

## MANAGEMENT RESPONSE TO THE COUNTRY ASSISTANCE PROGRAM EVALUATION FOR THE SOCIALIST REPUBLIC OF VIET NAM

On 10 September 2009, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. We are pleased that this comprehensive study has found the overall performance of ADB country strategies and programs (CSPs) in Viet Nam during 1999-2008 to be "successful." The report validates the Government's consideration of ADB as a good development partner and the Government's general satisfaction with ADB assistance.

2. Before making our specific comments, we would like to note the following general comments: In Viet Nam, the role of the country's ideological values and supporting political systems is particularly important to bear in mind when assessing the development process. An example is the pace of state-owned enterprise (SOE) reforms, which the report discusses. While the "equitization" of SOEs did not progress as fast as envisaged, a keen appreciation of Viet Nam's political texture and sensitivities, as well as the adverse market conditions particularly in 2008, is critical.

3. Viet Nam was among the first countries that responded quickly and in a significant manner to the Paris Declaration on Aid Effectiveness. The Government localized the Paris Declaration into the Hanoi Core Statement supported by the community of development partners. There are extensive networks of development partners' fora on a number of thematic issues and sectors. This characteristic of the local scene of development partners and accompanying issues of selectivity, complementarity, development partner dynamics and the most effective ways of working through existing networks must also be considered seriously in the implementation of IED's recommendations. In particular, the additional resources required for harmonization and coordination as well as a recognition that final outcomes cannot always fully reflect ADB's institutional views are key.

4. Another issue is private sector promotion. Of the two<sup>1</sup> country strategies that were the primary basis for the study, CSP 2007-2010 specifically refers to the integration of activities of ADB's Private Sector Operations Department under the framework of CSP. Recent ADB initiatives on non-sovereign operations to enhance synergies and coordination among various ADB departments and between the headquarters and country levels are significant, and the results of these initiatives will impact the success of this integration.

5. Finally, as noted in the report, the process of decentralization in the country, particularly in the context of implementation of development assistance, started only in 2006 with the issuance of Decree 131. We fully endorse the

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<sup>1</sup> ADB. 2006. *Country Strategy and Program 2007–2010*. Manila; ADB. 2003. *Country Strategy and Program 2004–2006*. Manila.

recommendation of the study to step up capacity building particularly at the local level. With the limited (or declining) availability of grant funds both from ADB and other development partners, finding ways to support capacity building more effectively will clearly be a challenge with the Government's reluctance to use loan funds, even on Asian Development Fund (ADF) terms, for capacity building. Viet Nam will soon become a middle income country, and this is an important factor behind declining grant assistance.

## II. Comments on Specific Recommendations

6. **Recommendation 1. Enhance implementation performance and support decentralized project implementation.** We agree. ADB has initiated the following improvements: (i) it is mandatory that project preparation includes capacity assessment of project implementation units and that project preparatory technical assistance (TA) pay closer attention to capacity gaps at the subnational levels and incorporate necessary capacity building activities in the project design. The proactive involvement of subnational level organizations in project formulation will help build capacity; (ii) efforts are ongoing to familiarize project implementation units more with ADB and Government procedures. A Disbursement Unit and a Procurement Unit (with the outposting of a staff from Central Operations Services Office) were established in the Vietnam Resident Mission in 2008 and 2009, respectively, to support such efforts. Staff from these units frequently go to the field to provide briefings/training to local officials; (iii) a number of sector staff have been posted in Vietnam Resident Mission (i. e., energy, health, and urban development) with additional postings proposed; and (iv) harmonization of official development assistance implementation will continue to be pursued under the Six Banks Initiative as noted in the report.

7. **Recommendation 2. Strengthen Government commitment to the post-completion sustainability of investments.** We agree. Policy dialogue, coordinated with development partners, is continuing to strengthen Government commitment to post-completion sustainability of investments. Examples include the possible incorporation of such requirement as part of the triggers in the Poverty Reduction Support Credits led by the World Bank where ADB is providing parallel cofinancing through a series of single tranche Support to the Implementation of Poverty Reduction Programs. Project business plans will also be results-oriented and incorporate mechanisms for operations and maintenance, and tariff correction.

8. **Recommendation 3. Increase engagement in governance and public finance.** We agree. ADB will continue targeted efforts to address governance through assessments, within operations, and support for country system strengthening.

(i) ADB is already substantially engaged in governance and public finance management. ADB has a long-term commitment to being involved in these areas, and will strategically assess relevant and feasible increments for future support.

(ii) ADB's engagement with other development partners will be selective in areas where ADB can make significant contributions, and not those where other partners have been more involved. As noted by Prime Minister Nguyen Tan Dung during the December 2007 Consultative Group meeting of development partners, the principle of non-interference in domestic policies in a

diplomatic context must be borne in mind, as the discussion on governance can extend to human rights issues.

(iii) ADB is currently supporting the implementation of the new Civil Service Law, and new assistance for SOE reform, to be supported by a loan, is expected to be submitted to the Board for consideration in November 2009.

(iv) Efforts to strengthen the Government's institutional capacity are continuing with available resources while ADB has participated in public finance reforms by supporting the Country Financial Accountability Assessment. ADB is a major actor in the Six Banks Initiative, which is also working with the Government on public finance reforms.

9. **Recommendation 4. Expand support to private sector development by improving legal underpinnings of commercial activity.** We agree. ADB, together with other members of the Six Banks Initiative, will continue efforts to improve the Government procurement system. It is not accurate, however, to state that private sector participation has been constrained because of the Government's procurement system as some of the existing provisions or practices are in fact even advantageous to the domestic private sector. A series of program loans have supported business start-ups and the development of small and medium enterprises, while a number of infrastructure projects continue to explore possibilities for public-private partnerships.

10. **Recommendation 5. Improve selectivity of operations in the future through sector/subsector selectivity and/or geographical selectivity.** We agree. ADB is currently revising/enhancing sector roadmaps which will lay the foundation for the development of Viet Nam's Country Partnership Strategy 2011-2015. Through this exercise, efforts are being made to sharpen selectivity at the sector level. As to the use of ADF resources, while projects or sectors with clear cash flow and high financial internal rates of return will be proposed for Ordinary Capital Resources financing, there is clearly a challenge given the many sectors and projects that require ADF financing. At the same time, the Government will not be keen to use loan funds, even on ADF terms, for capacity building or analytical support for policy dialogue.

11. **Recommendation 6. Increase government ownership of grant-funded TA.** ADB will help strengthen country systems and governance in coordination with development partners to facilitate the gradual delegation of TA administration to the Government. However, these efforts will take time, and the proposed time frame of 2011 is quite short to make substantial progress on the delegation of TA administration. It should be noted that an earlier pilot initiative for TA delegation, which included Viet Nam, did not yield very encouraging results. Accordingly, while greater involvement of counterpart staff in TA activities will continue, ADB cannot at this time commit to delegating administration of TAs.