

## **DEVELOPMENT EFFECTIVENESS COMMITTEE**

### **Chair's Summary of the Committee Discussion on 16 September 2009**

#### **I. COUNTRY ASSISTANCE PROGRAM EVALUATION FOR VIET NAM**

1. DEC recognized ADB's contribution to Viet Nam's success as outlined in the country assistance program evaluation (CAPE) by the Independent Evaluation Department (IED). However, DEC emphasized shortcomings in some areas of ADB's operation in Viet Nam during the period 1999-2008.

##### **Availability of data**

2. DEC noted the CAPE's difficulty in updating the values of some of the current CSP's results framework indicators since data were not available. Management representatives (headed by Country Director, Viet Nam Resident Mission) explained that, with the Government of Viet Nam (Government) gradually recognizing the usefulness of disclosure and having officially adopted results framework in the implementation of its 5-year Socio-Economic Development Plan, improvements are being made with assistance from development partners, including ADB, to improve data availability. This would ensure that future evaluation work will be supported with adequate data. One DEC member noted the importance of validating reported development results, and inquired as to whether the resident mission staff is well equipped to address the challenges of working in Viet Nam.

##### **Technical assistance (TA)**

3. DEC observed a lack of adequate strategy in ADB's TA operations, including lack of government ownership for TA administration. Management agreed with the CAPE's recommendation to delegate TA administration to executing agencies (EAs) as an appropriate direction to be achieved over medium-term. For the immediate future, Management cited the experience of a previous pilot activity where a similar delegation was unsuccessful and had led to implementation delays and governance concerns. DEC and Management agreed that delegation requires appropriate capacity building efforts. IED emphasized that strengthening country ownership is important for Viet Nam's development as a middle-income country.

##### **Reforms of state-owned enterprises (SOEs)**

4. DEC noted some weaknesses in ADB's programs for SOE reforms including lack of direct follow-up on ADB's work on the reforms, failure to achieve nontranche conditions relating to SOE equitization, and having some invalid assumptions in program design. Management stated that new initiatives will be undertaken to focus on improving the efficiency and corporate governance of SOEs. In reforming SOEs, transfer of ownership should be considered as means rather than an objective, and corporate and financial restructuring will also help transfer of ownership.

##### **Disbursement**

5. DEC noted project implementation delays due to slow disbursement procedures and inadequate capacity. DEC emphasized that although delays did not have cost overruns, there

were time overruns that affect the overall effectiveness of the projects. Management acknowledged such a shortcoming and noted how government's internal procedures slowed down the process. Management agreed that it is necessary to accelerate project implementation, and mentioned the ongoing efforts between the "6 Banks group" and the Government's Inter-Ministerial Taskforce on ODA Management. Although major efforts are being made, improvements may be seen only in the medium-term as necessary reforms also require a number of procedural changes in the Government system that will take time.

### **Anticorruption**

6. DEC expressed concern over ADB's lack of engagement with other development partners in the anticorruption dialogue and meetings. DEC emphasized the need to combat corruption as part of the long-term strategic framework, and noted that ADB has made only a few interventions addressing corruption issues. One DEC member noted the lack of capacity in this subsector within ADB headquarters. Management explained that ADB has been very active in supporting the Government in anticorruption initiatives, but there can be some misgivings on the part of some development partners as ADB has not been attending some of the anticorruption-related meetings that tend to approach the issue from the human rights-related aspects. ADB's involvement in anticorruption matters includes capacity-building in anticorruption and incorporating anticorruption measures in project designs. ADB also has assisted the incorporation of "code of conduct" provisions in the enactment of the new Civil Service Law.

### **Quality of consultants**

7. DEC noted the CAPE finding on the uneven quality of consultants. Management explained that the uneven quality of consultants had arisen due to changes in government expectations without consultation with ADB. The terms of reference of consultants cannot be revised immediately without formal agreement and it was indeed necessary to have closer communication and improved coordination between ADB and EAs.

### **Conclusions**

8. DEC expressed satisfaction with the good performance of Viet Nam and with ADB's contribution to this successful performance.

9. DEC noted that there is scope for further improvement in reducing implementation delays by aligning ADB's system to the country system, ensuring sustainability of ADB-supported projects through better focus on establishing appropriate systems to ensure the availability of necessary financial resources for maintenance purposes, and more, but perhaps gradual, delegation of TA governance to the Government.

10. DEC emphasized the importance of ensuring that data required for monitoring the results framework are available for carrying out evaluation work. Results framework should not be presented without an explicit assurance that the data would be available by the time results are to be monitored.

11. DEC underscored the importance of capacity development for managing the transition of Viet Nam from a formerly-planned economy to, not only a market-based economy, but to a middle-income country status in the near future. DEC also underscored the importance of capacity development for dynamic SOE reforms.

12. DEC saw scope for improving the perception by bilateral agencies and other donors on the emphasis that ADB attaches to its anti-corruption mission.

## **II. SECTOR ASSISTANCE PROGRAM EVALUATIONS**

13. DEC discussed IED's evaluation of ADB's assistance programs to the transport, and urban services and water supply and sanitation sectors in Viet Nam.

### **A. Transport Sector in Viet Nam**

14. DEC expressed concern on inadequate post-completion data, as IED emphasized that weak post-completion data hampers monitoring of sustainability of ADB operations.

15. DEC also expressed concern on the absence of floor price in bidding documents which may result in underbidding and unfair competition for private sector, and indirect subsidy by the government for contracts with equitized SOEs. IED emphasized that ideally organizations participating in bidding should be genuinely private organizations, but the private sector is currently crowded out and has not developed as a result of the domination of equitized SOEs in large construction contracts.

16. Management noted that there has not been any underbidding in recent years. Efforts have been made to introduce more market-based principles in the bidding system of the country, not just limited to ADB-financed projects.

17. DEC emphasized the importance of commitment to project maintenance. One DEC member noted that close coordination with development partners improves project sustainability by gaining government commitment to maintenance funding. Another DEC member suggested utilizing staff resources of Private Sector Operations Department, as well as entering into public-private partnerships.

18. Management acknowledged the importance of maintenance for greater sustainability. However, the issue to be recognized is the establishment of appropriate systems, since key parts of the problem results from the ongoing process of decentralization of project responsibilities from the central to the local level, and the associated assignment of necessary budget. A DEC member mentioned how the Board Group visit in Viet Nam noted that earlier ADB-assisted infrastructure projects appeared to be appropriately maintained, and so the focus should be in establishing a new system for O&M budget allocation in the context of decentralization. Given this scenario, ADB has taken various initiatives to support this area through capacity building efforts.

### **B. Urban Services and Water Supply and Sanitation Sector in Viet Nam**

19. DEC again expressed concern on the lack of baseline data to assess impact of water supply improvement on public health. Management committed to establishing a mechanism to address this shortcoming.

20. DEC noted the recurring issue of implementation delays, and referred to IED's recommendation to shorten the final design process. Management cited the need to address the complex and often lengthy process of approval of final designs in Viet Nam. The government is aware of this problem and there are ongoing dialogues between the government and various development partners to address the problem. IED remained firm that detailed planning at project preparatory assistance stage would address the problem and would not have any implication on the total cost of a project. Management noted the need to consider possible reforms in the context of the Government's internal approval processes, since the issue is not just a matter PPTA design but its alignment with the Government procedures

21. DEC supported IED's recommendation to integrate wastewater treatment in future project design to supplement substantial investments in water supply. Management noted that in Viet Nam, different agencies handle the wastewater treatment projects, and integration of the two sub-sectors has not been looked at.

### **Conclusions**

22. DEC noted with satisfaction ADB's contribution to the two sectors on the dynamic economy of Viet Nam. However, DEC saw considerable scope for improvement in reducing long implementation periods, including delays in planned time span which resulted in dissonance between disbursed and approved amounts.

23. DEC noted the need to address the issue regarding possible underbidding in projects resulting in either a threat of contract renegotiation at a later date and/or implicit government subsidy when underbidding involved an SOE. Management intends to address the issue both through the reforms in the public procurement system in Viet Nam and through the interventions in the SOE reforms.

24. DEC emphasized the importance of focusing on sustainability of projects through proper maintenance, including adequate financing and capacity building for maintenance.

25. DEC urged Management to consider the inclusion of preliminary design during the first year at the PPTA stage itself. Without any additional cost implications, by reducing the implementation delays, it would result in considerable welfare gain for DMCs. Current system with PPTA covering pre-feasibility and loan financing of detailed design was noted, and efforts will be continued to synchronize better the relevant Government actions and the areas that can be supported by PPTA and loan financed consultants.

### **III. 2008 ANNUAL REPORT IN ACTING ON RECOMMENDATION**

26. DEC appreciated the recently established management action record system (MARS) and the 2008 annual report. DEC recognized that MARS would help in real-time monitoring of recommendations and help in establishing ADB as a learning institution at the forefront of MDBs.

27. DEC hoped that IED recommendations, and Management's response to the recommendations, will improve over time for maximum benefit.

28. Management recognized MARS as a tool that would record agreements between IED and Management and track the performance of management action in response to IED recommendations. Spring-cleaning of stocks of past recommendations needed to be done. Management is also focusing on prioritizing IED recommendations.

29. DEC recommended minimizing IED recommendations to DMCs. One DEC member requested Management's long-term commitment to MARS, beyond the pilot stage. DEC expected that IED's validation of the effectiveness of MARS would be available after its first year of operation.

A handwritten signature in black ink, appearing to read "Ashok K. Lahiri". The signature is fluid and cursive, with the first name "Ashok" being more prominent and larger than the last name "Lahiri".

**Ashok K. Lahiri**  
Chair, Development Effectiveness Committee