corporate governance in provincial infrastructure funds</p> <p>Reduce traffic fatalities through strengthened enforcement and improved education programs</p> <p>Facilitate access to driver training and testing and provide financial support to purchase special vehicles for people living with disabilities</p> <p>Revise the road law to improve traffic safety through inter alia better standards and strengthened supervision of commercial vehicle operators</p> <p>Strengthen legal framework and institutional capacity of the National Transport Safety Committee (NTSC)</p>	
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### **Higher Education**

2009	Higher Education DPO1	Approve the charter of the first model university conferring upon said university academic, managerial and financial autonomy.
2009	Higher Education DPO1	Define the working conditions for the teaching and research staff at institutions of higher education
2009	Higher Education DPO1	clarify the procedures and criteria for the appointment and dismissal of their professors and associate professors, with a view to enhancing the autonomy of said institutions in human resources management.
2009	Higher Education DPO1	Establish the principles and procedures for the establishment, merger, division and dissolution of institutions of higher education with a view to providing a common framework for public and private domestic investments in education.
2009	Higher Education DPO1	Disseminate the "Proposal to Restructure Education and Training Financing for the Period 2008-2012" for comment by government agencies.
2009	Higher Education DPO1	Establish a regulation in regard to requirements of doctoral programs with a view to enhancing the autonomy of institutions of higher education in admission to, and teaching and assessment of such programs, and in award of doctorate degrees.
2009	Higher Education DPO1	Require institutions of higher education to publicly disclose information on quality of education, facilities, teaching and management staff, income and expenditure.
2010	Higher Education DPO2	For the purpose of improving the efficiency, quality and responsiveness of higher education and research, the Recipient has issued regulation (Prime Minister Decision Number 58/2010/QĐ-TTg dated September 22, 2010) on: 1. Generic HEI charters setting out functions of key bodies within HEIs. 2. Functions and responsibilities of university councils, enhancing HEIs autonomy in governance. <i>NB: Two triggers merged into a single prior action.</i>
2010	Higher Education DPO2	For the purpose of enhancing fiscal transparency, and the sustainability, efficiency and equity of the higher education sub-sector, the Recipient has: Issued regulation (MOET Ministerial Decision No. 795/QĐ-BGDDT dated February 27, 2010) and guidelines on criteria-based formula for setting HEIs' maximum enrollment quota.
2010	Higher Education DPO2	For the purpose of enhancing fiscal transparency, and the sustainability, efficiency and equity of the higher education sub-sector, the Recipient has: Issued a regulation (Government Decree Number 49/2010/NĐ-CP dated May 14, 2010) on tuition fees for the 2011-2015 time period. <b><i>NB: New added during preparation of DPO2.</i></b>
2010	Higher Education DPO2	For the purpose of improving the efficiency and transparency of graduate qualifications, the Recipient has: Established, on a pilot basis, credit-based qualifications systems in at least thirty (30) HEIs.
2010	Higher Education DPO2	For the purpose of improving the quality of teaching and research outputs, the Recipient has: Issued a comprehensive framework (MOET Ministerial Decision Number 4138/QĐ-BGDDT dated September 20, 2010) on higher education quality assurance and accreditation. <i>NB: replaces trigger listed below.</i>
2013	Higher Education DPO3	The National Assembly has enacted Law No. 08/2012/QH13, of June 18, 2012, on Higher Education, defining: (i) the qualification and training modalities of HEIs; (ii) the classification of HEIs; (iii) the structure of networks of HEIs and their differentiation/segmentation in the system by institutional missions; (iv) the regulation of HEIs' institutional autonomy and accountability in academic, organizational and financial affairs; and (v) the regulation of HEIs' institutional accreditation and quality assurance processes.
2013	Higher Education DPO3	MOET has issued Circulars No. 57/2011/TT-BGDDT and 20/2012/TT-BGDDT, of December 2, 2011 and June 12, 2012, respectively, increasing the autonomy of HWIs in setting their students enrolment targets, based on minimum conditions of staff qualifications and training facilities.

2013	Higher Education DPO3	MOET has issued Circular No. 57/2012/TT-BGDDT of December 27, 2012, amending Decision No. 43/2007/QĐ-BGDDT, of August 15, 2007 on higher education credit-based training system, providing for: (i) HEIs guidance on the application of credit-based training curricula; (ii) minimum training standards for HEIs; (iii) consistency in HEIs' grading systems; (iv) an early warning system for students to maintain acceptable level of credit accumulation; and (v) the implementation steps for the revised credit-based system in HEIs.	
2013	Higher Education DPO3	At least one hundred and fifty (150) HEIs have established internal quality assurance units in order to ensure appropriate and adequate standards of service provision.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2010	Higher Education DPO2	Issue regulation for establishment of independent review agencies, responsible for regularly reviewing public and private HEIs against minimum standards and advising government on their accreditation.	<b>Replaced/postponed</b> – Sequencing issues. Replaced by new prior action.
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Adopt transparent criteria to decide on university admission quotas on a pilot basis	
2009	Higher Education DPO1	Issue regulation on admission to HEI part-time programs, with a view to providing alternative but equivalent pathways to national HEI qualifications. Issue plan on provision of advanced undergraduate programs in selected HEIs for the period 2008-2015.	Done Done
2010	Higher Education DPO2	Establish national committees in 27 disciplines responsible for granting the titles of “professor” and “associate professor”. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Issue regulation on financing HEI research. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Establish examination serving both for secondary leaving certification and HEI entrance evaluation. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Issue regulation for establishment of national discipline-based rectors' committees, with primary responsibility for advising MOET on curriculum framework development. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Issue regulation allocating resources to provision of advanced undergraduate programs in selected HEIs for the period 2008-2015. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Issue regulations on alternative delivery methodologies (e.g. distance education, open universities, e-learning and e-textbooks). <i>NB: Action no longer mentioned in policy matrix for DPO2.</i>	Drop Drop Drop Drop Drop Drop Drop
2012	Higher Education DPO3	Issue regulation on program for doctoral training (overseas and domestic), to enhance qualifications of teaching staff. <i>NB: Action no longer mentioned in policy matrix for DPO3.</i> Establish a competitive grants scheme to fund HEI research. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Establish, in at least fifty (50) HEIs, HEI-specific admission policies, based on the secondary education leaving examination plus supplementary HEI specific criteria. <i>NB: Action no longer mentioned in policy matrix for DPO2.</i> Issue regulation on program for doctoral training (overseas and domestic), to enhance qualifications of teaching staff <i>NB: Action no longer mentioned in policy matrix for DPO2.</i>	Drop Drop Drop Drop

## **Poverty and Social Inclusion**

### **Education**

2007	PRSC 6	Extend performance standards for primary teachers nationwide, including evidence-based assessments
2008	PRSC 7	Revision of the tuition fees at the secondary and tertiary education levels for the purposes of better reflecting market conditions while protecting the poor.
2009	PRSC 8	Formulate an education development strategy to 2020, focusing on equity of learning outcomes and the relevance of contents.

2010	PRSC 9	The Recipient has produced cost estimates and initiated public consultation on full-day schooling for primary education.	
2012	PRSC 10	The Recipient, through MOET, has issued a regulation to institutionalize regular nationwide assessments of student learning outcomes at primary and secondary levels.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2010	PRSC 9	Produce cost estimates and conduct public consultation on full-day schooling for primary education	<b>Partial</b> – NB: with revised prior action above.
2012	PRSC 10	Institutionalize regular nationwide assessments and participation in international assessment programs of student learning outcomes	<b>Partial</b> – MOET has issued a regulation to institutionalize regular nationwide assessments of student learning outcomes at primary and secondary levels. NB: See above modified (international dropped) prior action
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Issue roadmap for education information system to strengthen education management Issue an action plan for conducting assessment for primary and secondary education for 2010	

## **Health**

2007	PRSC 6	Adopt HIV/AIDS law and prepare action plans to scale up harm reduction, fight stigma and discrimination	
2008	PRSC 7	Submission to the National Assembly of a draft Health Insurance Law with improved mechanisms for pooling risks in the voluntary participation program and for making payments to service providers.	
2010	PRSC 9	The Recipient has adopted a law establishing a framework for national standards and a unified licensing system for all health care practitioners.	
2012	PRSC 10	The Recipient, through MOH, has issued a regulation to establish a centralized database as a step towards unifying the national licensing system of healthcare professionals.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2008	PRSC 7	Establish affordable health insurance premiums based on user-group demand and address adverse selection problem	<b>Partial</b> - Delayed. Instead the GoV submitted the health insurance law which better pools risks and allows improved incentives in payment to service providers.
2009	PRSC 8	Adopt standards for certification of health care practitioners and classification of private health facilities	<b>Not met</b> – NB: PRSC 9 prior action?
2010	PRSC 9	Adopt national standards and establish a unified licensing system for health care practitioners	<b>Partial</b> -
2012	PRSC 10	Ensure the national licensing system of health professionals is unified	<b>Partial</b> – See above revised prior action
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Improve budgetary balance between health infrastructure, human resources, subsidies and preventive care Increase the health insurance premium paid on behalf of the poor and partially subsidize the near-poor Regulate safe treatment of solid waste discharge by hospitals in line with international practices Enhance treatment of medical waste discharged by hospitals at both central and local levels. NB: Also related to Environment Develop action plan and guidelines for treatment on waste and water discharged by health care facilities, revising healthcare cost standard to secure appropriate budget for the treatment. NB: Also related to Environment Prepare a summary report of health insurance revenues and expenditures, and key coverage and utilization performance indicators for publication	

## **Social Protection**

2007	First P135	Circular issued on strategy for providing support services in upland communes based on farmer demand and market orientation.	
2007	First P135	Communication Strategy formulated to guide the planning and implementation of communication activities under P 135-2 by CEM and by 9 implementing agencies at the province, district, and commune levels.	



2007	First P135	Inter-ministerial circular 676/2006 stipulates that compulsory local contributions are affordable, the poorest households are exempted from compulsory cash contributions, and mechanisms are developed to promote paid local labor in civil works, with priority given to poor households in wage-earning opportunities.	
2008	PRS C 7	Issuance of guidelines for the implementation of the Social Insurance Law, in particular in respect of the voluntary pension program for farmers and the informal sector and support for the participation of the poor in the program.	
2009	Second P135	The Recipient, through MOF, has allocated 6.3% of its FY 2008 budget earmarked for the infrastructure activities under the Program 135 Phase II, for operation and maintenance of the infrastructure facilities built under the Program 135 Phase II. <i>NB: Also related to public governance</i>	
2009	Second P135	The Recipient, through CEM, has conducted a mid-term review of the Program 135 Phase II based on a baseline survey and participatory stakeholders' assessment of progress made under the Program 135 Phase II. <i>NB: Also related to M&amp;E and planning</i>	
2009	Second P135	The Recipient, through CEM, has carried out a citizen report-card survey, and conducted regional lessons and experience sharing to inform the mid-term review for the Program 135 Phase II. <i>NB: Also related to M&amp;E</i>	
2011	Third P135	The Recipient has established, in at least eleven (11) selected provinces, technical task forces at province and district levels to support communes in acting as investment owners.	
2011	Third P135	The Recipient, through CEM, has issued official instruction Number 600/UBDT-CSDT dated August 20, 2010 setting forth: (a) a manual on participatory planning by communes including among other things guidelines for participatory operations and maintenance; and (b) minimum percentage requirement of women participation at thirty% (30%).	
<i>Dropped prior action</i>		<i>Reason/status</i>	
2008	PRS C 8	Approve a strategic plan to ensure prudential and effective investment of social security funds	<b>Partial</b> - Plan was submitted to the Vietnam Social Security for comment, the last step before submission for official approval by the Prime Minister.
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<ul style="list-style-type: none"> <li>Adopt Social Insurance Law making the system financially viable and extending its coverage</li> <li>Adjust safety net for redundant SOE workers to cover state-owned plantations and farms</li> <li>Update official poverty line(s) to reflect current conditions, agree on a methodology to update lines on a regular basis to reflect changes in the cost of living</li> </ul>	
2009	First P135	<ul style="list-style-type: none"> <li>Decision issued on list of communes to graduate from P135 in 2008.</li> <li>Provinces use explicit and objectively-verifiable criteria including poverty measures for allocating resources to participating communes and villages.</li> </ul>	Full IP Full IP

## Gender

2007	PRSC 6	Unify legal framework to address gender disparities and increase women's participation in decision making	
2008	PRSC 7	Allocation of institutional responsibilities and resources for the implementation of the Gender Equity Law and the monitoring thereof.	
2012	PRSC 10	The Recipient, through the Prime Minister, has adopted a set of national gender development indicators and criteria for sex-disaggregation in the national statistics.	
<i>Dropped prior action</i>		<i>Reason/status</i>	
2008	PRSC 7	Adopt guidelines for Gender Equality Law identifying responsibilities, resources and monitoring mechanisms	<b>Partial</b> - Delayed due to extensive consultation process. The GoV determined institutional responsibilities and monitoring mechanisms. <i>Met through PRSC 10 prior action?</i>
2010	PRSC 9	Establish indicators, identify gaps, and adopt a plan to address them in monitoring of gender equality in priority areas	<b>Not met</b> – <i>NB: Prior action in PRSC 10?</i>
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Create legal framework for domestic violence prevention and control Operationalize the Anti-Domestic Violence Law by adopting action plan and issuing guiding regulation Issue regulation to assign institutional responsibilities and allocate budget for implementing measures in ensuring gender equality	

		Inter-ministerial circulars to be issued for implementing domestic violence law by key responsible agencies, including establishment of reporting system, supporting services to victims and clear measures for behavior change in place	
2011	Third P135	Assess the participation of women (goal of at least 30%) in production support activities	

## Sustainably Manage Natural Resources and the Environment

### Land and Forests

2007	PRSC 6	Issue strategy to strengthen linkages between protective and economic functions of forests, and promote local ownership	
2008	PRSC 7	Issuance of guidelines on forest development based on participatory land-use planning and independent monitoring.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2008	PRSC 7	Establish criteria and a time bound plan to assess the quality of forest resources nationwide	<b>Partial -</b>
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Clarify resettlement and compensation process in cases without land-use certificates, and mechanisms for handling complaints Transfer SFE land to local authorities for reallocation to households, ethnic minority groups and private enterprises with focus on poor areas	

### Water and sanitation

2008	PRSC 7	Establishment of a legal and institutional framework for integrated river basin management.	
2010	PRSC 9	The Recipient has issued technical guidelines for efficient use of water resources to complement the government's irrigation services fee waiver policy.	
2010	PRSC 9	The Recipient has developed a proposal to continue the current National Targeted Program for rural water supply and sanitation, which focuses on promotion of rural sanitation and addresses personal hygiene.	
2011	Climate Change DPO	MONRE has furnished to MPI a letter dated July 28, 2010 submitting for the Prime Minister's approval a National Target Program for Water Resources Management based on the Water Sector Review.	
2012	Second Climate Change DPO	The Recipient, through the National Assembly, has enacted Law Number 17/2012/QH13 dated June 21, 2012 on water resources.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2008	PRSC 7	Enact legal and institutional framework for integrated river basin management	<b>Partial -</b> Delayed due to extensive consultation process. <i>NB: Revised prsc 7 prior action as per above.</i>
2008	PRSC 7	Develop unified national sanitation strategy and encourage greater commune and private participation in sanitation	<b>Not met -</b> Unclear allocation of responsibilities between ministries prevented any substantial progress on the sanitation strategy.
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10		
2012	Second Climate Change DPO	Establish the model for the operationalization of irrigation management transfer at secondary level, and select at least 3 schemes for a pilot program. Adopt roadmap for benchmarking of Irrigation Management Companies to promote efficiency of the irrigation supply system.	Partial Partial

### Environment and Climate change

2009	PRSC 8	Approve a national targeted program (NTP) on adaptation to climate change and allocate institutional responsibilities for its implementation.	
2010	PRSC 9	The Recipient has issued technical guidelines for efficient use of water resources to complement the government's irrigation services fee waiver policy.	
2012	PRSC 10	The Recipient, through MPI, has issued technical guidelines for the application of strategic environmental assessments in the process of socio-economic development planning.	
2011	Climate Change DPO	The Recipient, through MONRE, has finalized a Report on Updated Climate Change Scenarios dated 2011 updating the Recipient's climate change scenarios with an improved methodology	
2011	Climate Change DPO	The Recipient's Prime Minister issued Official Instructions Number 1820/TTg-KTN dated September 29, 2009 endorsing the Implementation Plan of the National Strategy for Natural	

		Disaster Prevention, Response, and Mitigation to 2020 which is a consolidation of 63 Provincial Disaster Action Plans and evidence of their development.	
2011	Climate Change DPO	The Recipient's Prime Minister issued Official Instructions Number 8981/VPCP-QHQT dated December 10, 2010 outlining the guiding principles relating to the use of official development assistance to respond to climate change through budget support.	
2012	Second Climate Change DPO	The Recipient, through Prime Minister, has adopted the National Climate Change Strategy by way of Prime Minister Decision Number 2139/QD-TTg dated December 5, 2011.	
2012	Second Climate Change DPO	The Recipient has authorized the establishment of the national coordination platform for disaster risk reduction and climate change adaptation by way of the Office of the Government Official Instructions Number 6853/VPCP-QHQT dated September 4, 2012	
2012	Second Climate Change DPO	The Recipient, through the Ministry of Planning and Investment, has established a long-term task force on finance for climate change by way of Ministry of Planning and Investment Decision Number 505/QD-BKHDT dated April 25, 2012.	
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Mandate public consultation on environmental impact assessments commune level with public feedback incorporated in report to relevant authorities Strengthen incentives for solid waste management using economic instruments Adopt regulations for performance contracts for sewerage and drainage at local levels Adopt legal framework for biodiversity protection to clearly delineate and better administer protected areas, and to improve community consultation process Issue regulations on national environmental data collection, and collect the data	
2012	Second Climate Change DPO	Develop a National Adaptation Methodology to guide prioritization of actions on climate change adaptation. Establish institutional framework for implementation of the national low carbon development assessment. Develop indicators for a monitoring and evaluation system for tracking implementation of national and provincial disaster risk management plans. Establish and operationalize the National Climate Change Committee. <i>NB: new action introduced by DPO 2.</i> Develop the Law on Natural Disaster Prevention and Mitigation.	Done Done Dropped Done Done

## **Public Governance Systems**

### **Planning Process (in practice including public expenditure allocation)**

2007	PRSC6	Allocate state capital expenditure transparently, using criteria like population, poverty and ethnicity – <i>NB: Also related to public investment and social protection</i>	
2007	First P135	Decision 393/2005/QD-UBDT incorporates revised, verifiable, poverty-based criteria for selection of communes and villages included in P 135-2. <i>NB: Could also be social protection</i>	
2007	First P135	> 7% total program cost allocated for capacity-building of all kinds at central, provincial, district, and local levels.	
2007	First P135	Guidance drafted and circulated to relevant ministries, agencies and provinces on transparent criteria to be used to determine commune readiness to assume investment ownership responsibility.	
2008	PRSC 7	Establishment of clear criteria for the selection of public investment projects and of mechanisms for their financing and monitoring. <i>NB: Also related to public investment</i>	
<i>Dropped prior action</i>			<i>Reason/status</i>
2008	PRSC 7	Establish clear criteria for selecting public investment projects and mechanisms for their financing and monitoring	<b>Partial</b> -
2009	Second P135	CEM to disseminate P135 related documents and materials in the five principal ethnic minority languages, namely Thai, Tay, Dzao, Hmong and Ede (languages to be confirmed)	<b>Partial</b> – PD argues action dropped because it is considered an implementation issue. Refers also to “good progress.”
2009	Second P135	At least 30 provinces have started producing MIS reports to search for and report on the inputs, outputs and short term results	<b>Partial</b> – PD argues action dropped because it is considered an implementation issue. Refers also to “good progress.” Repeated as benchmark under third operation.

<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	Adopt regulations for master and regional plans specifying issues, process, agency responsibility, and require disclosure Establish list of indicators, data sources and reporting mechanism for monitoring of SEDP Establish a legal framework for strengthening urban planning and urban infrastructure management	
2007	First P135	Operational guidelines prepared for delivery of market oriented, pro-poor production/ livelihood support under P135, including the planned phase-out of input subsidies O&M groups with recognized legal status formed in participating communes and villages, and clear plan with monitor able actions formulated on measures to build their capacity. Assessment of O&M quality and adequacy of O&M funding from different sources as input to MTR. Specific indicators developed to measure progress in practice; user-friendly outreach materials are regularly disseminated in ethnic minority languages and audio-visual formats; and informed participation takes place in program planning and implementation at grassroots level. <i>NB: Also related to social protection and more broadly to M&amp;E.</i> Baseline survey completed including matched control group MIS in place, used to track and report on inputs, outputs, and intermediate outcomes; participatory M&E approaches designed and mechanisms for cross-learning between participating localities introduced.	Partial  Partial  Partial  Done Partial
2009	Second P135	Actual P135 commune, village, and household selection reviewed at MTR, and commitment made to revise selection criteria in light of evidence All provinces have established allocation criteria and actual allocation of P135 resources from provinces to participating communes and villages reviewed at MTR, and allocation criteria revised in light of evidence Efficacy of actual poverty targeting in commune, village and household selection evaluated at end of P135 <i>NB: M&amp;E related</i> Annual reporting/ tracking of program expenditures piloted and assessed to propose for the next phase of the program. <i>NB: M&amp;E related</i> MTR determines progress towards improved vertical and horizontal communication goals. <i>NB: M&amp;E related</i> EOP Evaluation assesses adequacy of O&M budget allocation organization for use at commune level and quality of expenditure. <i>NB: M&amp;E related.</i> 70% of districts and communes have O&M plan for the list of infrastructure works and carry out O&M as planned with the participation of the self-management group or community supervision board. Participatory planning is conducted annually in which 30% of participants are women. <i>NB: M&amp;E related</i> End of Program evaluation assesses the use of different participation methods in the planning process. <i>NB: M&amp;E related</i> At least 70% of provinces have communication materials in ethnic minority languages based on the typical characteristics of the localities. <i>NB: Relates to dropped prior action.</i> EOP evaluation of P135 includes final impact evaluation against baseline and national goals. <i>NB: M&amp;E related</i> Citizen report-card survey conducted to support end of program evaluation. <i>NB: M&amp;E related</i> MIS data collated as appropriate as input to EOP evaluation. <i>NB: M&amp;E related</i> First consolidated AMT report shared with donors	
2011	Third P135	Publicize the list of beneficiaries of the Program at the commune office and village office. Study and develop tools to supervise the annual expenditures of the communes and enhance supervision skills of expenditure and pro-poor budget allocation in selected provinces. Environmental communications and focused capacity strengthening implemented to support communes to better integrate environmental considerations in investment planning and implementation.	

		<p>The use of additional financial resources allocated from central state budget (central, provincial and district levels) for regular O&amp;M of basic infrastructure works in the 135-2 communes is reported.</p> <p>50% of districts and communes have O&amp;M plan for the list of infrastructure works and carry out O&amp;M as planned with the participation of the self-management group or community supervision board.</p> <p>Assess the compliance of the production support with Circular 01 and assess the necessary measures to improve the implementation of this Component.</p> <p>Indicators related to participation of the people are included in the progress reports to serve the joint reviews. <i>NB: M&amp;E related</i></p> <p>TORs and budget estimate For EOP evaluation completed Shared with development partners for comment.</p> <p>Participatory M&amp;E approaches and cross-learning mechanisms are institutionalized. <i>NB: M&amp;E related</i></p>	
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## **PFM**

2007	PRSC 6	Disclose results of audits conducted by the State Audit of Vietnam (SAV) and its annual audit plan
2007	First P135	MOF Guidance No. 2849 issued, governing public financial management for P135, and giving instructions for MOF to prepare processes and procedures for fund-flow reflecting the provision of funds from the state budget to each spending agency at central, provincial, district and commune levels; and quarterly financial reports and reconciliation of expenditures under P135 between spending units & State Treasury (STV)
2007	First P135	Multi-year audit plan for Program 135-2 issued and shared with donors that provides for: (i) scope of annual audits, acceptable to donors, with a view to increasing the number of sample provinces by > 20% each year; (ii) annual P135 audit reports submitted within 6 months of each year-end starting with 2007; (iii) the engagement of independent external auditors as may be necessary
2007	First P135	Action Plan adopted to adapt Government's ODA portfolio monitoring tool to create an MIS for tracking and reporting on P135 inputs, outputs, and intermediate outcomes.
2007	First P135	Outcome indicators and overall M&E framework agreed and adopted; baseline survey designed including matched control group. <i>NB: No separate M&amp;E focus area</i>
2008	PRSC-7	Issuance of regulations regarding content and timing in the disclosure of reports by State Audit of Vietnam, including audit reports of individual entities.
2009	Higher Education DPO1	Prepare annual financial reports for at least twenty (20) HEIs for the fiscal year 2007 (incorporating all revenues, expenditures and funding sources).
2009	Higher Education DPO1	Complete the audit of at least twelve (12) institutions of higher education under the control of the Ministry of Education and Training.
2009	Second P135	The Recipient, through State Treasury in MOF, has issued Guidelines 319/KBNN-KHTH, dated March 4, 2009, for the management and disbursement of funds under Program 135 Phase II, including the funds allocated for the operation and maintenance expenditures referred to in Paragraph A.1 above
2009	Second P135	The Recipient, through CEM, MPI, MOF, MOC and MARD, has issued Inter-ministerial Circular 01 in 2008, which includes, inter alia: (i) the criteria for communes to be granted investment ownerships for projects managed by single communes; and (ii) the requirement that districts second their staff to provide support to communes not yet meeting the criteria for being investment owners.
2009	Second P135	The Recipient, through CEM, has issued a manual providing guidance on implementing procurement aspects of Inter-ministerial Circular 01, including procurement planning requirements and measures to ensure transparent procurement process.
2009	Second P135	(a) The Recipient, through SAV, conducted an annual audit in 2008 covering at least ten (10) participating Provinces
2009	Second P135	(b) eight (8) Participating Provinces audited by SAV in 2007 have submitted to SAV reports on their implementation of recommendations made in the 2007 annual audit, said reports covering, inter alia, the status of funds required by the State Budget Law to be reimbursed by relevant provinces to the State Budget
2009	PRSC 8	Formulate a public debt management law, consolidating the management of domestic and external debt.
2010	PRSC 9	The Recipient has formulated a regulation for development and implementation of internal audit of public sector agencies and defining organizational responsibilities.

2010	Public Investment Reform 1	The Borrower has issued a law to clarify that late bids in procurement tenders for public investment projects shall be rejected. <i>NB: Also related to fighting corruption.</i>
2010	Public Investment Reform 1	The Borrower has issued a Decree to streamline provision of compensation to affected households, to align with market prices compensation for land and property, and to provide livelihood support.
2010	Public Investment Reform 1	The Borrower, through MOF, has issued a Decision to align time of recording ODA funds in government accounts with the timing of actual receipts and expenditures.
2010	Public Investment Reform 1	The Borrower, through MOF, has issued a Circular to align with the market cost norms applied to local consultants' fees, translation fees, workshops and other costs related to preparation and implementation of ODA-funded projects.
2010	Higher Education DPO2	For the purpose of improving financial transparency and efficiency in public resource use, the Recipient has prepared annual financial reports for at least forty (40) HEIs for the fiscal year 2008 (incorporating all revenues, expenditures and funding sources). <i>NB: Initially a benchmark.</i>
2010	Higher Education DPO2	For the purpose of ensuring adequate oversight of public fund through audits, the Recipient has completed the audit of the 2008 financial year of at least twenty (20) institutions of HEIs under the control of the MOET. <i>NB: Initially a benchmark.</i>
2011	Third P135	The Recipient, through CEM, has issued official instruction Number 600/UBDT-CSDT dated August 20, 2010 setting forth guidelines and procedures for procurement under community participation method in implementation of Program 135 Phase II in communes and villages.
2011	Third P135	The Recipient, through MOF, has issued official instruction Number 319/KBNN-KHTH, dated March 4, 2009, setting forth guidelines to ensure capturing villagers' paid labor and contributions in the management information system and commune accounts of Program 135 Phase II.
2011	Public Investment Reform 2	The Recipient, through MPI, has issued a Circular, including technical guidelines, to implement the use of electronic procurement (e-procurement) in pilot provinces and agencies.
2011	Public Investment Reform 2	The Recipient, through MOF, has issued a Circular to mandate the sharing of independent audits of financial statements of ODA-funded projects with MOF and SAV.
2011	Public Investment Reform 2	The Recipient, through MOF, has issued Circulars to align with the market cost norms applied to translation fees, workshops and other costs related to the preparation and implementation of budget-funded projects.
2011	Public Investment Reform 2	The Recipient, through MOF and MONRE, has issued Circulars to define admissible expenses and sources of funding for the review of SEAs and EIAs.
2011	Public Investment Reform 2	The Recipient, through MOF, has issued a Circular to streamline payment procedures and clarify and simplify payment-supporting documents for ODA-funded projects.

2012	PRSC 10	The Recipient, through MOF, has started an annual exercise of publishing the synthesis report based on financial statements of state-owned economic groups and general corporations. <i>NB: Also related to state reform.</i>
2013	Higher Education DPO3	The Recipient has: (i) prepared for all forty-five (45) HEIs under the management of MOET, annual financial reports for fiscal year 2011 (incorporating all revenues, expenditures and funding sources); and (ii) completed the audits of the financial statements of fiscal year 2010 of at least twenty-five (25) HEIs under the management of MOET. <i>NB. Originally a benchmark. Number of HEIs reduced to 45 instead of &gt;60 targeted originally.</i>
2013	1 <sup>st</sup> Economic Management & Competitiveness DPO	The Recipient, through Prime Minister, has issued Decision Number 958/QD-TTg dated July 27, 2012 to strengthen the institutional framework for debt management and establish prudential debt thresholds for medium-term fiscal sustainability.
2013	1 <sup>st</sup> Economic Management & Competitiveness DPO	The Recipient has issued Law Number 21/2012/QH13 dated November 20, 2012, amending Law Number 78/2006/QH11 dated November 29, 2006 on Tax Administration, to streamline procedures, introduce advance pricing arrangements, increase risk-based management, and improve transparency.
2013	1 <sup>st</sup> Economic Management & Competitiveness DPO	The Recipient's Government has submitted to the National Assembly Report Number 283/BC-CP dated October 19, 2012, on the development investment status of 2012 and medium-term investment plan for the period 2013-2015 to set medium-term capital expenditure priorities in the state budget and including off-budget bond financing for 2013.
Dropped prior action		Reason/status
Public Investment 2	The Borrower, through MOF and MONRE, has issued a <b>joint Circular</b> to define admissible expenses for <b>the preparation and review</b> of SEAs and EIAs <b>and, through MONRE, has issued a Decision to set adequate technical guidelines in each case.</b>	<b>Partial</b> – <i>NB: Replaced with above prior action, which lacks the guidelines.</i>
Policy measures not included as prior action		Status
2007-12	PRSC 6-10	Publish report on budget execution for current year and budget plan for forthcoming year, on an annual basis Issue regulations for periodic disclosure of external public debt and its composition Implement regulation to guide the establishment and issuance of benchmark government bonds. <i>NB: Also related to Financial Sector</i> Consolidate administration procedures for all taxes into a single law, modernizing assessment and enforcement methods. <i>NB: Also related to PSD</i> Revise the investment laws to improve efficiency in state capital expenditures and strengthen the management of public investment projects Conduct mid-term review of the SEDP and strengthen result-based approach in M&E framework for planning Conduct public financial management reforms including commitment accounting, vendor management and new chart of accounts Adopt procedures for annual audit plan ensuring sufficient frequency and adequate provincial coverage Strengthen the legal framework for taxing the use of non-agricultural land and the capital gains to increase efficiency and equity, and dissuade speculation. <i>NB: Also related to PSD</i>
2007	First P135	Supplementary regulation issued amending procurement requirements under P135 so as to: (i) require open competitive bidding to be the principal method for civil works under P135; (ii) provide guidance on Community Contracting; (iii) limit the use of Direct Contracting method to exceptional circumstances (which shall be clearly specified); and (iv) remove the value-based thresholds for use of Direct Contracting in Sub-Clause 2.8.1(a) of Circular 676/2006



		(i) Quarterly financial reports and reconciliation of expenditures between spending agencies and STV produced program-wide; (ii) Quarterly statements of actual fund-flow down to investment-owner level prepared; (iii) Six-monthly reports on allocation, transfer and usage of P135 funds to provincial level publicly disclosed via Ministry of Finance website (i) Annual audit plan acceptable to donors prepared by the start of the financial year; (ii) Annual audit conducted with sample coverage of $\geq 8$ provinces; (iii) FY2006 Audit Report issued by June 30, 2007; (iv) Implementation of prior year's audit recommendations reviewed; (iv) Audit reports publicly disclosed through the media and SAV website in accordance with the State Audit Law value of unpaid labor contributions captured in MIS and commune accounts (>50% of infrastructure investments include local paid Labor)	Done  Delay  Delay
2009	Second P135	(i) Quarterly financial reports and reconciliation of expenditures between spending agencies and STV produced program-wide; (ii) Quarterly statements of actual fund-flow down to investment-owner level prepared; (iii) Six-monthly reports on allocation, transfer and usage of P135 funds to provincial level publicly disclosed via Ministry of Finance website publicly disclosed via MoF website (same as in first P135) More than 80% of contracts under P135 awarded through open and competitive bidding and/or other non-Direct Contracting methods, and verified by SAV's annual audit reports. For all P135 supported villages and communes in selected provinces, at least 70% of works below relevant threshold will follow community contracting. (i) Annual audit plan acceptable to donors prepared by the start of the financial year; (ii) FY2007 Audit Report issued by June 30, 2008; and (iii) Audit reports publicly disclosed through the media and website in accordance with the State Audit Law. NB: Largely repeated as trigger and prior action for third operation with respectively 2009 and 2010 dates.	
2011	Third P135	More than 50% of contracts under P135- 2 awarded through open and competitive bidding, community contracting and/or other non- Direct Contracting methods, following the issued Manual on Procurement , and verified by SAV's annual audit reports. (i) Annual audit plan acceptable to donors prepared by the start of year; (ii) Annual audit conducted with sample coverage of >14 provinces; (iii) FY2008 Audit Report issued by August 31, 2009; (iv) Implementation of prior year's audit recommendations reviewed as part of each JMR mission based on summary of actions taken by provinces and central agencies to implement 2008 audit recommendations, including reimbursements; (iv) Audit reports publicly disclosed through the media and website in accordance with the State Audit Law.	
2012			

### **Legal Development**

2007	PRSC 6	Establish separate legal, judicial, economic, and budget committees to strengthen NA's supervisory role	
2009	PRSC 8	Establish a National Bar Association with governing documents and structures approved by the community of lawyers.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2010	PRSC 9	Enhance access to information by the public and specify the mechanisms	<b>Not met -</b>

<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<p>Simplify and broaden access to legal aid for marginalized and vulnerable groups</p> <p>Adopt policies to encourage the participation of non-state establishments in the delivery of public services</p> <p>Create a facilitating legal framework for the establishment and operation of economic collaborative groups and social and charity funds</p> <p>Enhance the responsibility of enterprises vis-à-vis consumers and strengthen the handling of consumer complaints</p> <p>Simplify the procedures, strengthen the management, and improve the monitoring and complaints system of civil judgments execution</p> <p>Increase the systematic and widely accessible publication of court judgments, beginning with Supreme People's Court cassation</p> <p>Develop effective legal framework on consumer protection</p>	

### **Public Administration Reform**

2010	PRSC 9	The Recipient has issued a regulation and developed pilot schemes to strengthen competition, merit orientation, and transparency in the recruitment, appointment, and promotion of civil servants.	
2012	PRSC 10	The Recipient, through the Prime Minister has adopted a Public Administration Reform Master Plan for 2011-2020; and through MOHA, has started piloting a results-oriented monitoring and evaluation system.	
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<p>Extend One-Stop-Shop (OSS) to all ministries and agencies and introduce inter-linked OSS to further simplify administrative procedures</p> <p>Adopt principles of competition, merit-orientation and transparency in the recruitment, appointment, promotion and dismissal of civil servants</p> <p>Dissociate civil service pay structure from minimum wage setting and widening the range of minimum wages</p> <p>Formulate common standards for IT applications and e-government interfaces at central and provincial levels</p> <p>Develop indicators for monitoring and evaluating the implementation of PAR and provision of public administrative services</p>	
2007	First P135	Specific indicators developed to measure progress in practice; user-friendly outreach materials are regularly disseminated in ethnic minority languages and audio-visual formats; and informed participation takes place in program planning and implementation at grassroots level. NB: Repeats P135-1	Partial
2011	Climate Change DPO	Adopted the mandate of the Central Committee for Flood and Storm Control	Done

### **Public Investment**

2010	Public Investment Reform 1	The Borrower, through MOC, has issued a Decision to clarify that project preparation costs set in percentage of total project cost are for reference only and are not budget caps.
2010	Public Investment Reform 1	The Borrower has issued a Decree to harmonize terminology in documentation on pre-feasibility and feasibility studies across budget- and ODA-funded projects.
2010	Public Investment Reform 1	The Borrower has issued a Decree to establish a consistent monitoring and evaluation framework for public investment projects, including standardized monitoring tools.
2011	Public Investment Reform 2	The Recipient has issued a Decree to mandate the timely preparation and review of SEAs and EIAs in order to inform preparation of master plans and feasibility studies for investment projects, respectively.
2011	Public Investment Reform 2	The Recipient, through MPI and MOIT; has incorporated SEAs in the draft development master plans for four regions and one key sector.
2011	Public Investment Reform 2	The Recipient, through MONRE, has reviewed the experience with the implementation of SEAs and has designed actions to improve SEAs preparation and use.

2011	Public Investment Reform 2	The Recipient, through MPI, has issued Circulars to establish standard templates for project monitoring reports and to set up the required legal criteria for individuals and institutions to carry out investment evaluation.	
<i>Dropped prior action</i>			<i>Reason/status</i>
2011	Public Investment 2	The Borrower; through <b>MPI, MARD, and MOIT</b> ; has incorporated SEAs in the development master plans for <b>two regions and two key sectors</b> .	<b>Partial</b> – NB: <i>revised prior action above.</i>
2011	Public Investment 2	The Borrower has submitted, for consideration by the National Assembly, a draft law on Public Investment providing a common framework for all public projects.	<b>Dropped -</b>
2011	Public Investment 2	<b>The Borrower, through MOHA, has issued a Decision to approve the Charter establishing the Association of Independent Evaluators.</b>	<b>Partial</b> – NB: <i>Substantially revised prior action above.</i>
<i>Policy measures not included as prior action</i>			<i>Status</i>
2007	First P135	All P135 communes with prior experience in investment management under State or ODA-supported projects [>35% of total] are granted investment ownership responsibility for 2007; adoption by PPC of necessary legal framework covering administrative and financial procedures to ensure commune-level investment ownership. Institutional capacity-building plan adopted, tailored according to assessed levels of initial capacity, and initiated both at commune/village and higher levels in order to provide enabling environment for exercise of investment ownership and grassroots democracy.	Done  Done
2009	Second P135	>60% of P135 communes are granted investment ownership responsibility for 2008 70% of P135 communes are investment owners for a significant share of total value of program investments (with break down for production and infrastructure components) EOP evaluation assesses the weaknesses/shortcomings of the procedures/process and mechanism to encourage commune investment ownership. NB: M&E related >60% of program communes and villages supported in preparation of participatory investment planning, coordinating investments from various sources; widespread evidence of community supervision of infrastructure investments in line with Decision 80 PM&E findings suggest widespread use of learned behaviors beyond P135 alone. NB: M&E related	
2011	Third P135	>65% of P135 communes are granted investment ownership responsibility for program investments (with reporting indicating if ownership is for production or infrastructure investments). NB: Made redundant by 2010 benchmark under second P135. >70% of program communes and villages implement participatory investment plans; widespread evidence of community supervision of infrastructure investments in line with Decision 80. NB: Deepens Second P135 prior action.	

### **Fighting Corruption**

2007	PRSC 6	Operationalize Steering Committee against corruption with power to suspend high level officials if suspected
2008	PRSC 7	Implementation of the asset declaration requirement with respect to senior officials and their immediate family members, and application of penalties for non-compliance.
2010	PRSC 9	The Recipient has: (a) carried out annual procurement compliance and performance audits of projects funded by the state budget; (b) made public findings of selected audits; (c) adopted a pilot procurement code of ethics for participants; and (d) launched an open access electronic bidding system.
2012	PRSC 10	The Recipient, through GI, has developed a framework for monitoring progress on the implementation and results of efforts to prevent and combat corruption.
2013	1st Economic Management & Competitiveness DPO	The Recipient has issued Law Number 27/2012/QH13 dated November 23, 2012, amending Law Number 55/2005/QH11 dated November 29, 2005 on Anti-Corruption and including stricter transparency guidelines in areas and sectors most vulnerable to corruption.

<i>Policy measures not included as prior action</i>			<i>Status</i>
2007-12	PRSC 6-10	<p>Disclose results of investigations against corruption for cases overseen by the Government Inspectorate</p> <p>Establish legal framework to protect and reward whistle blowing on corrupt activities</p> <p>Introduce mandatory rotation for sensitive government positions and payment of government salaries through bank accounts</p> <p>Issue a comprehensive anti-corruption strategy, setting out preventive, demand-side, and sector-specific solutions, and monitoring mechanisms</p> <p>Develop an enabling legal framework to protect and reward witnesses and whistle-blowers</p> <p>Improve reporting system to strengthen implementation of asset declaration</p>	

## **Annex C. List of Persons Met**

### **Government Officials**

- Duong Quynh Le, Director of Multilateral Division, Ministry of Finance
- Nguyen Lan Anh, Deputy Director of Multilateral Division, Ministry of Finance
- Son Phuoc Hoan, Vice Minister, Committee for Ethnic Affairs
- Nguyen Vinh Hien, Vice Minister, Ministry of Education and Training
- Doan Hoai Anh, Director General of International Cooperation Department, State Bank of Vietnam
- Tran Anh Tuan, head of World Bank Division, State Bank of Vietnam
- Le Hu Phuc – Acting General Director of International Cooperation Department, Ministry of Industry and Trade
- Pham Khanh Toan, Director General of International Cooperation Department, Ministry of Construction
- Lê Song Lai – Deputy General Director, SCIC
- Pham Hoang Mai – Director General, Ministry of Planning and Investment
- To Viet Chau, Deputy Director General of International Cooperation Department, Ministry of Agriculture and Rural Development
- Le Van Minh - Program Deputy Coordinator, Support Program to Respond to Climate Change (SPRCC)
- Nong Van Chi, Vice Chairman of People’s Committee of Bac Kan Province
- Pham Quang Huy, Deputy Director General of Electricity Regulatory Authority of Vietnam.

### **Development Partners**

- Le Van Son, Canadian CIDA
- Tran Hong Viet, DANIDA
- Scott Robertson, WCS
- Tadashi Suzuki, JICA
- Nguyen Dao Ngoc Van, WWF
- Jean Claude Piresm Deputy Director of AFD
- Vo Hoang Nga, Inclusive and Equitable Growth Programme Officer, UNDP
- Than Thi Thien Huong, Social Development Adviser, DFID
- Nguyen Thi Ngoc Minh, Economic Adviser
- Dominic Mellor - ADB
- Le Dai Nghia, Program Coordinator, Finland Embassy
- Sion Morton, Programme Officer, EU delegation

### **The World Bank Officials**

- Victoria Kwakwa, Country Director, Vietnam
- Sandeep Mahajan, Program Leader
- Anjali Acharia, Environment Cluster Leader

- Viet Quoc Trieu, Senior Financial Sector Specialist
- James Anderson, Senior Governance Specialist
- Sameer Goyal, Senior Financial Sector Specialist
- Laura Altinger, Senior Environmental Economist
- Quang Hong Doan, Senior Economist  
Thu Lan, Senior Environmental Economist
- Son Thanh Vo, Senior Rural Development Specialist
- Nguyen Thi Le Thu, Operations Analyst

**Independent Experts**

- Raymond Mallon, Economist
- Le Dang Doanh, Economist
- Adam McCarty, Chief Economist, Mekong Economics
- Tran Thi Ngoc Diep, Mekong Economics
- Nguyen Thi Thu Hien, Mekong Economics

## Annex D. Borrower Comments



### STATE BANK OF VIETNAM

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June 19, 2015

#### Góp ý Báo cáo của IEG về các chương trình hỗ trợ ngân sách

- Đề nghị bỏ đánh giá về khó khăn trong việc cho vay lại nguồn vốn các chương trình PDO đối với EVN nên việc sử dụng nguồn vốn này là không xác định được. NHNN thấy cần thực hiện các đánh giá cụ thể trước khi đưa ra nhận định này.
- Mục 3.3, 3.52, 5,12 nhận định *mặc dù PDOs được thực hiện trong giai đoạn khủng hoảng để hỗ trợ chống lại những rủi ro vĩ mô nhưng các chương trình này lại không có các hành động chính sách về tài khóa và vĩ mô để hỗ trợ Chính phủ thực hiện các gói kích thích kinh tế*. Đây là khoản vay hỗ trợ cải cách chính sách về đầu tư công nên các hành động chính sách trong Chương trình tập trung vào các hành động chính sách cải thiện chất lượng và hiệu quả của đầu tư công (như: các quy định về hợp đồng, đánh giá tác động môi trường, đánh giá môi trường chiến lược của các dự án đầu tư; lập Báo cáo đầu tư, đánh giá các dự án đầu tư, định mức chi cho các hoạt động thực hiện dự án đầu tư ....). Do vậy, việc đưa các hành động chính sách về tài khóa và vĩ mô vào khung chính sách của Chương trình này là không phù hợp. Mặc dù vậy, trong thời gian này, Chính phủ đã các hành động chính sách về ổn định vĩ mô không được đưa vào khung chính sách nhưng trong thực tế Chính phủ đã thực hiện nhiều biện pháp kinh tế vĩ mô nhằm **kiềm chế lạm phát, ổn định kinh tế vĩ mô, bảo đảm an sinh xã hội như (thực hiện chính sách tiền tệ chặt chẽ, thận trọng; thực hiện chính sách tài khóa thật chặt, cắt giảm đầu tư công, giảm bội chi ngân sách nhà nước; thúc đẩy sản xuất, kinh doanh, khuyến khích xuất khẩu, kiềm chế nhập siêu, sử dụng tiết kiệm năng lượng; tăng cường đảm bảo an sinh xã hội...)**. Những biện pháp này đã được thực hiện hiệu quả và tác động tích cực đến

**ổn định vĩ mô và duy trì đà tăng trưởng. Do vậy, đề nghị điều chỉnh lại nội dung đánh giá liên quan đến vấn đề này tại báo cáo.**

- Mục 3.8 đánh giá về việc các PD không có đủ các thông tin liên quan đến báo cáo hiện trạng thực hiện các hành động. Điều này cần xem xét lại do Chương trình PRSC có thành lập Ban Điều phối để hỗ trợ quá trình triển khai. Ban điều phối có trách nhiệm thu thập thông tin cần thiết phục vụ cho việc xây dựng, thực hiện, và đánh giá Chương trình. Theo đánh giá của các nhà tài trợ Ban điều phối hoạt động rất hiệu quả, đảm bảo đầy đủ thông tin cần thiết trong quá trình thực hiện. Ngoài ra, cơ chế chia sẻ thông tin của các giữa các cơ quan là rất hiệu quả. Do vậy, cần xem xét lại việc PD thiếu các thông tin cần thiết.
- Mục 4.107 đánh giá về việc bỏ hành động chính sách liên quan đến ban hành Luật đầu tư công ra khỏi Chương trình PIR 2 là do Chính phủ có nhiệm vụ xây dựng và trình Quốc Hội dự thảo Luật. Thẩm quyền ban hành Luật là của Quốc Hội. Do vậy, việc đạt được sự đồng thuận của Quốc Hội nằm ngoài phạm vi và thẩm quyền của Chính phủ.
- Mục 4.17: đề nghị trích nguồn số liệu 8,8% để tham chiếu.
- Trong Báo cáo không có điểm nào nhận định quá trình cải cách của Việt Nam giảm mạnh là do gia nhập WTO. Tại mục 4.2 nêu chỉ số đánh giá thể chế và chính sách quốc gia (CPIA) của Việt Nam giảm nhẹ do chất lượng quản lý kinh tế vĩ mô và quản lý tài chính công. Do vậy, đề nghị xem lại nội dung thảo luận thứ 4 tại Box 4-1 của Mục 4.4.
- Đề nghị bỏ đề xuất tại mục 6.5 về đề xuất WB nên dừng các chương trình hỗ trợ trong trường hợp các mục tiêu chính không đạt được, nhưng vẫn tiếp tục đối thoại chính sách. NHNN thấy rằng trong trường hợp này, WB cần phối hợp với các bên liên quan để đánh giá về nguyên nhân và những yếu tố tác động gây ảnh hưởng đến việc đạt mục tiêu chương trình để có những biện pháp khắc phục hoặc điều chỉnh cho phù hợp. Việc quyết định dừng chương trình cần được xem xét trên cơ sở phù hợp với từng trường hợp cụ thể.



## Translation version of the Borrower comments

### Comments on IEG's report on budget support programs

- It is suggested to remove the assessment on the difficulty of on-lending the funding of DPO programs so the uses of funding have not been defined. The State Bank of Vietnam found necessary to conduct specific assessments before making the judgment.
- Section 3.3, 3.52 and 5.12 stated *although DPOs were implemented in the crisis periods to prevent macro risks, the programs did not have fiscal macro action plans to help the Government to execute economic stimulus packages*. This is an assistance loan for public investment policy reforms so the policy actions in the Programs focused on the actions of improving the quality and performance of public investments (e.g., the regulations on contracts, environmental impact assessment, strategic environmental assessment of investment projects; investment report design, evaluation of investment projects, expenditure norms for activities in investment projects, etc.). Thus, the incorporation of macro fiscal policy actions into the program framework is not appropriate. In fact, the Government has implemented macro- economic measures to curb inflation, macro-economic stability, social security assurance (e.g., executing tight and cautious monetary policy, tight fiscal policy; cutting public investments; reducing state budget deficit; boosting business and production activities; promoting exports; controlling net import; saving energy; strengthening social security assurance, etc.). The measures have been implemented effectively with positive impacts on macro stability and sustained growth momentum. In conclusion, it is suggested to refine the assessment in the report.
- Section 3.8 assessed that PDs did not provide sufficient information relating to the current performance review report of actions. The assessment should be considered because PRSI program established the Coordination Committee to support execution. The Coordination Committee is responsible for collecting necessary information to develop, execute and evaluate the Program. According to the assessment of the sponsors, the Coordination Committee performs very effectively, ensuring to provide sufficient necessary information during execution process. In addition, the information sharing mechanism among agencies is very effective. Thus, the lack of necessary information in PD should be reviewed.

- Section 4.107 assessed the removal of the policy action concerning the promulgation of the Public Investment Law out of the PIR 2 program is due to the fact that the Government has the task of developing and submitting to the National Assembly the draft law. The law promulgation is under the authority of the National Assembly so the approval of the National Assembly is beyond the scope and authority of the Government.
- Section 4.17: it is suggested to indicate the source of the figure 8.8% for reference.
- The report did not highlight that the reform process of Vietnam slowed dramatically due to WTO entry. The section 4.2 indicated that the Country Policy and Institutional Assessment (CPIA) of Vietnam decreased slightly due to the quality of macro-economic management and public financial management. So it is suggested to review the discussion point No.4, Box 4-1 of Section 4.4.
- It is suggested to remove the proposal in section 6.5 that WB should leverage support programs in case main objectives fail to achieve but policy dialogues still continue. The State Bank of Vietnam realized that in the case, WB should coordinate with stakeholders to assess reasons and factors affecting the achievement of program objectives for corrective measures or adjustment where appropriate. The decision of stopping the program is determined on case-by-case basis.