

Not for Quotation: Work-in-Progress

Title: Country Assistance Program Evaluation Update for Viet Nam
—Evaluation Approach Paper

Author: Leah C. Gutierrez, Principal Evaluation Specialist, OED1

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I. INTRODUCTION

1. The current country strategy and program (CSP) of the Asian Development Bank (ADB) for Viet Nam covers the period 2007–2010.¹ The preparation for the next country partnership strategy (CPS) is expected to begin in 2010 and its discussion by the ADB Board of Directors is expected to be held in mid-2011. ADB's guidelines instruct new CPSs to incorporate relevant findings of the country assistance program evaluations (CAPEs). The proposed CAPE will be the second assessment of ADB's country strategies and programs in Viet Nam. The first CAPE was prepared in 2000, covering ADB assistance in 1993–1998. The proposed CAPE will cover 1999–2008 and subsequent and ongoing ADB support to Viet Nam, and assess operations not covered in the previous CAPE and update previous findings.

II. BACKGROUND

A. Country Context

2. Viet Nam has been in a steady transition, which commenced in 1986 under the *Doi Moi*, from a centrally planned economy to a socialist market economy in its pursuit of rapid economic growth and poverty reduction. Its socioeconomic development has been impressive. Before the Asian financial crisis in 1997, Viet Nam's economy grew at an average of about 8% annually from 1990. While growth dipped after the Asian financial crisis, it picked up in the 2000s and grew at an annual average of 7.5% between 1999 and 2006,² the second fastest in Asia after China. Viet Nam is expected to attain middle-income country status in the next decade. (See Appendix 1 for an expanded version of this section and available socioeconomic data for 1999–2007).

3. Viet Nam's growth has been accompanied by a significant reduction in poverty. Between 1998 and 2006, poverty incidence was more than halved from 37.4% to 16.0% and real income per capita doubled from \$360 to \$723. Viet Nam is classified among the "medium human development" countries, which includes Sri Lanka and Indonesia, and is ranked 105th among 177 countries.

4. The Government has undertaken major reforms to liberalize markets, recognize private property rights, and open up the economy to external markets for trade and investment. Viet

¹ The midterm review of the CSP 2007-2010 is scheduled to commence in November 2008 and circulated to the ADB Board of Directors in July 2009.

² If the growth rate for 2007 were included, the average for the period would be 7.3%.

Nam has relied on foreign capital to finance investment. Investments in Viet Nam grew at an annual average of about 13.6% between 1999 and 2006, with the share of gross domestic capital formation in the gross domestic product (GDP) increasing from 30% in 1999 to 37% in 2006.³ Foreign investments grew at an annual average of 14.3% and the number of foreign investment enterprises increased from 1,525 to 4,220. The share of industry and construction steadily increased from 34% to 41% while agriculture's declined from 24% to 19%.

5. Viet Nam's growth has been fueled by external trade. Exports increased from 50% to 73% of the GDP, and imports grew from 53% to 77% of the GDP during the period. Presently, Viet Nam is the second largest exporter of rice. Its other key exports are crude oil, coal, electronic parts, footwear, textile products, coffee, fishery products, and wooden products. Viet Nam's imports in 2006 were mostly fuels and raw materials (67.6%) and machinery, instrument and accessory (27.7%). While the current account deficit was falling from 4.9% of the GDP in 2003 to 0.3% in 2006, it jumped to 9.8% of the GDP in 2007, mainly due to increases in capital goods imports and inputs for export production. This was financed chiefly by remittances, foreign direct investments and official development assistance.

6. Until 2006, the budget deficit has been under 5% of the GDP, but grew to 5.4% in 2007. Net government lending (mainly to state-owned enterprises) doubled in amount from 2006 while current expenditure also increased by 21%. The share of state-owned enterprises of the GDP remained stable between 1999 and 2006 at about 40.7% annually, despite the number of state-owned enterprises decreasing by about 36% to 3,706 in 2006.

7. While poverty incidence has been reduced, there are indications that there is a widening gap between the rich and the poor. The share of total income of the poorest household quintile dropped from 8.0% in 1990 to 5.6% in 2006 while the share of the richest quintile increased from 42.7% to 49.3%. The average monthly per capita income in urban areas is also about double that in rural areas in 2006.

8. **Government Strategies.** Two government strategies span the CAPE period, i.e., *Socioeconomic Stabilization and Strategy to the Year 2000 (1991–2000)* and *Socioeconomic Development Strategy 2001–2010*, which are implemented through non-overlapping 5-year plans.

9. The period from 1991 to 2000 was guided by the *Socioeconomic Stabilization and Strategy to the Year 2000*, which prioritized macroeconomic stabilization, and placed greater focus on human and physical capital development. It included, among others, deepening reforms, rehabilitation and development of critical infrastructure, revitalization of education and health systems, reform of public administration, promotion of the private sector, commercialization of state enterprises, and promotion of exports and foreign investment.

10. The *Socioeconomic Development Strategy 2001–2010* is articulated through the Socioeconomic Development Plan (SEDP) 2001–2005 and the Socioeconomic Development Plan (2006–2010). SEDP 2001–2005 recognized the role of market-oriented economic institutions while the state economy plays a leading role. The tasks set out under SEDP 2006–2010 include, among others, getting Viet Nam out of the low-income group into middle-income country status, moving more strongly into the market economy, accelerating international economic integration, improving the quality of human resources for national industrialization and

³ At the time this approach was written, 2007 data were not yet available for all the information used here. For comparability purposes, 2006 data are used in this section. Table A1.1 of Appendix 1 presents 2007 data where available.

modernization, realizing equity and gender equality and encouraging people to accumulate wealth in transparent ways, and developing a social security system. The SEDP 2006-2010 also includes a results framework for its monitoring and evaluation.

11. **Continuing Challenges.** The double-digit inflation of early 2008 exposed some of the weaknesses of Viet Nam's economy, including some of its policies. The Government responded by changing its priority in 2008 from rapid growth to stabilization, curbing inflation and the trade deficit.⁴ The stabilization steps include "cutting government expenditures, stopping inefficient public investment projects, postponing new ones, and allowing greater flexibility of the exchange rate."⁵ ADB observed that Government's capacity for macroeconomic policy management needs attention, including the development of the monetary policy framework.⁶ Despite the challenges presently faced, ADB concluded that Viet Nam's medium- and long-term economic prospects to be good. Fall-out from the current financial crisis, which includes slower growth, if not recession, in some of the world's major economies will potentially impact on Viet Nam's economy, owing to the large proportion of its GDP accounted for by exports and imports and the important role of foreign investments.

12. Sustaining economic growth to reach middle-income country status, as envisioned in the Government's *Socioeconomic Development Plan (SEDP) 2006–2010*, entails a larger role to be played by the private sector in Viet Nam. At the same time, Viet Nam needs to ensure that development will be inclusive and environmentally sustainable. Viet Nam's accession to the World Trade Organization (WTO) in January 2007 is expected to contribute to growth. The expected benefits include better access to capital markets and improved access to foreign markets by exporters and importers. Cheaper imports would help control inflation. Market-friendly reforms required by the WTO would help improve the investment climate and attract more investments that would help fuel growth. WTO membership, however, could also bring greater competition to domestic businesses and banks from foreign suppliers and financial institutions and could lead to inefficient producers closing and its workers rendered unemployed.

13. Attaining middle-income country status will pose new challenges to Viet Nam. Reforms to encourage private sector participation need to continue, if not accelerate. Viet Nam's attractiveness to investors is linked to a facilitating regulatory and administrative environment, including accountability and transparency. Gaps in physical infrastructure development and skilled human resources need to be filled. Structural weaknesses, including state-owned enterprises and the banking sector, and greater efficiencies in public service delivery need to be addressed. The efficiency of public sector investments needs to be enhanced. The widening income gap and potential employment costs of increased domestic competition have to be taken in hand.

⁴ ADB. 2008. *Asian Development Outlook Update*. Manila, and World Bank. 2008. Executive Summary of *Taking Stock*. Hanoi.

⁵ World Bank. 2008. Executive Summary of *Taking Stock*. Hanoi.

⁶ ADB. 2008. *Asian Development Outlook Update*. Manila.

B. ADB's Assistance to Viet Nam

14. Assistance from development partners is important to Viet Nam, but is not considered essential according to the Vietnam Development Report 2007. While it is the seventh largest recipient of official development assistance (ODA) in 2006, it is classified as an “average” recipient when the ODA is measured against its national output. Viet Nam is not aid-dependent and policy reforms, thus, cannot be “bought” by development partners, which, in turn, ensure that such reforms would require government ownership.⁷ Among the development partners, ADB disbursed the third largest amount (10% of the total) in 2007 and pledged the largest amount (25% of the total) for 2008.

15. The assistance strategies and programs of the ADB for 1999 to 2007 are described in various country assistance plans (CAPs), CSPs, and CSP updates (CSPUs).

16. **ADB Strategies and Programs.** Early in the CAPE period, 1999–2001, ADB’s program and strategy in Viet Nam was guided by the promotion of the involvement of the private sector and nongovernmental organizations and beneficiary participation; and striking a balance between interventions promoting economic growth and social equity and securing the environmental soundness of projects.

17. For 2002–2004, ADB’s program and strategy aimed at ensuring that growth would reach the poor and prioritized a geographic focus on the Central Region. The priorities of sustainable growth and inclusive social development remained, while good governance was added. The crosscutting themes of environment and regional cooperation were also prioritized. Two highlights from the period’s operations are: (i) the approval of an OCR loan in the power transmission subsector in 2004, 5 years after the last OCR loan in Viet Nam; and (ii) the approval of a policy-based loan to cofinance other development partners in supporting the Government’s poverty reduction plan, a partnership that continues to the current fiscal year. During this period, the OCR loan amount comprised 17% of the total public sector lending. The updated program and strategy for 2005–2006 continued the priorities identified by the CSP 2002–2004. Lending to Viet Nam in 2005 was almost double its 2004 lending at \$578 million, mainly due to a large OCR loan was extended to the power transmission sector that comprised 62% of the year’s total public sector loan amount.

18. For the period 2007–2010, ADB’s CSP adopted a results-based approach that is directly linked to support Government’s SEDP 2006–2010. The CSP was planned to be more selective, with focus on removing bottlenecks to accelerate private sector investment. ADB intends to help the Government pursue business-led, pro-poor economic growth by (i) developing physical infrastructure, (ii) improving the business-enabling environment through regulatory reforms, (iii) strengthening financial and related market institutions, and (iv) developing human resources. Private sector operations are expected to play a more substantive role to complement the public sector operations. Partnerships are to be sought for key infrastructure projects, e.g., power generation and transmission, and transport. Support is to be directed to achieving social equity and balanced development, and improving environmental management. Good government is to be emphasized and regional cooperation and gender dimension promoted as appropriate. The CSP aims to broaden regional links beyond those specified in the GMS Regional Cooperation Strategy and Program. This includes helping Viet Nam make the necessary social and economic adjustments related to ASEAN Free Trade Area (AFTA) and WTO commitment.

⁷ Joint Donor Report to the Vietnam Consultative Group Meeting, 2006. *Vietnam Development Report 2007: Aiming High*. Hanoi.

19. In 2007, \$1,438 million of loans were approved for Viet Nam, 82% were for roads and highways; loans were also extended to integrated rural development, financial sector, education, power and the poverty reduction program. Of the total loan amount, 64% was financed from OCR. The lending assistance pipeline for 2008 is for \$1,285 million for power and renewable energy, finance, health, poverty reduction program, roads, rural infrastructure, and urban infrastructure. The loan for power will comprise 40% while roads will be 30%. For 2009, \$1,455 million of lending assistance is planned, 62% is for power generation; the other lending sectors are education, finance, health, poverty reduction program, rural infrastructure and urban infrastructure.

20. **Portfolio of Assistance.** ADB assistance to Viet Nam between 1999 and 2007 is marked by significant growth. Sovereign lending grew by over 500% from \$220.0 million to \$1,438.9 million, with annual approvals growing from five to nine loans. On the other hand, technical assistance (TA) grants increased from \$10.3 million to \$13.1 million. In 2007, Viet Nam ranked as the second highest and third highest country-recipient of ADB loans and TAs, respectively. During the same period, eight nonsovereign loans (\$183.5 million in loans and \$60 million in guarantees) were approved in the areas of water supply, higher education, health, energy, and banking. (See Appendix 2 for the major thrusts of the country assistance plans and CSPs.)

21. A total of 47 sovereign projects and programs were approved in 1999–2007, which were financed by 50 loans totaling about \$3,685 million. The transport and communications sector received the largest share (39%) of the loan amount, followed closely by energy (14%) and agriculture and natural resources (13%). In terms of the number of projects approved, the top three sector-recipients were transport and communications, agriculture and natural resources, and multisector. All but five of the loans were financed from ADB's Special Funds. The ordinary capital resources (OCR) loans were extended in 1999 to agriculture as part of a program loan, the energy sector (3 loans approved in 2004, 2005 and 2007) and the transport sector (2007). (Appendix 3 provides the list of approved loans and sectoral distribution pie chart.)

22. About \$15.5 million were provided as grants in 1999–2007 from the Japan Fund for Poverty Reduction funds and \$45.6 million from the ADF IX grants. About \$94.9 million in total were provided as grants to finance 140 TAs in 1999–2007, some of which were supplementary. Of these, \$58.2 million (61.0%) were provided as advisory TAs. The three largest sector-recipients of TAs, in terms of amount, were agriculture and natural resources; law, economic management and public policy; and energy. The most number of TAs were provided to law, economic management, and public policy; agriculture and natural resources; and energy. (Appendix 4 provides the list of approved TAs and sectoral distribution pie chart.)

23. **Implementation of ADB Assistance.** The performance of ADB's assistance portfolio in Viet Nam improved between 2006 and 2007, with "at-risk" projects declining from 10.8% to 4.8% of the portfolio, which is below the ADB average of 7.6%. The 2007 performance represents an improvement over the 2001 performance, where 21% of the loans were "at risk."

24. However, implementation of ADB's portfolio in Viet Nam had been beset by delays, which arise mainly from (i) delayed consultant recruitment, (ii) centralized and lengthy decision-making processes, (iii) weak capacity in PMUs, (iv) inconsistent legal framework for ODA management, (v) delays in applying social safeguards, particularly resettlement, (vi) delays in procurement, and (vii) inadequate quality of project preparation, with important technical issues having to be solved during implementation. Between 1998 and 2007, loans to Viet Nam were also taking longer to close from the date of approval. Between 1998 and 2002, the average loan to Viet Nam closed about 1.87 years late (earlier than the ADB average), while, between 2003

and 2007, the loans took longer to close with a delay of 2.39 years (later than the ADB average). The Government and the development partners, including ADB, are working towards removing some of these constraints on portfolio performance, including harmonization and alignment of procedures.

25. **Aid Coordination.** The Government of Viet Nam is at the forefront of implementing the Paris Declaration and had taken steps to localize it through the preparation of the *Hanoi Core Statement*. The Government and the ODA community in Viet Nam meet regularly in a consultative group to review socioeconomic development and the use of ODA. ADB is a regular participant and is the lead donor in several working groups. ADB is also an active member of the group of six banks, which comprises the French Agency for Development (AFD), the Japan Bank for International Cooperation (JBIC), Korea Eximbank, Germany's KfW Bank, and the World Bank, which committed to harmonize ODA procedures.

C. Findings from the 2000 CAPE

26. The 2000 CAPE covered ADB's country assistance from 1993, when it recommenced operations in Viet Nam, through 1998. As of 2000, the CAPE determined that it was not then yet possible to assess the development effectiveness of ADB's programs as the projects were still ongoing, particularly those aimed at achieving growth and poverty reduction targets. However, it concluded that ADB's country strategy was relevant to the country's needs and conditions, though it became diffused in the later period. The strategy and program supported the *Doi Moi* process.

27. **ADB Performance.** ADB's strategy and program was found to be relatively effective in supporting and promoting policy reforms, primarily through its lending operations, which may not have been the most efficient way. TA operations lacked focus and a coherent strategy for systematizing and sequencing. More efforts and resources were indicated to be required to address delays arising from coordination constraints and the cumbersome decision-making process. Appropriate capacity building TAs needed to be continued to help improve project implementation.

28. ADB's contribution to the country's development at the macroeconomic and sectoral level could not be established in 2000 with certainty. While ADB was among the major donors, its share in the overall assistance was not dominant. A tentative assessment of the program was that it had been successful, particularly in light of the needs of Viet Nam at the time the program was launched, but also more broadly in meeting the goals ADB had set for its lending program. ADB succeeded in addressing the complexities of the country's reform process and the challenges of building a large program from nothing over a short period of time. The diffusion in focus did not detract from the program's relevance to the country's needs, although it could have raised the question of how effective and efficient ADB's intervention had been.

29. **Lessons Learned.** The CAPE identified several lessons: (i) CPSs should be focused and selective, provide the basis for decision-making including exclusion of specific areas of intervention, and identify priority areas; (ii) a need to tailor ADB's business processes and country strategies to the country's administrative environment and need TAs to help the country to strengthen its capacity; (iii) given the culture of consensus-building, projects that minimize across-boundary coordination should be preferred whenever possible to expedite project implementation; (iv) TA operations need to have long-term strategic focus in terms of the institutions to be assisted, the synergy that can be tapped, and the timing and sequencing of the TAs to be implemented; and (v) a need to build recipient's ownership of lending and nonlending assistance for successful outcomes.

30. **Recommendations.** The CAPE provided the following recommendations: (i) the CPS provide the framework for capacity building in Viet Nam that defines not only the priority areas but also the sequencing of capacity building efforts; (ii) performance indicators be identified for the CPS as a basis for monitoring and evaluating ADB's program of assistance in Viet Nam; (iii) with ADB's shift towards decentralized intervention, more staff time be provided for project processing and implementation, including an increase of Viet Nam Resident Mission staff strength in project administration, and a sharper geographical focus for ADB's operations to narrow down the amount of staff time required; and (iv) another CAPE should be undertaken in about three years, when a sufficiently large number of completed projects can be used as a firm basis for assessing the program's impact.

31. **Follow-Up to the 2000 CAPE Recommendations.** A self-assessment of the previous CSP and CSPUs was conducted by ADB's Viet Nam Resident Mission in preparation for the 2007–2010 CSP. The self-assessment reported that lessons identified in the 1999 CAPE were incorporated in the subsequent country programs. It found the strategy during the period of 2000–2004 to be more focused and selective, taking on poverty reduction as its overarching goal. ADB's program enumerated a long list of areas of assistance and almost any assistance could be justified if it were complying with ADB's mandate. For monitoring progress in implementing the CSP, the 2002–2004 CSP included a CSP matrix with key indicators, which were judged to be broad and difficult to use in monitoring by the assessment.

III. THE PROPOSED COUNTRY ASSISTANCE PROGRAM EVALUATION

A. Impact and Outcome

32. The outcome of this CAPE is an assessment of the development effectiveness of ADB's completed and ongoing programs and strategies in Viet Nam. The CAPE's expected impact is that its findings and recommendations are taken into account in the preparation of the next Viet Nam CPS.

B. Outputs

33. The CAPE will (i) prepare an assessment of and rate ADB's strategic positioning and performance, (ii) undertake an assessment and rating of ADB's performance in key sectors, (iii) draw forward-looking lessons and identify good practices, and (iv) develop recommendations for the preparation of the next CPS. The CAPE will assess the operations of the past nine years, from 1999 to 2007,⁸ and assistance not covered by the previous CAPE.

34. Sectoral performance assessments will focus on the sectors that received large assistance and/or are key sectors in ADB's strategies, i.e., transport, urban and water supply and sanitation, rural development and natural resources, energy, economic management and public policy sectors, and education and health. Sector assistance program evaluations (SAPEs) will be prepared for the transport sector, and the urban and water supply and sanitation sectors while assistance to other sectors will be reviewed through rapid sector assessments. The assessment on crosscutting issues will focus on capacity development, governance, private sector development, regional cooperation,⁹ gender, and poverty reduction.

⁸ Where available, the final CAPE report will include 2008 data.

⁹ Assistance received through the Greater Mekong subregion (GMS) program is presently being evaluated as part of the regional program evaluation of the GMS program.

C. Approach

35. The CAPE will follow the Operations Evaluation Division's (OED's) *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*.¹⁰ The approach and framework for this CAPE is an adaptation of the Philippines CAPE and is subject to revision in the course of the CAPE process. The adapted Viet Nam CAPE framework and the list of CAPE evaluation questions are indicated in Appendix 7.

36. The CAPE will combine a top-down assessment of ADB's positioning and performance with a bottom-up assessment of ADB's performance in key sectors. The top-down assessment of ADB's assistance program and strategy in Viet Nam will include ADB's strategic positioning,¹¹ ADB contributions to Viet Nam's development goals,¹² and ADB performance and responsiveness.¹³ The CAPE will also examine the extent to which previous CAPE and self-evaluation findings and lessons were taken into account and its recommendations incorporated in ADB's subsequent strategies and programs. The CAPE will build upon the findings of the first CAPE, to the extent possible.

37. The bottom-up assessment will examine the performance of lending and nonlending assistance in key sectors by assessing relevance, effectiveness, efficiency, sustainability and impact. Contributions to ADB themes, e.g., capacity development, private sector development, gender, environment and poverty reduction will also be assessed.

38. Based on the top-down and bottom-up assessments, the implications for the next ADB assistance strategy for Viet Nam will be addressed by identifying lessons and good practices in programming and operations; identifying strengths, weaknesses, opportunities and threats; and considering future strategic issues.

39. **Evaluation Issues.** The CAPE will focus on ADB's performance in the past and the findings will be interpreted in light of current and potential future challenges, binding constraints, and opportunities vis-à-vis the development objectives of Viet Nam and corporate directions of ADB. Particular attention will be paid to a change in the role of ADB in the changing context of Viet Nam's economic development. In developing its recommendations, the CAPE will take into consideration the implications the changing global economic environment has on Viet Nam's economy and economic strategy. The CAPE will focus on the following issues.

40. *Inclusive economic development.* The Government's agenda of inclusive growth remains important to ensuring that few are left behind by Viet Nam's economic advancement. ADB assistance has been delivered within the overarching goal of poverty reduction and looks to inclusive economic development in its current corporate strategy. The CAPE will seek to assess the development effectiveness of ADB's strategies and approaches at the country level and the sector level. However, the establishment of credible linkages between ADB's policy dialogue and assistance with their impact on the sector or nationally is challenging. For the program period covering 2002 through 2004, the country strategy and program matrix will be used in the assessment to the extent that is possible (see Appendix 5). The assessment of the current CSP

¹⁰ ADB. 2006. *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. Manila. The guidelines can be found on <http://www.adb.org/Documents/Guidelines/Country-Assistance-Program/default.asp>.

¹¹ The criteria are relevance, selectivity, and sequencing and continuity.

¹² The following issues will be addressed: sector work and policy dialogue, outputs and outcomes, value addition and synergies, sustainability and dissemination, and impact.

¹³ The following aspects will be addressed: responsiveness; suitability of ADB policies, systems and lending instruments; and capacity and core competencies.

will employ its results monitoring and evaluation framework where possible, which is linked to the Government's SEDP 2006–2010 agenda (see Appendix 6).

41. *Middle-income country issues.* Viet Nam is approaching middle-income country status as envisioned in its SEDP 2006–2010, which would have implications for ADB's assistance program and strategy. ADB provided large loan amounts to Viet Nam from its market-based loans (OCR) in the recent years while the World Bank has also provided access to its International Bank for Reconstruction and Development resources. The CAPE will examine the evolution and responsiveness of ADB assistance over the CAPE period, particularly the adjustments made to Viet Nam's changing requirements. This will include an analysis of the types of assistance provided to the different sectors, including loans, policy dialogue, and capacity building.

42. *Facilitating private sector development.* Government's development strategies have promoted the role of the private sector or market-oriented institutions for continued economic growth. The CAPE will assess ADB assistance in promoting the development of the private sector through technical assistance and lending operations. This will include examining policy dialogue and project activities that promoted private sector development and/or participation. The CAPE will also assess the assistance provided to the power and education subsectors through ADB's private sector operations.

43. *Regional cooperation.* Some of ADB's assistance to Viet Nam has been provided in the context of the regional GMS program. The transport subsector, in particular, has cumulative loan approvals through the GMS program from 1999 to 2007 that were over \$1.2 billion out the subsector's total of \$1.4 billion. The future assistance pipeline presently includes assistance to the transport and power subsectors and the health sector. The CAPE will assess the synergies built between the national and regional assistance programs and their effectiveness, building on the assessments made through the ongoing evaluation of ADB's GMS program.

44. *Aid harmonization.* Viet Nam is considered to be at the forefront of mainstreaming the Paris Declaration commitments and the SEDP 2006–2010 incorporates Paris Declaration commitments. ADB is a regular participant in a consultative group in the country, a lead donor in several working groups and an active member of the six-banks' initiative. The CAPE will examine and assess the progress in aligning ADB's assistance with Government's priorities, strategies and systems, and harmonizing aid with the assistance of other development partners.

45. *ADB's Strategy 2020.* ADB adopted *Strategy 2020* in April 2008, which refocused its operations into five core specializations – (i) infrastructure, (ii) environment, (iii) regional cooperation and integration, (iv) financial sector development, and (v) education – and focuses on five drivers of change, namely, (i) private sector development and private sector operations, (ii) good governance and capacity development, (iii) gender equity, (iv) knowledge solutions, and (v) partnerships. The implementation of this strategy has potential implications in the preparation of the future ADB partnership strategy with Viet Nam. The CAPE will provide lessons on the past experience in these areas to guide future opportunities for the country partnership strategy in light of ADB's evolving core competencies and the corporate directions provided in *Strategy 2020*.

46. **Review of CAPE Drafts.** The draft CAPE report will be subject to reviews by OED staff, OED Management, Southeast Asia Regional Department (SERD) Management and relevant staff, and relevant ministries and agencies of the Government of Viet Nam.

47. **Participation and Dissemination.** The CAPE will be conducted in a transparent, consultative, and partnership-oriented fashion, to encourage learning. OED will provide access to commenting-drafts of evaluation materials as these become available. All of the background reports will be publicly disseminated, primarily through the Internet, subject to these reports having been reviewed for internal quality control by OED and for factual checks by regional department.

D. Methodology and Activities

48. The CAPE will undertake country-level assessment, sector assessments, survey, and evaluation missions. The assessments will generally employ reviews of literature, analyses of data, surveys and field visits. Interviews, group discussions and workshops will be held with representatives of government ministries and agencies, national and local governments, beneficiaries, nongovernment organizations, civil society organizations, and development partners in Viet Nam.

50. **Top-Down Assessment.** The assessment of ADB's strategic positioning, contribution to the country's development, and performance and responsiveness will be undertaken through a *review* of government development strategies and plans, ADB strategy documents, ADB portfolio data, OED reports, and the activities of other development partners, and through interviews and surveys of government entities, other stakeholders and ADB staff. To the extent possible, comparisons will be made with unassisted government development programs and assistance strategies and programs of other development partners in Viet Nam.

51. ADB performance will be assessed taking into consideration client feedback, the quality of strategy and program design program documents, level of staff and consultant resources allocated to project/program preparation and implementation, timeliness of review and approval of disbursement-related requests, flexibility and resourcefulness in addressing implementation problems, and quality of policy dialogue. Implementation performance of ADB's programs and projects in Viet Nam will be compared to the performance in comparable developing member countries and the performance of similar sector programs and projects financed by the Government itself and by other development partners. This will help inform whether implementation problems are due to ADB or government policies, systems, procedures and practices. The effectiveness of the resident mission in meeting its organizational objectives will be assessed through a client survey that will build on the past special evaluation study on the effectiveness of resident missions.

52. **Sector Assessments.** To inform the preparation of the CAPE, sector assessments of the transport and urban and water supply and sanitation sectors will be prepared that will review completed and ongoing program loans, project loans, sector development program loans, and TAs. Rapid sector assessments of ADB's lending and technical assistance will be undertaken in the following sectors: economic management, public policy, governance, finance and private sector development; energy; education and health; and rural development, agriculture and natural resources. The activities will include reviews of relevant documents, data analyses and structured interviews; workshops may be conducted, as appropriate. The review will take into consideration, as appropriate, the work undertaken in the ongoing evaluation of the GMS program of assistance. Details of the approach for the sector assessments are found in Appendix 8.

53. TA projects that were approved over the CAPE period will be reviewed. The review will take into account the work on TAs carried out as part of the special evaluation study (SES) on

the performance of TAs.¹⁴ The study examined 23 TA projects, some of which were in Viet Nam, and was completed in 2007. The methodology to be adopted in the CAPE will broadly follow that used in the study in order that the findings will be comparable. This will include conducting reviews of related documents, analyzing data, and holding structured interviews. Details of the approach are also found in Appendix 8.

54. Sector assessments of the transport sector and the urban and water supply and sanitation sector are already ongoing through sector assistance program evaluations, to which separate resources have been approved and allocated. These sectors have received not only sizable assistance in the past, but are also expected to receive a significant portion in the current and future assistance.

55. **Stakeholder Consultations.** The preparation of this approach paper benefited from discussions with government stakeholders, ADB staff at headquarters and the Viet Nam Resident mission, and development partners during an operations evaluation mission fielded in August 2008. At least two additional CAPE missions will be fielded. The first mission will be the main CAPE mission and will include site visits outside Hanoi. The second CAPE mission will be for presenting the draft CAPE findings and recommendations to Government and stakeholders; workshops will be conducted for different CAPE audiences. When necessary, additional CAPE missions will be fielded. CAPE stakeholder consultations will focus on ADB's strategic direction, lessons learned and implications for good practices in future strategic planning. Focus group discussions will be held as needed.

E. Implementation Arrangements

56. **OED Management and Staffing.** The OED of ADB will manage the evaluation. The CAPE will be prepared by a team of OED staff and consultants. The OED staff will include a principal evaluation specialist (team leader), a principal evaluation specialist (finance sector), a senior evaluation specialist (urban and water supply and sanitation sectors), an evaluation specialist (transport sector), and an evaluation officer. Other OED staff may be co-opted, as required and appropriate.

57. **Consulting Services.** The CAPE will employ the services of nine international consultants, six national consultants and two research associates. The indicative terms of reference is in Appendix 9. The international consultants will be specialists in energy; rural development, agriculture and natural resources; health; economic management, public policy and governance; and country program strategy and economic management. The national consultants will be specialists in macroeconomics; economic management, finance, governance and private sector development; rural development, agriculture and natural resources, and; education and health. In addition, two research associates to conduct portfolio assessment, country situation and country program analysis, and preliminary sector data gathering will be recruited. The consultants will be recruited individually following ADB's *Guidelines on the Use of Consultants (2007)*.

58. **Implementation Period.** A preliminary schedule of CAPE activities is presented below. The schedule is subject to mission approvals by the Government, OED staffing situation, and ability to field consultants quickly and progress of consultants. The CAPE's monitoring framework is in See Appendix 10 and the indicative implementation schedule is presented in Appendix 11.

¹⁴ ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila.

Activity	Schedule
1. Approval of evaluation approach paper	13 November 2008
2. Consultant recruitment	I November 2008
3. Desk review, data collection, analysis	III October - III April 2009
4. CAPE mission	February 2009 (after <i>Tet</i> holiday)
5. Draft CAPE report	IV April 2009
6. OED peer review and country team review	I-II May 2009
7. Government and interdepartmental review	IV May – II June 2009
8. OED Management review	IV June 2009
9. Director General level meeting with SERD on recommendations	III July 2009
10. Editing	I-II August 2009
11. Director General, OED approval	III August 2009
12. Development Effectiveness Committee (DEC) circulation	IV August 2009

- Attachments:
- Appendix 1: Socioeconomic Performance
 - Appendix 2: Major Thrusts of ADB Country Strategies and Programs in Viet Nam
 - Appendix 3: Approved Loans and Sectoral Distribution Pie Chart
 - Appendix 4: Approved TAs and Sectoral Distribution Pie Chart
 - Appendix 5: Country Strategy and Program Matrix 2002–2004
 - Appendix 6: Country Strategy and Program Results Monitoring and Evaluation Framework 2007–2010
 - Appendix 7: Viet Nam CAPE Evaluation Questions
 - Appendix 8: Approaches to Sector Assessments
 - Appendix 9: Draft Terms of Reference
 - Appendix 10: Draft Viet Nam CAPE Monitoring Framework
 - Appendix 11: Indicative Implementation Schedule