

ASIAN DEVELOPMENT BANK

CAP: VIE 99023

COUNTRY ASSISTANCE PROGRAM EVALUATION

IN THE

SOCIALIST REPUBLIC OF VIET NAM

December 1999

CURRENCY EQUIVALENT

(as of September 1999)

Currency Unit – Dong (D)

D1.00 = \$0.00007

\$1.00 = D13,900

ABBREVIATIONS

ADB	–	Asian Development Bank
CAP	–	country assistance plan
CAPE	–	country assistance program evaluation
CMEA	–	Council of Mutual Economic Assistance
COP	–	country operational program
COS	–	country operational strategy
EA	–	executing agency
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
HCMC	–	Ho Chi Minh City
IOS	–	interim operational strategy
MPI	–	Ministry of Planning and Investment
MTSF	–	medium term strategic framework
ODA	–	official development assistance
PMU	–	project management unit
PPTA	–	project preparatory technical assistance
SBV	–	State Bank of Viet Nam
SOE	–	State-owned enterprise
TA	–	technical assistance
TCR	–	technical assistance completion report
TPAR	–	technical assistance performance audit report
VBARD	–	Viet Nam Bank for Agriculture and Rural Development
WB	–	World Bank

NOTES

- (i) The fiscal year (FY) of the Government coincides with the calendar year.
- (ii) In this report, "\$" refers to US dollars.

CONTENTS

	Page
EXECUTIVE SUMMARY	ii
MAP	vii
I. INTRODUCTION	1
II. DEVELOPMENTAL PRIORITIES AND STRATEGIES OF VIET NAM	1
A. The Reform Process	1
B. Government Administration, Coordination, and Aid Management	3
C. Development Targets, Strategy, and Plans	5
III. ADB PROGRAM	1
A. ADB Country Strategy and Program	1
B. Overall Assessment of the Strategy and Programs	4
C. Relevance of COS to Project Processing	9
D. Funding Agency Coordination	10
IV. IMPLEMENTATION PERFORMANCE	1
A. Absorptive Capacity	1
B. Sectoral Portfolio Performance	2
C. Implementation Constraints of Project Lending	5
D. Implementation of Program Lending	6
E. TA Operations	11
V. CONCLUSION	1
A. Overall Assessment	1
B. Major Issues for Consideration	2
C. Lessons Learned	4
D. Recommendation	4
VI. APPENDIXES	34

EXECUTIVE SUMMARY

The main objective of the Country Assistance Program Evaluation is to assess the relevance, efficacy, and efficiency of the Asian Development Bank's (ADB) total developmental assistance to Viet Nam for 1993-1998. During this period, ADB approved 22 loans for \$1,581 million and 83 technical assistance (TA) projects for \$61 million. The evaluation will focus on ADB's diagnoses and strategies, the overall implementation performance of the projects and programs, and a general review of the TAs as only one loan was completed by the end of 1998.

Viet Nam's developmental priorities are embodied in the reform process that began before ADB resumed lending in October 1993. Under the *Doi Moi*, a program of economic renovation series, numerous policy reforms have been progressively implemented. The pace of economic reforms was initially rapid, particularly in the later part of the 1980s. The reforms were politically difficult but their implementation was straightforward. In contrast, the pace of the 1990s reforms was much slower, as the later stage reforms required the design of new and unfamiliar institutions. Also, Viet Nam's management of foreign assistance had been constrained by the high degree of formal centralization of decision making coupled with weak administrative capability, an opaque policy-making process, coordination problems between agencies, and a weak legal framework for managing foreign aid. The common cause for the slow pace of policy reforms in the 1990s and the relatively poor management of developmental assistance has apparently been the long process of consensus building among policymakers.

The Government's basic strategy for economic growth and poverty reduction has been to transform the present quasi-command economy to a market-based system. This strategy has been adopted in the Fifth (1991-1995) and Sixth (1996-2000) Five-Year Plans. In the early years, the chief priority was to achieve macroeconomic stability and undertake massive rehabilitation and reconstruction of infrastructural facilities. By the mid-1990s, the Government's development strategy had broadened to include a wide range of activities that could accommodate any aid agency program. The emphasis included continued macroeconomic stability, rehabilitation of critical infrastructure, human resource development, building on areas of comparative advantage and sectoral strengths, poverty reduction, balanced regional growth, institutional strengthening, public administration reform, private sector promotion, commercialization of State-owned enterprises, domestic resource mobilization, and promotion of exports and foreign investment.

ADB's program began with the interim operational strategy in 1993, which was based on the diagnoses of the country's needs as detailed in ADB's Economic Report of 1989. The interim strategy focused on four areas: rehabilitation and development of physical infrastructure, further macroeconomic and sector-based policy reform, development of capacity for domestic resource mobilization, and promotion of social sector activities. ADB's country operational programs of both 1993 and 1994 essentially reflected the priority given to the first two areas in its lending operations. In contrast, the 1995 country operational strategy (COS) was more broad-based, articulating eight main development needs and concerns and incorporating more crosscutting concerns (poverty reductions, gender concerns, and governance). The country assistance plans (CAPs) for the subsequent years emanating from the 1995 operational strategy reflected the growing crosscutting concerns and progressively became less focused, compared to the earlier country operational programs.

The shift in focus of the COS reflected the increasing concerns with crosscutting issues not only of ADB but also of the Government. The country assistance programs that ensued

were also broadly consistent with the strategy and the country needs. The broadening of ADB's program after 1995 not only resulted in the lack of focus but also represented a shift in the underlying rationale for project interventions. ADB was moving into areas where it was intending to stimulate development, undertaking activities which were inherently more complex and risky, and decentralizing their impact to the provincial level. ADB was giving more explicit attention to crosscutting concerns, which it had not directly addressed in the earlier period.

ADB's country operational strategy was seen as written in sufficiently general terms to accommodate most projects pursued by its processing departments. It has not appeared to have given much operational guidance for exclusion of projects. As for aid agency coordination during the formulation of the operational strategy, it appears that in some sectors ADB was taking up the residual areas to avoid duplication of effort after the World Bank had made its selection.

Project implementation performance of all donors has been plagued by the poor absorptive capacity of the country; this was especially the case for ADB, as indicated in the low disbursement rates of ADB loan funds after projects had been approved. Despite the caution given in the 1989 Economic Report, ADB overestimated the ability of Viet Nam to absorb its assistance. Considerable progress in improving disbursements was made with TA operations, and the combined efforts of the Government and ADB resulted in significant improvement in 1998. Nonetheless, the disbursement ratio was still below ADB's average for all countries. Sectorally, the disbursement performance was better for projects in agriculture and natural resources and finance and industry sectors. Typical difficulties that impeded faster disbursement performance were delays in loan signing, contract awards, and disbursements; inadequate staffing of project management units; delayed compliance with agreed policy conditions; and shortfalls in counterpart funds. Such difficulties were attributable to Viet Nam's cumbersome decision-making procedures, long consultation process, opaque approval process, poor interagency coordination, and inadequate staff capacity.

In regard to the program lending modality, there was justification for quick-disbursing programs, particularly in the early period of ADB intervention. Given the long process of consultation and consensus making, the setting of difficult conditions precluded quick disbursements. There is no evidence that such conditional lending has increased receptivity to external advice. The past concentration of policy advice and loan conditionality on rapid issuance of new laws, decrees, and legislation may need to be reviewed, as this is a source of difficulties, given the special circumstances of the consensus building process in Viet Nam.

TAs accounted for a significant element of ADB's total assistance. Generally, project preparatory TAs produced the most tangible results, as well as TA projects aimed at acquainting Vietnamese counterparts with ADB's procedures and requirements. The performance of general capacity building and institutional strengthening TAs was less clear. Taken as a group, these TAs lacked long-range focus and synergy to reinforce the impact of one another.

Overall, ADB's country strategies have been relevant and have reflected Viet Nam's needs, even though they have been more diffused in focus during the later period. The ADB program did adjust to the strategy and the subsequent shift in focus of the ongoing Doi Moi process. ADB's shift in focus to greater concern for crosscutting issues and more decentralized development can be sustainable, so long as the country maintains its priority for poverty reduction and the other crosscutting concerns. The Government has in fact shown its commitment to further reforms by embarking upon the second phase of Doi Moi.

While ADB's strategy and program of assistance have been tailored to policy reforms and developmental efforts by Viet Nam, expected impacts have not yet materialized because of the relatively poor implementation performance of ADB lending.

Major issues for consideration include ADB's response to problems of interagency coordination (with particular concentration on decentralized activities), the modality of poverty reduction projects in less endowed areas, and a systematic approach to capacity building, institutional strengthening, and conditionality setting.

Among the lessons learned is that the COS and CAPs should be designed to provide operational guidance for making hard decisions on project identification and processing. The absorptive capacity for external assistance in a transition economy needs to be thoroughly assessed and improved with assistance over an extended time period. Formulation of the operational strategy and the country assistance program should be focused and selective, and provide the basis for excluding as well as including specific areas of intervention.

Considering the shift towards greater decentralized responsibility, especially for poverty projects, it is suggested that project administration staff in the Resident Mission be strengthened to lessen the problems of coordination with provincial authorities. Along with staff increases should come the devotion of more Headquarters staff time during project processing and the quest for a sharper geographic focus for ADB operations. Other recommendations include the specification of performance indicators and a capacity building framework in the country operational strategy and the CAPs.

I. INTRODUCTION

1. Viet Nam became a member of the Asian Development Bank (ADB) in 1966.¹ ADB lending and technical assistance (TA) operations started in 1968. Between 1968 and 1978, ADB approved 11 loans for a total of \$44.6 million and 12 TA grants for \$1.1 million. ADB suspended operations in 1978 and resumed lending to Viet Nam in October 1993 (although from the mid-1980s, some assistance was provided through regional TAs). Since resuming lending operations, ADB has approved 22 loan projects amounting to \$1,581.1 million as of end 1998 (Appendix 1, Table A1.1). Nineteen were signed, with a total value of \$1,252.1 million, and 18 of them became effective. Only one loan project has been completed and none has yet been subjected to postcompletion evaluation. Over the same period, ADB had also approved 83 TAs amounting to \$61 million (Appendix 1, Table A1.2). Fifteen of these TAs submitted completion reports (TCRs), and of these, four had their performance and audit reports (TPARs) circulated as of end 1998.²

2. The main objective of the country assistance program evaluation (CAPE) is to assess the relevance, efficacy, and efficiency of ADB's developmental assistance to Viet Nam as a whole. Viet Nam was chosen for the CAPE study because of the potential of its being an active borrower in the future. At the same time, there were concerns about the performance of its current portfolio of investment funded by ADB. To maintain the current relevance of lessons learned to ADB's operations and to obviate the difficulties of obtaining information prior to 1993, the CAPE has confined the assessment of ADB's operations to the period since the resumption of ADB operations. The relatively young portfolio of ADB's assistance, with only one project completed and a small number of TPARs prepared, places a constraint on evaluating the impact of the total assistance to Viet Nam based on the individual projects and programs. Nor was it deemed realistic to assess the impact of ADB's interventions on beneficiaries or on the macroeconomy in Viet Nam. The CAPE, therefore, focuses on (i) ADB's diagnoses of the country's needs and strategies, as encapsulated in the country economic review (CER), country operational strategy (COS), and the country assistance plan (CAP); (ii) the overall implementation performance of the projects and programs as indicated by, among others, disbursement ratios, project delays, and coordination constraints; and (iii) a general review of the TAs based on feedback from the executing agencies (EAs) and ADB staff. In regard to (ii), there are obvious dangers in measuring aid performance by input indicators rather than concentrating on intended outputs/outcomes. In the context of the special circumstances in Viet Nam, such indicators serve as rough proxies for output performance on the grounds that implementation difficulties would be likely to affect optimum performance when the projects are finally completed. Nevertheless, it is recognized that projects can be successful in pursuing specific objectives even though they encounter difficulties during implementation.

3. Prior to the start of the CAPE study, an inception workshop was held with the participants from EAs and central agencies to explain the purpose of the study and to obtain a general impression of the projects and TAs. The approach adopted in the CAPE included the use of questionnaires sent to staff of EAs and other agencies or ministries concerned to obtain

¹ Essentially South Viet Nam at the time, as what was then North Viet Nam was not a member. Following the reunification of the country in 1978, South Viet Nam as a country ceased to exist, and Viet Nam, as an ADB member, comprised the reunited country.

² TPA: VIE 26627: *Development of Small-Scale Rural Credit Project* (TA 1961-VIE), circulated in September 1996; and TPA: VIE 98018: *Capacity Building in the Financial Sector*, circulated in December 1998, encompassing TA 2039-VIE: *Commercial Banks Review and Training*, TA 2063-VIE: *Financial Markets Development*, and TA 2218-VIE: *External Debt Management*.

feedback on the implementation performance of the projects and TAs. These questionnaires were administered and processed by two domestic consultants, who also followed up with interviews as necessary. An international consultant with vast experience and knowledge of Viet Nam was also engaged to assess the relevance and effectiveness of ADB's program of assistance and to provide guidance to the two domestic consultants. An Operations Evaluation Mission visited Viet Nam from 6 to 26 September 1999 and met with senior officials of the EAs and central agencies for discussion on the relevance and effectiveness of ADB's assistance. The Mission also identified major issues and gathered additional data for the preparation of this CAPE report.

II. DEVELOPMENTAL PRIORITIES AND STRATEGIES OF VIET NAM

A. The Reform Process

4. Viet Nam's developmental policies in the aftermath of the country's reunification were essentially embodied in the *Doi Moi*, a program of economic renovation promulgated in 1986 aimed at transforming Viet Nam's quasi-command economy into a market-based system through a process of economic reforms. With the acceleration of the reform process in 1989, Viet Nam's renovation policy has greatly strengthened the economy. In early 1989, prices were substantially decontrolled. The official exchange rate was adjusted to a level close to the free market rate. Considerable freedom was allowed in exchanging the Vietnamese Dong (D) for foreign currencies, and in practice widespread circulation of the dollar in local markets was accepted. Interest rates on deposits were increased to real positive levels, and credit supply was controlled. Following 1989, some improvement was achieved in the fiscal situation. Steps were taken to control public expenditures, including reductions in the size of the civil service and substantial demobilization of the army.³

5. The Seventh Party Congress (July 1991) committed the Viet Nam Communist Party (the Party) to continuing with the implementation of *Doi Moi*. The commitment to strengthen and extend the reform process was made in the face of a difficult external economic situation and considerable macroeconomic instability. This situation resulted from the decline of assistance from the Council of Mutual Economic Assistance (CMEA) or COMECON⁴ and the continuation of the United States (US) embargo on Viet Nam after reunification of the country. The Central Committee of the Party named the achievement of macroeconomic stability and the reduction of inflation as top medium-term goals. Subsidies to State-owned enterprises (SOEs) were to be abolished and credit was to be allocated according to commercial criteria. The SOEs were to be consolidated to concentrate on key sectors and the environment for private business improved. Alongside a commitment to strengthening the market economy, the Party also committed itself to maintaining progress in the social sectors. Government administration would also be restructured and streamlined to provide more effective management of the economy. Thus, 1991 saw a comprehensive political commitment to continue with the next stage of the reform process.

6. The identification of macroeconomic stabilization as the first priority in the party guidelines for 1992-1995 reflected the difficulties Viet Nam had faced in achieving macrostability over the previous five years, despite a number of serious efforts to implement more effective macroeconomic policies. Apart from the primary goal of macroeconomic stability, reconstruction and rehabilitation needs were critical. There were limits to further budgetary savings for developmental purposes. Government spending was not particularly high as a percentage of gross domestic product (GDP) by international comparative standards (13.6 percent in 1988). The real need for public expenditures was considerable, both to improve the country's weak infrastructure and to defend achievements in social service provision. The international community welcomed the implementation of the *Doi Moi* policies, and from 1993, following the

³ It was estimated that total state employment declined by about 200,000 per year during 1988-1990. See Fforde and de Vylder, ADB study (1991).

⁴ An economic assistance and cooperation arrangement for trade and development among the countries in the former Soviet bloc under the leadership of the now defunct Union of Soviet Socialist Republics.

lifting of the US embargo, there was a fast buildup of aid commitments and of private foreign investment.

7. In order to maintain growth momentum with the resumption of foreign assistance, further profound reforms were needed. State enterprise reform needed to be carried a stage further and government institutional changes needed to be fostered. Efforts were made to improve the government management system and to create the new administrative mechanisms required to respond effectively to the needs of a fast-growing market economy. Many needed institutional reforms were quite complex, however, requiring innovations on many fronts, so that institutional change lagged behind economic policy reforms. Thus, although swift progress was made in the early 1990s in dismantling elements of the old bureaucratic structure (e.g., price controls), the creation of many new institutions has proved to be a much lengthier process.

8. Although numerous laws, decrees, regulations, and policy decisions were promulgated, many gaps remained. Moreover, the development of an effective legal environment went beyond the enactment of laws and decrees. Equally important was the widespread acceptance and understanding of the role of legal institutions and the development of practices to allow practical access to the legal system. Such a development would include efficient systems for commercial litigation and adjudication, the enforcement of civil judgments, and an appreciation by the public authorities of the role of the judicial system in constraining their own discretion.

9. By the mid-1990s, Viet Nam had made great progress in implementing economic reform in difficult economic circumstances (Appendix 2). Nevertheless, the reform agenda remained long and included a number of complex and demanding tasks. The Government itself identified a long list of ongoing reform requirements. Among others, they include further reforms to rationalize SOEs, liberalize the factor and product markets, improve the climate for domestic and foreign investments, and improve public administration.

10. The substantial strides made in the reform process in the later part of the 1980s contrast significantly with the apparent slowdown in the reform process in the 1990s. Many of the important early-stage reforms involved the dismantling of controls (e.g., price controls), where the political decision was difficult, but implementation was straightforward. Many of the important early-stage reforms could be implemented essentially through announcement. In the present stage of reform, many of the steps entail the design of new institutions, and require agreement on the appropriate model and the translation of an agreed principle into appropriate legislation. For the design of many institutions (e.g., banking legislation and organization, corporate law, and modes of delivery for medical services), there are many options available in the range of international experience and, therefore, many different sorts of advice on offer. To remain in control of their reform process, the Government wished to take time to study the alternatives and make its own judgment about the best model for their circumstances.

11. Additionally, building a consensus in support of innovations can be very time-consuming, given the characteristic pluralism of Viet Nam. An example is the lengthy process involved in drafting the new enterprise law and carrying it through the National Assembly. This consensus building is a necessary process in ensuring national ownership of the reform agenda. While there is a need for further policy movement, particularly in such areas as SOE reform, trade liberalization, and the business regulatory environment, the change in comparison to the late 1980s has been enormous. Moreover, one of the sources of the success of the process has indeed been the clear sense of national ownership of reforms. The nature of the current stage of the reform process has implications for the design of support. Many key institution building tasks are lengthy, involving deep-seated changes in systems, practice, and understanding (e.g.,

public administration reform), or they require parallel movement on a number of fronts (e.g., banking reform), and in many cases require legislation. These sorts of reforms do not lend themselves to simple conditionality, nor can they be fully accomplished within the time frame of a typical TA project or loan. This has implications for the design of ADB programs.

B. Government Administration, Coordination, and Aid Management

12. Since the beginning of the Doi Moi process, Viet Nam has implemented significant changes in its administrative structure and its government systems. The Government of Viet Nam operates at three local levels: provinces, districts, and communes.⁵ There are 61 provinces and provincial cities. Formally, there is a unitary system of government, with centralized state authority exercised over local authorities. Each level of local authority has an executive arm, the People's Committee, and a legislative arm, the People's Council. Although separate bodies, the People's Committees and the People's Councils have overlapping memberships. The People's Committee, as the local administration, has both budgetary and administrative responsibilities. It is charged with maintaining law, order, and security within its jurisdiction, forwarding budget requests to higher levels, reviewing and approving plans for socioeconomic development within its delegated authority, executing the budget, and undertaking duties as assigned by higher levels of administration.

13. Decision making is characterized by consensus-seeking as a strong guiding principle, engaging a wide range of actors before decisions are finalized, thus sharing responsibility and reducing the political risks involved in making difficult decisions. It requires reference to concerned parties at different levels of almost every decision-making process. The emphasis on collective leadership and consensus has the merit of maintaining stability and involving many elements of society in decisions, but it is also the root cause of many problems involving the slow response of Government to critical issues. In implementing decisions, coordination by relevant state bodies is required before a designated authority takes an action.

14. A common perception is that the Government remains overcentralized in many ways, and that the institutional framework needed for greater decentralization is weak. The power to approve master development plans, regional and sectoral, undoubtedly remains with the central authority. Nevertheless, a significant degree of autonomy has been extended to local administrations with regard to disposition of allocated budgets and adoption and implementation of local socioeconomic development plans. Lower-level authorities in practice have some freedom for maneuver by virtue of access to their own varied sources of funds.

15. Political and administrative practice may also be more decentralized than is suggested by the formal lines of command. Autonomy at the local level will depend on the standing and authority of local leaders. In addition, although civil servants are "vertically" responsible to central government ministries, they are "horizontally" responsible to the local authorities with whom they are in daily contact. Under the existing legal framework, ultimate legislative authority rests with the National Assembly. Provincial and local departments have a dual responsibility to report to the local People's Committee and Assembly and to the central line ministries. Responsibility for planning, implementation, and operation of facilities is split, although the implications of this will vary from province to province, depending on the importance of the province. Large urban centers under central administration, and a good number of provincial

⁵ Communes in Viet Nam refer to villages, not communities engaged in collective farming, as often associated with a command economy.

governments, enjoy a high degree of autonomy, including licensing foreign investments up to a certain value, approving certain local socioeconomic development plans, and formulating their own budgets. Some of the provincial governments are, however, unenthusiastic about greater autonomy, seeing it as being to their disadvantage where they lack the capacity required to undertake needed development tasks and, therefore, would prefer high levels of assistance (and the resulting intervention) from the central authorities. With increasing reliance on aid, the leadership of some localities sees the need for central supply of counterpart funds.

16. There are a number of serious constraints that hinder public-sector management of development projects. The high degree of centralization (even if sometimes more often asserted in principle than achieved in practice) and bureaucratization, coupled with weak financial management capability at different administrative levels, reduces both the efficiency of expenditures and the incentives for local resource mobilization. At the same time, such centralization erodes the accountability of policymakers, both at central and provincial levels. There is still a general lack of adequate administrative capability, particularly at the provincial level, which limits the prospects for effective decentralization. At the time ADB resumed lending, there was a virtual absence of experience or knowledge of standard development agency approaches to project appraisal, design and implementation, and evaluation. While substantial progress has been made in acquiring the relevant skills at the national level, there is still great weakness at the provincial level.

17. The current policy-making process is often opaque and is not well understood, not only by outsiders but even by those within Government. Allocation of responsibilities is often far from clear; the need to agree through consensus delays decision making. When it comes to implementation, while individual agencies can be quite decisive, cooperation and coordination between line agencies is often difficult to achieve. Thus, although there is often a strong sense of responsibility for carrying out tasks that fall within defined organizational responsibilities, interagency coordination is typically not very effective.

18. The development of the current aid management structure dates back to 1993, when Viet Nam's relationship with many funding agencies resumed after years of isolation. Since then there has been an active process of "learning by doing." The legal framework for aid management has also developed almost from scratch. Five central agencies are involved in the aid management process. The Ministry of Planning and Investment (MPI) is designated as the focal point for the overall coordination of external assistance in Viet Nam. While the design of the management structure for external assistance makes MPI the focal coordinating agency for processing official development assistance (ODA) projects, MPI needs to engage in a process of consensus building by asking the concerned ministries for comments/opinions at different stages of processing. The Ministry of Finance is also directly engaged in external assistance management, focusing essentially on managing the flow of ODA funds and providing counterpart resources. The State Bank of Viet Nam (SBV) is involved mainly in the coordination of concerned agencies in the preparation of projects for external financing and in conducting negotiations with aid agencies on specific agreements for ODA projects and programs. Acting as an oversight body, the ODA Regulating Commission in the Office of the Government assists the Prime Minister in all aspects relating to, and in overall control of, ODA processing. The Ministry of Foreign Affairs helps to locate ODA sources for the country. SBV acts as a contact point for negotiating ADB's assistance in Viet Nam. MPI is designated as the focal point for the coordination of external assistance, and is responsible for country strategy and country programming missions, and for managing the pipeline of proposed loan and TA projects. SBV, on the other hand, has a special role as a channel of communication for ADB in Viet Nam and is responsible for administering all legal matters affecting ADB operations in Viet Nam, including

the signing of loan and TA agreements and the issuance of legal opinions and other conditions for loan effectiveness.

19. After five years of operation of an enlarged ODA program, the Government and aid agencies have gained experience with the causes that have impeded implementation of projects. They include (i) time-consuming and often poor quality pre-investment preparations and follow-up implementation after signing project agreements; (ii) complicated and time-consuming procedures for obtaining approval of projects/programs using ODA funds, often involving multiple layers of authority; (iii) uncertainty in the supply of counterpart funds for ODA projects; (iv) problems that often arise during the process of site clearances, resettlements, etc.; and (v) weak institutional capacity and project management and implementing capability at every level. The root cause of many delays in project implementation is a cumbersome decision-making process, which results from insufficient delegation of authority and responsibility to implementing levels, and from a time-consuming consensus-building process.

20. There has been increasing understanding on the part of the Government of the need for better management of ODA-financed projects. It is addressing the need to (i) delegate decision making authority to line ministries and the stronger provincial governments; (ii) enhance coordination of preparation activities, such as counterpart staff selection for work with consultants; (iii) improve the national budget and financial disbursement and control systems; and (iv) more efficiently utilize TAs for institutional strengthening and capacity building purposes.

21. Project implementation performance has improved as both sides have gained experience with aid operations in Viet Nam. In 1998, following discussions with funding agencies, adjustments in the regulatory framework for external assistance were introduced. These included government decree no. 22, a nationwide regulation on compensation for resettlements; and interministerial circular no. 6, on National Budget Management, and no. 81, on ODA Disbursement Procedures, to further improve the implementation of decree no. 87 CP on Regulations for ODA Management and Utilization. These instruments were intended to help ease a number of constraints on project implementation, for example, by allowing project management units (PMUs) direct access to imprest fund accounts and by taking steps to ensure counterpart fund allocation to ODA-financed projects. The Government also revised the Regulations on Capital Investment and Construction Management, making them in closer conformity to procedures of foreign aid agencies. It issued decrees no. 43, 93, and 88 on National Procurement Regulations to improve procurement procedures. Procedures for bids/tenders approval, procurement approval, etc., have been eased and simplified. ODA-funded projects/programs are to be included in the annual investment plans, assuring that counterpart funds receive priority in annual investment plans.

C. Development Targets, Strategy, and Plans

22. The key economic target of the country since 1994 has been to double the GDP in real terms in the decade leading to year 2000. GDP was projected to grow at an average annual rate of 9-10 percent, with the agriculture sector (including forestry and fishing) projected to increase by 4-5 percent, industry by 13-14 percent, and the service sector by 11-12 percent per year. The share of industry in GDP was projected to be twice that of the agriculture sector by the end of the decade, with the service sector accounting for about 47 percent of GDP. Currently, the target is to turn Viet Nam into an industrialized country by the year 2020 with a GDP eight to ten times higher than that in 1990.

23. Improvement in fiscal performance was set as an important objective. The target was to maintain revenue collection at 24 percent of GDP, and to reduce the fiscal deficit and ensure that it remained below 5 percent of GDP, as part of a strategy to contain the inflation rate at an annual rate of 10 percent or less. Since the demise of the CMEA, the Government has sought to diversify its external economic relations, with a particular focus on export development. The Government plans implied an export-led growth strategy, building on the successes achieved in the early stages of the Doi Moi process.

24. The Government's overall strategy for economic growth and poverty reduction is to transform the present quasi-command economy to a market-based system. The Government's basic framework for the development of Viet Nam, with reference to the time period of ADB's assistance, is outlined in the "Socioeconomic Stabilization and Development Strategy to the Year 2000," which was promulgated in 1991. The framework was translated into specific plans, namely, the Fifth Five-Year Plan, 1991-1995, and the Sixth Five-Year Plan, 1996-2000. While there were differences in sequencing and emphasis of developmental proposals, the key objectives and priorities of the Government development strategy remained essentially constant over the time period of the Plans.

25. The development strategy includes a deepening of the reform process; continued macroeconomic stability; rehabilitation and development of critical infrastructure; human resource development, especially the revitalization of the education and health systems; and building on areas of comparative advantage and sectoral strengths (e.g., agriculture, agroprocessing, and light industry). It also includes poverty reduction, more balanced regional growth, institutional strengthening, public administration reform, private sector promotion, commercialization of SOEs, domestic resource mobilization, and promotion of exports and foreign investment. It is obviously a very broad strategy that could accommodate the mandate of any ODA agency. At the very early stage upon resumption of ODA, special priority was given to promoting economic growth, particularly through substantial increases in investment in essential economic infrastructure, along with deepening the reform process. By the mid-1990s, having successfully implemented stabilization and initial market-orientated reform measures, the Government formulated development priorities for a longer term, and in the last two years has issued a series of decisions on sectoral and regional development priorities to the year 2010, and then to 2020. It is perhaps no coincidence that ADB's operational strategy also took on a less focused view after 1995, as will be discussed below.

26. The country's development in the new context of international integration revealed a number of inherent economic weaknesses that could put a brake on future development. A poor physical and technological base, with weak infrastructure, greatly constrains competitiveness and efficiency, especially of the SOEs. Continuing weaknesses in the monetary and fiscal system could become a source of instability. An appropriate framework of commercial laws and effective civil legal institutions is still being developed. Capital and financial markets are underdeveloped. There are also abundant problems with public administration performance, as the reform efforts on administrative apparatus have too little impact and the effects of the previous system of central planning and unnecessary bureaucracy remain.

27. Slow progress with enterprise and administrative reforms, low efficiency and competitiveness in domestic production, adverse climatic conditions, and the impact of the Asian regional economic and financial crisis since mid-1997 led to a rethinking of priorities and the revision of development plans. The Fourth Party Plenum (held in December 1997) emphasized that the immediate priorities were ensuring financial sector and macroeconomic stability and coping with the unfavorable impact of the regional economic crisis. The Sixth

Plenum in October 1998 reaffirmed the need to sustain reforms and the focus on industrialization and modernization, with priority to agricultural and rural industries and to other areas of comparative advantage, and to generally increase economic competitiveness. The economic crisis also brought into greater focus the need to address continuing weaknesses in public finance and the financial system.

III. ADB PROGRAM

A. ADB Country Strategy and Program

28. ADB preceded its resumption of active operations in Viet Nam with extensive macroeconomic and sector work in 1988/1989, culminating in a comprehensive 1989 report on Viet Nam.⁶ This was after a gap of 16 years, the previous ADB economic report on Viet Nam having been completed in 1973.⁷ A country operational program (COP) was prepared in 1993, which also outlined an interim operational strategy (IOS).⁸ A revised COP was prepared in 1994.⁹ A COS was formulated in October 1995. No COP was prepared in 1995. Since 1996, CAPs, replacing COPs, have been prepared annually.¹⁰

29. The 1989 Economic Report set the stage for the development of ADB's program of assistance for Viet Nam. Many of the features of the subsequent ADB program flowed from the conclusions of the report, which emphasized the requirements of the Doi Moi reform process, the weakness of basic infrastructure resulting from decades of underinvestment, and the need for Viet Nam to expand and diversify its sources of external funding. Among others, it identified the basic needs for fiscal and financial sector reforms, development of the non-State sector and greater priority for the development of the agriculture and light industry sectors. The report also emphasized weaknesses in infrastructure, water and sanitation facilities, and power systems. It flagged the issue of the country's limited absorptive capacity, which emerged as a key problem in program implementation, and which should have been taken more seriously in the development of the ADB program.

30. The 1989 Report stands up well to reexamination in light of subsequent developments. Its note of optimism regarding the reform process was fully justified by subsequent events and its outline of the further requirements for the reform process and for future investment priorities was sound. In retrospect, it may appear that strategy formulation for Viet Nam at the beginning of the decade was relatively straightforward, as the priorities sprang clearly from Vietnamese reality: financing reconstruction and rehabilitation, aiding the reform process, and balance of payments support. Nevertheless, in 1989 the situation within Viet Nam was not widely understood internationally, economic data was sketchy, and the report team did not have any recent ADB operational experience in Viet Nam to draw on. It was, therefore, a significant achievement to produce an analysis that stood up very well in light of subsequent developments. The effort by ADB to make a substantial assessment of Viet Nam's economic situation, and its review of the early stages of the reform process and of investment priorities made an important contribution to the development of a new program.

31. The 1993 IOS, reflecting the views of the 1989 Economic Report and the Vietnamese Government, supported four main activities: (i) rehabilitation and development of physical infrastructure; (ii) further macroeconomic and sector-based policy reform and institutional strengthening or restructuring to improve public sector efficiency and promote private sector development; (iii) development of the capacity for domestic resource mobilization through

⁶ ECR: VIE 89017: *Economic Report on the Socialist Republic of Viet Nam*. October 1989.

⁷ Essentially on South Viet Nam as was then known.

⁸ *Viet Nam Country Operational Program Paper, 1993-1996*. August 1993.

⁹ *Viet Nam Country Operational Program Paper, 1994-1997*. March 1994.

¹⁰ Country Assistance Plan (CAP) Viet Nam (1997-1999), August 1996, CAP Viet Nam (1998-2000), February 1997, CAP Viet Nam (1999-2001) November 1998.

further financial sector reform, and the promotion of cost recovery in public services; and (iv) promotion of social sector activities, human resources development, training and technology transfer, and environmental protection.

32. The IOS argued for quick-disbursing program lending, both to support the reform program and to provide much-needed foreign exchange. It also argued for substantial TAs to support formulation and implementation of further policy reform; legal, regulatory, and institutional reforms; training and institutional strengthening in project preparation and evaluation; and preparation of projects for possible financing by ADB.

33. The core program of ten loans proposed in the 1993 COP, nine project loans and an agricultural sector program loan for the years 1993-1994, essentially reflected the priority given to the first two main activities (out of the four) of the IOS.¹¹ The focus was on the rehabilitation of dilapidated physical infrastructure, although some investments in social infrastructure, notably in water supply and education, were proposed. The agriculture sector program loan was designed to support further policy reforms within the sector, with the proceeds from the loan going to general budgetary support in actual practice.

34. The 1994 COP reiterated the strategy to be followed along much the same lines as the program of the previous year, except that the fourth activity, which had been broadly stated as promotion of the social sectors, was more narrowly defined as "targeted support to address crosscutting concerns." The proposed lending portfolio comprised two projects in the agriculture and natural resource sector and one each in the energy, social infrastructure, and transport and communications sectors. Except for the agriculture sector program, all the projects were focused on rehabilitation. The crosscutting issues introduced in the discussion were poverty alleviation, women in development, and environmental concerns. Subregional cooperation in the context of the Greater Mekong Subregion (GMS) and ADB's involvement in the financial sector were discussed in the COP.

35. In contrast to the IOS, the strategy proposed in the 1995 COS was more diffused. The circumstances that had made clear-cut priorities (achieving macroeconomic stability and undertaking infrastructure rehabilitation) indisputable had become less pressing and other developmental concerns, particularly those reflected in ADB's mid-1990 overall development plan, the Medium Term Strategic Framework (MTSF), began to emerge as contending needs. The COS was apparently a product of consensus within ADB, incorporating the largest possible number of concerns and interests, rather than an instrument for making clear choices. The COS articulated a comprehensive list of eight main development needs and concerns,¹² with three rather general strategic objectives—efficient economic growth, poverty reduction, and environmentally sound development. In the light of these concerns and objectives, ADB's program was presented in terms of five areas of special emphasis: policy reform and institutional development, infrastructure development, rural development, human development, and resource management. This list of concerns, objectives, and special emphases was relevant, drawing on ADB's MTSF and in line with Viet Nam's own statements of goals. But it provided a less than clear focus for interventions by ADB—indeed almost any likely intervention by ADB could be justified by the comprehensive list of concerns.

¹¹ In fact, during 1993-1995, only nine loans were approved. Two education projects referred to in the core program were not approved until after the formulation of the 1995 COS, while the Fisheries Infrastructure Improvement loan was approved in November 1995.

¹² These were transition to a more market-oriented economy, maintenance of a stable macroeconomic climate, poverty reduction, regional balance, human development/quality of the labor force, increased savings and investment, infrastructure development, and environmental management.

36. The 1995 COS made an effort to introduce a tighter focus by using the concept of linkages to integrate the strategic objectives and facilitate a more coordinated set of programs and projects for Viet Nam during the following three- to five-year time frame of the COS. Operationally, this would mean not just linkages in the intersectoral sense but also linkages between rural areas and the three growth areas of Viet Nam,¹³ linkages between the growth areas themselves and linkages between the growth areas and the subregion. To apply this concept, ADB would, therefore, concentrate its project interventions on transport corridors and related development zones. To date this has not been translated into operational terms in any pervasive manner, although the current development projects (both approved and proposed) under the GMS initiative do represent an application of the concept. Linkages might have been used to provide a sharp geographic focus for the strategy. But any such focus was diluted by the need to address poor areas far from the focal zones, particularly in the communes either in the remote highlands or in the resource-poor coastal areas.

37. That the strategy provided a less clear basis for making hard choices or for clarifying ADB's role in Vietnamese development is perhaps best exemplified by the fact that discussions of some of the projects related to the strategy only in a perfunctory way. The COS, for instance, included a box on gender development that could have been more credible if it had contained some information about specific conditions in Viet Nam, to justify ADB's interventions and to prevent the impression of a rather ritualistic statement of general principles. Another example, discussing education, stated that "given the importance of basic education as a foundation for long-term development, one strand of the Bank's education strategy should support improvements in the quality and efficiency of basic education." The statement could apply to all countries at all times, but to justify ADB intervention it should have involved an analysis of why external finance is needed and whether ADB was the appropriate institution to mount that support. ADB's specific role in education seems to have been fashioned mainly in terms of taking over tasks not addressed by the World Bank (WB): to complement WB's support for primary education, the ADB program would support secondary education, especially lower secondary.¹⁴

38. All the CAPs comment on the country's macroeconomic performance, the evolving reform process, the overall aid picture, and donor coordination and progress on implementation. The central part of the CAP presentations has been a sectoral performance assessment and operational program. The CAPs provided a three-year rolling plan overview of ADB's portfolio in Viet Nam. The 1996 CAP (1997-1999) included assessments for 13 subsectors (agriculture, forestry and natural resources, ports, railways, roads, energy, urban development, water and sanitation, education, health and population, industries, finance, and private sector development). The CAP flagged the gender issue in a more specific fashion than earlier documents, noting that women had lower literacy rates and were underrepresented in higher education and the professions. In the 1997 CAP (1998-2000), ports and railways were dropped and urban development and water supply and sanitation were presented as one subsector. Increased attention was given to crosscutting issues in the 1998 CAP (1999-2001), and the presentation of sector strategies, as previously defined, was now much reduced. "Sectors" were defined in terms of three main economic groupings: agriculture and rural development, physical infrastructure (transport and energy), and social development (education, health, water supply and sanitation, environment, and natural resources management). In addition, a number of issue areas were treated as sectors: private sector operations, governance and public-private

¹³ The Government had identified three focal economic zones, in the north, center, and south of the country (Map, p. vii).

¹⁴ 1995 COS, p. 38, para. 132.

interface (including governance dimensions of ADB operations and private sector development), and gender dimensions. The logic of this treatment is a little awkward, as it lists crosscutting issues as separate subsectors when they should more properly be seen as concerns affecting all sectors and the sectoral balance of the program. The 1998 CAP also introduced a short section on subregional cooperation.

B. Overall Assessment of the Strategy and Programs

1. The Increasing Complexity of Programming

39. The series of strategy and CAP documents produced by ADB over the past decade provides a useful record of evolving economic and social conditions in Viet Nam, of progress with economic reforms, and of the development of ADB's portfolio. The concerns and diagnoses contained in these documents are broadly reflected in the ADB portfolio, and to that degree the process of preparing and presenting these overview documents was a useful and important part of ADB work.

40. Examination of the documents taken together does raise some questions about ADB's approach to strategy, however. The various strategy and program documents produced for Viet Nam illustrate the complexities and ambiguities of the strategy-making process. When lending operations resumed in 1993, ADB started with a clean slate, and Viet Nam was faced with two overriding tasks: economic reform and reconstruction, even though the country's stated strategy was more diffused (para. 25). It was, therefore, relatively easier to define a clear priority and put together a program that implemented the strategic thinking. As the ADB program developed and projects were added to the portfolio, it became more difficult to sustain a sharp focus. This was especially true in relation to the proliferation of TA projects. The choices facing Viet Nam became more complex. In terms of investment choices, as the more pressing rehabilitation needs were met, choices had to be made regarding the directions in which to expand capacity. The reform agenda increasingly shifted from readily implementable policy reforms to more complex institution building. These changes meant that on the one hand, a coherent strategy was more necessary than ever, while on the other hand, it was more difficult to formulate.

41. As ADB set out to rapidly expand its portfolio in a situation in which implementation was subject to severe constraints, the range of the program expanded, to the point at which the 1996 CAP assessed performance and set out programs for 13 subsectors. The attempt to add coherence to what had become a very broadly diffused program through the use of the concept of linkages was not very successful. The difficulty with the linkage vocabulary is that although it is useful in generating ideas about development options, it is not readily operationalized. It is easier to use "linkages" to justify extending the range of interventions than to sharpen the focus. The COSs provided no clear criteria that could be used to exclude any particular intervention.

42. An alternative response to the need to increase the coherence of the program documents was to expand reference to ADB's medium-term strategies, justifying the portfolio by reference to the crosscutting concerns articulated in the MTSF. Since one function of ADB country strategy documents is to check that country programs are consistent with ADB's medium-term strategies, that was a natural and reasonable development. However, it carries with it the potential for a shift from an approach firmly embedded in attempts to find solutions to the client's problems (e.g., as in the 1989 Economic Report) to one more directed to the internal pressures and agenda of ADB.

2. Program Consistency with Country Needs and ADB Strategy

43. ADB's lending program can be viewed in terms of an earlier period, 1993 to 1995, and a later period, 1996-1998. The program of the earlier period emphasized infrastructural rehabilitation and improvement, including roads, irrigation, flood protection and delta water management, urban water supply and sanitation, power distribution, fisheries infrastructure, and a port. This emphasis is much more evident when judged by the projects actually approved than by the projects proposed (Appendix 3, Tables A3.1 and A3.2). Projects were concentrated on three sectors, namely, agriculture and natural resources, social infrastructure, and transport and communication. The projects classified under social infrastructure were those concerned with rehabilitation under the subsector of water supply and sanitation, including urban development, rather than with education, health, and population. It reflected priorities identified by the IOS. Additionally, the portfolio was in keeping with the country's immediate needs. Major infrastructure was in a bad state of disrepair (because of decades of underinvestment and war damage), and the economic returns to investments in rehabilitation and improvement were high. Existing pressure on capacity (e.g., on the major highway system) was such that investment was justified to reduce costs and bottlenecks for existing producers, and to reduce the risks of economic losses from natural disaster (e.g., flood protection). Moreover, with output expanding in response to economic reform, failure to renovate basic infrastructure could have stifled growth; easing infrastructural bottlenecks was a necessary supportive action to the reform program. At the same time, most of these investments were activities that were clearly appropriate for government investment even in the transition to a market-oriented economy.

44. In the context of the dramatic economic reforms being instituted in Viet Nam, these public investments were vital to accommodate the rapid expansion in economic activity that resulted from the Doi Moi. In turn, that expansion in economic activity provided the opportunities through which large numbers of poor households were able to escape from absolute poverty. Many of the explicit interventions in support of the Doi Moi process were through TAs.¹⁵ In addition, the Agriculture Sector Program¹⁶ loan sought to meet two imperatives: support agriculture sector reforms, and provide quick-disbursing financial support. As such, it was consistent with the ADB strategy. Thus ADB's initial lending program conformed to the IOS, which in turn was a well-focused response to Viet Nam's funding requirements in the first half of the 1990s. The application of the strategy as demonstrated by the projects approved (in contrast to those proposed) turned out to be more focused than it would have been had the program tried to respond to the country's needs fully as spelled out in the Five-Year Plan applicable at the time.

45. In terms of the type of projects based on their primary and secondary objectives, the program in the earlier period was predominantly filled with growth projects, particularly as approved (Appendix 4, Tables A4.1 and A4.2). Six out of the nine projects approved for the period were growth projects, with one including crosscutting concerns; poverty was included as a secondary objective for that project. The concern for growth was understandable in the aftermath of the relative stagnation experienced under the quasi-command economy and the ruinous effects of the war. In the later period, seven out of 13 projects were growth projects,

¹⁵ For example, TA 2039-VIE: *Commercial Banks Review and Training*, for \$600,000, approved on 27 December 1993; TA 2063-VIE: *Financial Markets Development*, for \$600,000, approved on 17 February 1994; TA 2148-VIE: *Urban Sector Strategy Study*, for \$300,000, approved on 7 September 1994; TA 2229-VIE: *Review of Agricultural Strategy, Planning and Programming*, for \$98,700, approved on 9 December 1994; and TA 2240-VIE: *Financial Sector Review*, for \$325,000, approved on 14 December 1994.

¹⁶ Loan 1340-VIE(SF): *Agriculture Sector Program*, for \$80 million, approved on 8 December 1994.

including two with crosscutting concerns. The remaining six projects were strictly environmental and social projects.

46. The program of the later period (1996-1998) was spread much more widely (although the direction of causation was not necessarily from strategy to program and projects, as work on programs under preparation influenced strategy formulation). The program was consistent with the 1995 COS, although the underlying emphasis remained on physical infrastructure. Of the 14 loans proposed for 1996-1998 (total \$947 million), \$519 million was for physical infrastructure (roads, water, power), \$191 million was for agriculture and forestry (including a \$105 million loan mostly funding rural infrastructure development), and \$147 million was for social infrastructure development, including population and family health, lower secondary education, and vocational and technical education. The road projects included one GMS project.¹⁷ There was also a financial sector program loan.¹⁸ The shift in the balance of new lending was towards human resource development and the rural sector. In a general sense, the broader focus was justified by the discussion in the 1995 COS of the importance of human resource development and of rural development as crucial to poverty reduction, while the forestry project related to the strategic objective of environmentally sound development.

47. The broadening of ADB's 1996-1998 program not only resulted in a loss of focus compared with the 1993-1995 program, but also represented a shift in the underlying rationale for project interventions, the implications of which were not fully spelled out. In the earlier period, ADB was responding to the obvious pressure of demand on existing capacity. This remained the case for much of the infrastructural investment after 1995. The new initiatives in rural and human resource development were less obviously demand-led, however. In effect, ADB was moving into areas where it would stimulate development, rather than just respond to and accommodating growth. The fact that Government plans were framed in such broad terms at the time as to accommodate assistance provided by any funding agency made it a moot point to debate whether such a shift would be in conformity with the Government's developmental objectives and strategies. ADB was increasingly attempting to stimulate development in lagging segments of the economy. This meant it was moving into activities which were inherently more complex and risky, and also represented a discernible movement from large, national infrastructure projects to activities that were intended to have a decentralized impact at the provincial and local level. While the immediate impact of the shift in emphasis should not be overemphasized (the major part of the program was still in large-scale infrastructure), it reflected a deliberate effort to adjust to changes in ADB's own priorities as well as the evolving situation in Viet Nam.

3. Poverty Reduction

48. The shift in the direction of more locally based interventions in the rural sector reflected the intention of ADB to give more explicit attention to poverty issues. There was a consistency of view with that of Vietnamese authorities, who have increasingly focused on combating rural poverty. However, it is not apparent that ADB's strategy and program work had explored many of the implications of this shift.

¹⁷ Loan 1660-VIE(SF): *Greater Mekong Subregion: Ho Chi Minh City (HCMC)-Phnom Penh Highway*, for \$100 million, approved on 15 December 1998.

¹⁸ Loan 1485-VIE(SF): *Financial Sector Program*, for \$90 million, approved on 19 November 1996.

49. To effectively translate ADB's MTSF and the crosscutting issues into a country program demands a systematic analysis of the appropriate strategy for pursuing those objectives, both by the criteria of the client's situation and by that of ADB's own comparative advantage. On the issue of poverty, an effective strategy should rest on a clear analysis of the impact of existing patterns of high growth on poverty and of viable interventions to increase the income-earning power of the poor in a sustainable fashion. In the period under study in this report, limited evidence so far available suggests that high growth did benefit many poor households. If, in the particular circumstances of Viet Nam, overall growth has generated income growth for many of the poor, the shifting of resources to low-productivity interventions targeting particular categories of poor people might represent a less efficient, though admittedly not necessarily a less effective, approach.

50. The emphasis of the early years on ADB support for reforms and infrastructure rehabilitation did not preclude ADB's concern for poverty reduction as a developmental goal. Poverty reduction was to be pursued within the context of growth in the economy. At a time when more than 50 percent of the population was poor, it was appropriate to pursue a broad-based strategy based on growth to achieve the goal of poverty reduction, even indirectly. In the process, income inequality increased, reflecting differences in endowment of resources and opportunities. The ethnic minorities in the remote highlands remained poor, as few were affected by the growth process. The indirect effects of public investment on poverty need to be recognized for a number of reasons: (i) the interventions important to the poor include many that are distant from their local economy and are, therefore, outside their control (e.g., investment in major transport and water control systems would be delivering precisely those facilities that benefit the rural poor and that they cannot supply for themselves); (ii) public goods supplied by government, by their nature, are available to all income strata: many of the most important interventions needed by the poor will benefit the community in general (e.g., flood control, another activity supported by ADB); and (iii) in a market economy, the economic situation of the poor will be influenced as much by broad trends in labor and commodity markets (e.g., the urban/rural terms of trade and rural incentives—issues addressed by the Rural Infrastructure Sector loan) as by targeted interventions.

51. The initial program of ADB, and the main thrust of the government infrastructure investment program in the past decade, can be seen as catching up with a backlog of requirements and responding to the fast growth in demand from buoyant growth sectors in the economy. The linkage was from demands generated by fast growth back to the supply of public services. Attention in recent years has been directed toward areas that have not responded to market stimulus. The Government's own analysis of the poverty issue emphasizes that the most intractable pockets of poverty are in areas with poor resource endowments and stagnating economic activity, where it is hoped that public works will stimulate growth; the intended linkage is forward from government investment to local economic activity. Responding to this need invariably means a more challenging exercise, as ADB moves away from areas of work in which it has a solid track record and a proven comparative advantage to smaller-scale targeted interventions. Such small-scale interventions may not prove efficient or effective in reducing poverty in Viet Nam, particularly in less endowed or more remote areas.

4. Gender Development

52. It was only recently that any serious effort has been made to address the gender issue in ADB country programming documents. The only loan that specifically related to gender was the

Population and Family Health Project.¹⁹ Three arguments could be offered to justify this apparent neglect. First, the Living Standard Measurement Study²⁰ household data did not indicate that the economic system is heavily biased against women²¹—the difficult lives of poor women are arguably a result of the general condition of household poverty, rather than specifically a gender problem. Second, in some respects Vietnamese women are relatively liberated by international comparative standards (for instance, in terms of participation in economic activities). Lastly, given the priorities of reconstruction and economic reform, the initial neglect of gender development was not unexpected.

53. However, there are at least two areas where more attention could be given to gender within the existing program framework: access to higher education and rural credit. As recognized in recent ADB documents, there is gender bias in access to higher education and it may get worse under the impact of user charges to be introduced, given the family bias to favor males for paid education. There could be greater efforts to redress this bias, by funding girls' education specifically within the context of ADB's education projects. As regards rural credit, specific targeting of women (perhaps through women's organizations) could both address the gender issue and have an efficient impact on household production and consumption.

5. Environmental Concern

54. ADB's program of assistance addressed three high-priority areas of environmental concern. That these areas coincide with the priorities given to rehabilitation and policy reforms certainly helped in their selection. First, the improved management of forests, which have suffered depletion and degradation through overexploitation, encroachment of agricultural activities, and the impact of war, was addressed in the Forestry Sector Project.²² Second, improvement in the urban environment and public health was addressed in three urban water supply and sanitation projects.²³ Third, the maintenance of a sustainable rural environment was addressed by ADB's irrigation, flood protection, and water resource projects.²⁴ These interventions responded to environmental needs of the country and, in the case of the urban and rural water projects, lay in areas of proven ADB competence and comparative advantage. The strategy was, therefore, both relevant and effective in addressing the environmental concerns of Viet Nam.

6. Governance

55. Issues of governance were not of paramount concern in the early years of ADB intervention. In the context of Viet Nam, it is probably most useful to discuss governance in

¹⁹ Loan 1460-VIE(SF): *Population and Family Health*, for \$43 million, approved on 19 September 1996.

²⁰ A cooperative survey carried out in 1995 and sponsored by WB working with the United Nations Development Programme and other agencies to gather, among others, data on poverty.

²¹ In fact, female-headed households had slightly higher per capita incomes than male-headed households.

²² Loan 1515-VIE(SF): *Forestry Sector Project*, for \$33 million, approved on 20 March 1997.

²³ Loan 1273-VIE(SF): *HCMC Water Supply and Sanitation Rehabilitation Project*, for \$65 million, approved on 29 November 1993; Loan 1361-VIE(SF): *Provincial Towns Water Supply and Sanitation Project*, for \$66 million, approved on 17 August 1995; and Loan 1514-VIE(SF): *Second Provincial Towns Water Supply and Sanitation Project*, for \$69 million, approved on 27 February 1997.

²⁴ Loan 1259-VIE(SF): *Irrigation and Flood Protection Rehabilitation Project*, for \$76.5 million, approved on 26 October 1993; Loan 1344-VIE(SF): *Red River Delta Water Resources Sector Project*, for \$60 million, approved on 13 December 1994; and Loan 1598-VIE(SF): *Phuoc Hoa Multipurpose Water Resources Project*, for \$2.6 million, approved on 18 December 1997.

terms of the need to redesign many public institutions to operate in a new economic setting. The most important aspects of ADB's involvement in governance issues during the period under review has been helping to redefine the economic role of government, by providing support to the economic reform process. In particular, this has involved the promotion of reforms in the agriculture sector and the financial sector. Reform in the banking sector may, over the longer term, also be a key aspect of the improvement of governance in Viet Nam. The development of an effective banking system, with proper corporate governance, has implications beyond the purely economic. Experience elsewhere has demonstrated that a weak and poorly regulated banking system can be a source not only of misallocation of funds, but of corruption and criminality. Support provided by ADB has helped the Government make a start on what will be a very lengthy process.

56. ADB has also provided extensive TA to support capacity building and civil service reform. This included the large TA project to train MPI staff in market economics, and support for civil service reform through the National Institute of Public Administration and the National Office for Procurement.²⁵ One TA project of particular significance for improvements in governance was the support for the development of public auditing capacity.²⁶ Other noteworthy TAs include those with significant corporate governance and sector governance work undertaken in the energy sector.²⁷

C. Relevance of COS to Project Processing

57. Defining the operational relevance of the strategy and other program documents is difficult. It was argued that the initiation of project ideas started with country consultation missions by the management of the respective projects departments in ADB. Therefore, the COS and CAPs were often perceived by the project departments as a feedback loop. The COS was seen as written in sufficiently general terms but had not much operational significance as far as the processing departments were concerned, primarily because no projects could really be excluded. Additionally, the COS did not specify the performance indicators by which to assess the performance of ADB's program of assistance. The COS and CAPs were nonetheless seen as providing a useful framework for preparing the project documents.

58. Often the projects were proposed by the project department concerned, in consultation with the line agency in Viet Nam, and were then coursed through ADB's process for inclusion in the CAPs. At the same time, the relevant line agency in Viet Nam would start the process of coursing the proposed projects through their central agencies for inclusion in ADB funding consideration. As such, many of the projects were seen as the result of negotiation and compromise in the context of what other assistance the country had been receiving. The link to the COS was perceived to be largely an unintended and natural process of consultation.

²⁵ TA 2489-VIE: *Capacity Building at the Ministry of Planning and Investment*, for \$2,445,650, approved on 12 September 1986; TA 2673-VIE: *Supporting the Public Administration Reform Program*, for \$600,000, approved on 29 October 1996; TA 3023-VIE: *Strengthening Capacity for Public Administration Reform*, for \$995,000, approved on 28 May 1998; TA 2247-VIE: *Institutional Strengthening of the National Office for Procurement*, for \$600,000, approved on 20 December 1994; and TA 2701-VIE: *Institutional Strengthening of Procurement Evaluation Office*, for \$420,000, approved on 9 December 1996.

²⁶ TA 2460-VIE: *Capacity Building at the State Auditor General's Office*, for \$600,000, approved on 8 December 1995.

²⁷ TA 2345-VIE: *Improvement of Financial Accounting Systems of the Power Companies*, for \$1,200,000, approved on 8 June 1995; TA 2897-VIE: *Commercialization of Power Companies*, for \$900,000, approved on 20 October 1997; and TA 2888-VIE: *Power Sector Regulatory Framework*, for \$800,000, approved on 7 October 1997.

59. Competing funding alternatives available to the country often complicated the consultation process. Thus, in the case of education projects, identifying nonduplicating viable projects for funding by ADB was made difficult, as WB was heavily involved in the funding of education, leaving little opportunity for ADB involvement. ADB had to find a niche for itself (secondary education and vocational education projects), pointing to the internal departmental concerns to find projects for funding. Casting the projects in terms of providing the labor skills mix needed for a market-oriented economy certainly helped to make the projects appear more relevant to the immediate needs of the country. The country was very keen to promote technical education to supply the expertise required for improving the country's economic performance. Internal pressure within ADB to look for projects perhaps partly accounts for the impression that the 1995 COS was a consensus output rather than a strategy for making hard choices. Undoubtedly, the strategy spelled out in the COS, and particularly the concerns spelled out in the ADB-wide MTSF, in most cases provided the framework and the limits for subsequent country consultation by projects departments. But formulation of the appropriate strategy and program in the first place apparently did take into consideration internal departmental desire for inclusion of projects that had been proposed.

D. Funding Agency Coordination

60. There had been routine attempts at funding agency coordination during the formulation of the country strategy and the implementation of ADB's program. Periodic meetings called by the International Monetary Fund were held during the early period to acquaint the donors with one another's activities. However, insofar as ADB is concerned, such coordination often took the form of ADB avoiding areas or project scope that WB had chosen, especially in the later years. Thus, in education, since WB was involved in primary education, ADB opted for secondary education projects. Similarly, in water supply projects, Hanoi and some of the bigger cities were the domain of WB and the Danish International Development Agency (DANIDA) while ADB concentrated on smaller provinces. ADB road projects would similarly be confined to the smaller provinces.²⁸

61. The implementation of WB's recently drawn-up Comprehensive Development Framework (CDF) in Viet Nam should have implications for ADB in terms of its formulation of the country strategy and program. To date, not much development has happened. But the Government has made it clear that in the context of CDF, it intended to play an active role in deciding what projects and programs would be required for the country and implicitly that it would like to have some influence on the coordination of donor assistance. In this respect, it may be interesting to note that ADB was seen by the Government to have competence in agricultural and rural development, an area of top development priority for the Government.

²⁸ This is not to deny that ADB was also involved in WB intervention areas. The projects included the HCMC water supply and sanitation project and the Highway No. 1 project, which would represent a rather successful coordination effort. But the pervasive mood was to avoid duplication, especially at present.

IV. IMPLEMENTATION PERFORMANCE

A. Absorptive Capacity

62. Prior to 1993, there had been a preparatory period, during which ADB was aware that it would resume operations following the expected end of the embargo. But there was little experience on either side of putting in place operational arrangements to implement a large program in Viet Nam. The 1989 Economic Report had highlighted the possible problem of absorptive capacity of the country for assistance. Nevertheless, many of the problems ADB and the Vietnamese authorities had to confront in implementing the program resulted from the heroic assumptions made initially by ADB (and other aid agencies) about the speed with which it would be possible to expand spending. Building up disbursements at the rate implied by aid commitments was not feasible, particularly when all the commitments of the aid agencies were taken together. Among other things, the shift in external economic links from the CMEA economies to the market economies necessitated learning new ways of doing business, gaining required new professional skills (e.g., in law and accounting), and acquiring new languages rapidly.

63. ADB's cumulative disbursements to Viet Nam by the end of 1998 were \$357 million, compared to its cumulative commitment for the period 1993-1998 of \$1,271 million. The cumulative disbursements represented only about 28 percent of the total availability of funds from ADB. The disbursement ratio (excluding fast-disbursing program loans) reached about 12 percent in 1995 only to fall to 5 percent in 1996 and 8.5 percent in 1997. The much-improved disbursement ratio of 15 percent in 1998 was still below the ADB-wide average of 19.1 percent. A summary table comprising annual disbursements with annual commitments is given below. Detailed information on the disbursements and commitments by projects is given in Appendix 5, Tables A5.1-A5.3.

Table 1: ADB's Annual Commitments and Disbursements, 1993-1998
(\$ million)

Year	1993	1994	1995	1996	1997	1998
Commitments (Loan Approvals)	261.5	140.0	233.0	303.0	359.6	284.0
Disbursements	—	3.0	48.2	28.6	149.4	127.8

— = not applicable.

Source: Asian Development Bank records.

64. On a comparative basis, WB's cumulative disbursements to Viet Nam at the end of 1998 were \$746.8 million, compared with its cumulative commitment for the period 1993-1998 of \$2,121.7 million (Appendix 5, Tables A5.4 and A5.5). The disbursements represented about 35 percent of the total availability of funds from WB over the same period, showing a slightly better performance than ADB's disbursements on prima facie grounds. Similarly, cumulative disbursements of ODA funds at the end of 1998 were \$5,012 million compared to total commitments of \$13,040 million, representing about 38 percent of the availability of ODA funds over the same period (Appendix 5, Table A5.6). ADB's disbursement performance compared to total commitment and disbursement of all donors' funds is not encouraging (Appendix 5, Table A5.1). However, such direct comparisons may not be appropriate, as the extent of loan

cancellations is not accounted for as would be the case in the calculation of the ADB-defined disbursement ratio.

65. The capacity did not exist to build up project implementation at the rates implied by ADB and other aid agency programs. This, however, could be viewed as in part a blessing in disguise, as disbursement of all the aid programs at the rate implied by the commitments could have had serious macroeconomic consequences, creating short-term inflationary pressures and a longer-term impact on the recurrent budget. The issue of absorptive capacity was implicitly addressed by including quick-disbursing program loans in the portfolio, with the intention to bypass some of the constraints in procurement procedures and expedite disbursements. As it turned out, however, new constraints arising from compliance with policy conditions (paras. 94-96) emerged. A large amount of TA activity sought to quickly increase Vietnamese understanding of the detailed requirements for the management of the ADB program. Typically, these TAs revolved around training Vietnamese counterparts to understand procurement and other procedures of ADB and different aspects of the project cycle, to adopt proper accounting standards and procedures, and to use approved auditing procedures. This component of the TA program was quite successful in transferring the required skills and has resulted in a significant acceleration in the implementation process, particularly after 1996.

66. An apparent consequence of the absorptive capacity constraint was that ADB assessment of project administration performance focused to a large extent on the disbursement rate as an index of success, and the need to speed up the rate made the focus even tighter. The long delays in project implementation were one source of pressure for ADB to broaden the scope of its program (since it would have been difficult to commit resources to new projects in sectors in which disbursement on existing projects was held up).

67. Considerable progress has been made in improving the absorptive capability of the ADB program. Nonetheless, there is a gap between the country's and ADB's procedures for the release of funds. ADB disburses funds committed to a project according to actual progress/performance, reflected by the contract award process. Vietnamese project agencies, on the other hand, are required to submit budgets for projected annual capital expenditures for the project to the Ministry of Finance at the time of annual budget formulation, including estimates for both foreign loan funds and counterpart funds. Therefore, half a year can easily be lost if the project is approved at midyear, since there is no local budget to allow for fund release by relevant national authorities.

68. Project design continues to be optimistic regarding the implementation capacity of project EAs. Limitations in the institutional capacity of the EAs include lack of familiarity with ADB's procedures and lack of authority and experience in coordination of the various parties involved in project implementation (critically important when the project design cuts across existing departmental boundaries, e.g., the forestry and rural infrastructure projects). As the location of project activities moves to the provincial and local levels, it will be necessary to come to terms with capacity limitations at the local level.

B. Sectoral Portfolio Performance

69. The country's poor absorptive capacity for foreign assistance has its roots in several common constraints applicable to all projects. The initial difficulties were attributed to the country's unfamiliarity with aid agencies' procedures and requirements, including those of ADB, and this lessened with the learning experience acquired over time. As a result of the efforts of

the Government and ADB, the portfolio situation had improved significantly by 1998, particularly in the delegation of authority, availability of counterpart funds, and fund flow mechanism, although there are signs of deterioration in portfolio performance in 1999. Portfolio performance continues to be affected by other intractable problems that vary by sector. Projects in agriculture and natural resources as well as in finance and industry have better performance, with disbursements equivalent to approximately 56 percent of time elapsed. Projects in the transport sector come next with a ratio of 39 percent. Projects in the energy and social infrastructure sectors have disbursements equivalent to less than one-third of elapsed time (Appendix 6, Chart 1).

70. Portfolio performance is also assessed on the basis of several performance indicators relevant to evaluating implementation progress and achievement of development objectives. These indicators include status of loan signing, loan effectiveness, establishment of operational guidelines, major change of scope, project costs, availability of counterpart funds, recruitment of consultants, status of contract awards, and submission of audited accounts. A project rating is then given on the basis of these performance indicators for implementation progress and achievement of development objectives.²⁹ A summary of the portfolio performance by sectors based on these key performance indicators is given in Appendix 6 (Table A6.1). The sectoral portfolio performance is discussed in greater detail below.

1. Agriculture and Natural Resources

71. Since 1993, ADB has provided \$464.1 million for eight loans in the sector. The Agriculture Sector Program was completed in June 1998 leaving seven ongoing loans with a net loan amount of \$370 million. All seven ongoing projects are rated as satisfactory in terms of their implementation progress and achievement of development objectives. Major problems are being encountered, however, with key implementation performance indicators, namely (i) lengthening loan signing delays, as in the case of the Phuoc Hoa Multipurpose Water Resources Project, whose loan took nearly five months to be signed; (ii) unsatisfactory contract awards and disbursements, as in the case of the Fisheries Infrastructure Improvement Project; (iii) delays in the establishment approval of financial and operational guidelines of PMUs, as in the case of the Forestry Sector Project; and (iv) inadequate staffing and weak capacity of PMUs, as in the case of the Forestry Sector Project and the Rural Infrastructure Project.

2. Energy

72. ADB has provided two loans amounting to nearly \$180 million for the sector. The portfolio performance of these two ongoing loans is rated partly satisfactory at best. While both projects are rated as satisfactory overall for achievement of development objectives, the Power Distribution Rehabilitation Project is rated as only partly satisfactory in its implementation progress. Major problems relate to the key performance indicators of (i) delay in loan signing, as in the case of the Central and Southern Viet Nam Power Transmission and Distribution Project, which took nearly a year because of disagreement over one covenant related to tariff increases; (ii) delay in contract awards, as in the Power Distribution Rehabilitation Project; (iii) delay in recruitment of consultants for both projects; (iv) delay in submission of audited accounts, as in

²⁹ The rating classification is taken from ADB's project performance reports and is divided into highly satisfactory, satisfactory, partly satisfactory, and unsatisfactory.

the case of the Power Distribution Rehabilitation Project; and (v) delay in compliance with loan covenants in regard to electricity tariffs.

3. Finance and Industry

73. ADB has approved only one loan, the Financial Sector Program Loan, amounting to nearly \$90 million. The portfolio performance was partly satisfactory because the second tranche of the loan could not be released as scheduled. The problem related to one key performance indicator, compliance with agreed policy conditions: (i) providing a level playing field between joint venture banks and local banks for deposit taking and branch office operation; (ii) establishing an independent deposit insurance organization; and (iii) issuing various decrees, including a Decree on Promissory Notes. Underlying this problem with compliance of policy conditions were the difficulties involved in having the necessary decrees drafted and agreed upon by various concerned parties. Nevertheless, in terms of achievement of development objectives, the loan was rated as satisfactory in ADB's project performance report.

4. Transport

74. ADB has provided \$500 million for five loans in the sector. Their average performance could be deemed satisfactory, although the implementation progress of the Saigon Port Project is currently deemed partly satisfactory. Problems exist in the following key implementation performance indicators: (i) delay in loan effectiveness, as in the case of the Third Road Improvement Project (by six months) and the GMS: Phnom Penh to HCMC Highway Project, which has yet to be declared effective due to cross conditionality complications with the Cambodian portion; (ii) unsatisfactory contract awards and disbursement performance, as in the three road improvement projects; (iii) delays in the recruitment of consultants, as in the second and third road improvement projects; (iv) incomplete submission of audited accounts, as in the Saigon Port Project; and (v) shortfall in counterpart funds, as in the Saigon Port Project.

5. Social Infrastructure

75. ADB has provided \$347 million for six ongoing loans in the sector, which is divided into two subsectors.

a. Water Supply and Urban

76. There are three ongoing loans in the subsector. In terms of achievement of developmental objectives, they are rated as satisfactory. Their implementation performance is also deemed satisfactory, though with substantial delays compared with the elapsed loan period. The problems relate to three key performance indicators: (i) delayed loan signing (for about four months), in the case of the Second Provincial Towns Water Supply and Sanitation Project; (ii) delay in loan effectiveness for both the HCMC Water Supply and Sanitation Rehabilitation Project and the Second Provincial Towns Water Supply Project; and (iii) delay in contract awards and disbursements in all three projects.

b. Education, Population, and Health

77. There are also three ongoing loans in this subsector with one, the Population and Family Health Project, rated as highly satisfactory while another, the Vocational and Technical Education Project, rated as unsatisfactory in implementation performance. Overall, the projects are rated as satisfactory in both implementation progress and achievement of developmental objectives. The problems with the education projects relate to the same performance indicators as other projects discussed so far: (i) delayed loan signing, as in the Vocational and Technical Education Project (for nearly nine months); (ii) delay in loan effectiveness; and (iii) delays in contract awards and disbursements.

C. Implementation Constraints of Project Lending

78. The problems that confronted smooth portfolio performance were numerous. Delays in contract signing or in loan effectivity were often the result of bureaucratic procedures and the long consultation-and-consensus process within the Government machinery. The setting up of PMUs at both the central and provincial levels was subject to delays in getting the necessary staff to fill the required positions. There were inherent difficulties in staffing the provincial PMUs with qualified people, as central level staff were not offered any incentives to relocate while local staff often lacked project management capability. Frequent changes in staff further compounded the problem. The disruption from staff changes did not apply only to the Vietnamese: there were also staff changes in ADB, particularly around 1995; during the implementation of the Fisheries Infrastructure Improvement Project, for example, there were four staff changes in ADB dealing with the project and the Government had to request ADB to have no more staff changes.

79. Cumbersome procedures for review and approval of contract awards were also major constraints, particularly when numerous contract packages were involved, as in the case of the Rural Infrastructure Sector Project. In a number of instances, the successful bid packages were not awarded, due to unrealistically low prices quoted by the contractor as well as the contractor's past poor performance. While the problem of lengthy procedural requirements for contract awards was predominantly applicable on the Vietnamese side, there were apparently instances of delays originating from ADB. The approval for tender documents, for instance, was allegedly held up for six months in the case of the Fisheries Infrastructure Improvement Project.

80. The cumbersome procedures for payments for completed works also plagued ADB's projects. Payment certificates had to be endorsed by different committees in the provinces, and the certification of completed works by the PMUs and the highly qualified implementing consultants (domestic or international) engaged for the purpose was not recognized. The complicated documentation required for claims often led contractors to avoid making claims for progress payments and to prefer submitting a single claim upon completion of their jobs.

81. Coordination constraints were perhaps the most intractable and basic problems affecting the implementation performance of ADB's portfolio. ADB appeared to underestimate consistently the impact of such constraints with project activities that crossed established departmental and provincial boundaries of responsibility, and this led to implementation delays. Examples include the Rural Infrastructure Sector, Forestry Sector, and Power Distribution Rehabilitation projects. Coordination problems were aggravated by the adoption of different policies by the provinces, as in the case of compensation for resettlement.

82. Coordination constraints were aggravated by the inadequate project management capacity of provincial staff, not only in terms of numbers but also of the caliber of staff available. Intensive TA operations helped to some extent but in many cases were not sustainable as a result of staff changes.

83. Allied with the problem of inadequate project management capacity at the provincial levels was the problem of inadequate counterpart funds at the provincial levels, as in the case of the Population and Family Health, Road Improvement, and Saigon Port projects. Worries about the provision of adequate counterpart funds, in fact, made some provinces less than enthusiastic about the decentralization process of the Government.

D. Implementation of Program Lending

1. The Program Loans

84. The Agricultural Sector Program and the Financial Sector Program were the only program loans funded by ADB during the period 1993-1998. Both were policy reform-based loans in support of the Doi Moi reform process and incurred delays in the disbursements of the second tranche of the loans due to nonfulfillment of the second tranche conditions. Difficulties in implementing specific policy measures have been a characteristic feature of the program loans. Declared effective on 17 April 1995 for an implementing duration of three years (1995-1998), the Agriculture Sector Program was closed on 30 June 1998 while the Financial Sector Program, declared effective on 3 February 1997, is still ongoing.

85. The initiation of the Agriculture Sector Program loan was based on the understanding that the Government placed a very high priority on developing agriculture, which generates incomes for more than two thirds of the population, provides for national food security and is a substantial foreign exchange income source. The Program was intended to encourage the Government to establish a policy environment that would be supportive of the development of a market-oriented agriculture sector and to provide needed budgetary support associated with the reforms. As a program loan, it was intended to be quick-disbursing, avoiding the constraints that held up the disbursement of project loans. The loan had a number of conditions aimed at liberalizing domestic and foreign trade in agricultural produce, strengthening the role of the private sector, modifying the legal framework (including land use rights), improving the commercial orientation and capacity of financial intermediaries in rural areas, and in general improving the institutional framework within which households engaged in agriculture. A total of 45 reform measures were included in the Program.

86. Upon completion of the program loan, all the policy conditions were fulfilled. In some cases, measures were implemented ahead of schedule or exceeded the required level of commitment. But there were also a number of delays and difficulties during implementation, particularly in relation to trade liberalization in the rice export and fertilizer import trades and settlement of nonperforming and outstanding loans of the Viet Nam Bank for Agriculture and Rural Development (VBARD). As a result, the release of the second tranche of the loan was delayed for more than a year. The design of the policy conditions involved very important issues of institutional reform in agriculture; these were of a kind with which the national authorities had little experience, and in some cases they challenged existing vested interests. The need for time in the consensus decision-making process before such changes in institutional reform could be effected was perhaps underestimated by ADB.

87. Overall assessment on the government side of the performance of the Program was that the program loan was a success. Aspects considered particularly effective by the Government included (i) decreasing interest rate subsidies extended to SOEs engaged in rice marketing and export; (ii) exercising stronger financial control over SOEs operating in the sector; (iii) partially removing trade barriers, notably in the rice and fertilizer business; (iv) issuing titles for land use rights for agricultural and forest land, with rights of transfer and use as collateral to acquire loans; (v) removing restrictions on interest rates on loans from the VBARD; and (vi) improving accounting and auditing standards.

88. The loan supported a program of policy reform that has been generally successful. The difficult question is to what extent the success of the reform program can be attributed to the loan conditions. The program of reform was well under way before the loan was negotiated. The loan signaled support for and reinforced that process. Specific loan conditions placed pressure on the Government to sustain the momentum of change, but the reforms formed part of a strategy that was nationally owned. As a consequence, and perhaps paradoxically, conditionalities attached to ADB loans may have been in the right direction and consistent with the reform momentum, but not really necessary. Nevertheless, some of the most important reforms were controversial, and it seems likely that ADB conditions and dialogue about their implementation reinforced the push for change.

89. An important aspect of the support for reform was that the loan provided the context for an important TA effort. ADB provided two TA projects related to the loan,³⁰ for the purpose of monitoring the main aspects of the Program and contributing to the policy dialogue underway between ADB and the Government. The TA on Rice Market Monitoring and Policy Options Study (i) helped to develop databases on key indicators of the rice market to support policy formulation; (ii) conducted an in-depth study of the rice market (including processing, storage, and trade in rice) and analyzed the incentive structure (including effects of existing State's intervention measures); and (iii) evaluated the impact of key proposed reforms on the farmers, processors, traders, exporters, and consumers in order to prepare medium-term policy options for the Government. In addition, the TA helped train the staffs of line agencies in designing statistical samples, database processing, and economic policy analysis methods. The TA apparently met its objectives and contributed substantially to the fulfillment of a number of commitments under the Program.

90. The TA on Land Information System and Agricultural Taxation Study was provided to help (i) monitor the process of awarding land use rights certificates in the framework of the Program; (ii) monitor the shift of land use and the process of land accumulation during the Program; and (iii) review taxation in agriculture to assess the fiscal burden on the poor and its impact on the accumulation of land use rights. The second component (Agricultural Taxation Study) undertook a study of the impact of the existing tax system on agricultural land utilization, and surveyed agriculture taxation policy in provinces chosen as representative of the three economic regions of the country. The Government expressed its satisfaction and appreciation for the ADB support, since the TA effectively assisted them in strengthening their expertise in managing the agricultural land taxation system.

91. The Financial Sector Program loan was intended to support the development of a more efficient market-based financial system, to encourage an expanded role for the private sector,

³⁰ TA 2224-VIE: *Rice Market Monitoring and Policy Options Study*, for \$832,000, approved on 8 December 1994 and TA 2225-VIE: *Land Information System and Agricultural Taxation Study*, for \$646,000, approved on 8 December 1994.

and to promote efficiency in resource allocation. It aimed to strengthen the capacity of the financial system and to enhance its efficiency in mobilizing and utilizing savings. The principal objectives were to (i) establish the legal and regulatory framework to facilitate private sector participation, including accounting and audit systems, information disclosure, and depositor/investor protection; (ii) commercialize and modernize banking operations by providing greater autonomy to State-owned commercial banks, improving risk management practices, and raising capacity for deposit mobilization; (iii) promote efficiency through enhanced competition and diversification of the range of financial institutions; and (iv) initiate the development of a capital market through promulgating basic securities legislation and establishing a securities agency to regulate and develop the market for securities.

92. The Program came at an appropriate time: the Government had recognized the need to deepen the reform process by improving public sector management and promoting the establishment of institutions appropriate to a market system. Institutional constraints had become evident in a number of areas, including in the financial and banking sectors. Reform of the financial sector, including institutional strengthening and formulation of appropriate legislation, was seen as a crucial requirement for sustained economic growth over the longer term. Building the capacity of the financial sector was important for macroeconomic management, for domestic savings mobilization, and for the efficient allocation of scarce investment funds. At the time, the financial sector was characterized by ineffective financial regulation and supervision, poor performance of State-owned commercial banks with suspect asset portfolios, low quality and efficiency of banking services, inadequate market infrastructure (which limited the range of financial products), and gaps in the legal framework and regulatory systems, including those to provide an effective environment for an expanding private sector.

93. The reform or policy measures under the Program were intended to reduce the degree of financial repression through a variety of policy measures aimed at improving public confidence in the financial system. Market instruments were to be developed to lessen reliance on direct controls. Transparency was to be improved through imposing disclosure requirements and establishing accounting and audit systems based on internationally accepted standards. A deposit insurance system that would guarantee the deposits of individual investors up to a certain level in case of bank failure was to be introduced. Improved risk management practices would reduce the risk of fraud, financial mismanagement, and imprudent behavior. The Program also supported necessary improvements to the legal environment in such areas as negotiable instruments, collateral, and equipment leasing. It also aimed to establish a legal and regulatory framework for nonbank financial institutions, to broaden the range of financial institutions operating in the financial system. It is in such areas that the Program is currently held up.

94. Half of the loan or \$45 million has been disbursed upon fulfillment of the first tranche release conditions. Release of the second tranche of the loan has been delayed, however, as the Government has failed to fulfill on schedule a number of policy conditions written into the loan. These included legislative undertakings to "issue comprehensive implementing regulations on collateral identifying the types of land use rights, movable and intangible assets which can be subject to the creation of security interests (e.g., mortgages, pledges, and guarantees) in favor of creditors, defining how security interests may be created, and establishing enforcement and foreclosure procedures....."³¹ Pursuant to this condition, the SBV drafted a Decree on Loan Security, and the Ministry of Justice was responsible for drafting a decree law on Registration of Security Interests. However, at the end of 1998 ADB notified the Government that these drafts were not in conformity with the policy conditions, and that the Government should draft a

³¹ Policy Matrix - Financial Sector Program Loan - Legal and Regulatory Framework.

"comprehensive Decree Law on Secured Transaction" by revising and integrating the two draft documents. This, together with the Government's weaknesses in drafting other legal documents stipulated in the Program (e.g., enactment of Decree Laws on Commercial Papers, the Bill on Promissory Notes, and the Bill of Exchange) has held up disbursement of the second tranche of the loan.³²

95. A principal cause for the delay was the fact that drafting and enactment of new commercial legislation has proved to be a lengthy process. From the Vietnamese side, there was an added uncertainty about the appropriateness of parts of the proposed framework, because of conflicting advice received from other aid agencies.³³ The situation was not helped by differences in interpretation of the policy condition on issuing comprehensive implementing regulations: SBV complained that it considered what it had drafted "comprehensive" enough but ADB did not agree, leaving the final arbitration to ADB. The terms "Bills of Exchange" and "Promissory Notes" mean the same in the Vietnamese language and were the subject of dispute between SBV and the Ministry of Finance, and reference to ADB staff apparently could not resolve the issue. It was finally resolved with the preparation of one decree law on commercial paper.

96. More fundamentally, however, it might be questioned whether the drafting of decrees and legislation was an appropriate condition for a program, or policy-based, loan in the context of Viet Nam. The proposed regulatory framework is only part of a complex institutional development of the financial sector that will take many years. The regulations themselves will not transform practice at a stroke and as such cannot be seen as a decisive policy change. There seems little evidence that tardiness on the Vietnamese side indicates resistance to change; rather it reflects the difficulties of implementing complex new arrangements in an unfamiliar field. On the other hand, there was the argument that the Financial Sector Program loan was essentially aimed at providing the regulatory framework for a nascent financial sector that has yet to be developed. The intention was to prepare the environment for more substantive market reforms to be pursued later.

97. In the context of the Financial Sector Program loan, ADB provided a piggybacked TA to help the Government modernize the operations of one of the four State-owned commercial banks and develop banking expertise in priority areas. Under the TA, which was worth \$882,000, ADB financed consulting services for the modernization of operations of the Bank for Investment and Development of Viet Nam. The TA focused on strategic planning, organizational structure, management information systems, risk management, treasury operations, and fund management. The Vietnamese view is that the TA has contributed to improving the commercial banking operations of one of the leading State-owned commercial banks.

2. Assessment of Program Lending Modality

98. The need for including quick-disbursing program aid in ADB's Viet Nam portfolio was strong. As it proceeded with its transition to a more market-oriented economy, Viet Nam needed balance-of-payments and budgetary support to provide the resources to accommodate the vigorous response of the economy to the ambitious liberalization program the Government had

³² As of this writing, the second tranche was in the process of being released, as the last of the second tranche conditions was expected to be fulfilled in December 1999.

³³ The German Agency for Technical Cooperation also launched a TA to help Viet Nam build a model for loan security and deposit insurance. The Agency consultants allegedly disagreed with the structure of the deposit insurance framework proposed under the Program.

implemented. ADB's program loans were not intended to provide balance-of-payments and budgetary support. But given the fungibility of money, the proceeds of the counterpart funds from the sale of foreign exchange were invariably used for budgetary support, even when special accounts were created.

99. The choice of the agriculture and banking sectors as subjects for the first sectoral program loans was also appropriate. Substantial reform was urgently needed in agricultural marketing policy and key rural institutions (particularly tenure arrangements) for the effective operation of a decentralized market-based agriculture. The achievement of the reform objectives coincided with the completion of the ADB program loan. The reform has contributed to the sustained expansion in agricultural output, which has been an important success story of the Vietnamese economy in the past decade. How much of this success can be attributed to the ADB loan is hard to say. However, the TAs supplied with the loan and the ongoing policy dialogue no doubt accelerated implementation of reforms.

100. Experience with the Financial Sector Program loan, in particular, indicates some of the implementation problems with policy lending. The first is the dilemma of setting difficult conditions that may hold up disbursement of what is supposed to be a quick-disbursing loan. Attempting to fulfill with one loan the two imperatives of giving quick disbursing assistance for Viet Nam's expenditure needs in pursuing reform and promoting complex reforms may, therefore, prove irreconcilable in Viet Nam, given the long process of consensus building. A second problem is that when the Government is pressured to adopt legislation in an ad hoc manner, making legislation a loan condition conflicts with the governance objective of building the integrity of the legislative process. A third is that the full institutional requirements for financial sector development are too complex and lengthy to be readily incorporated in the conditions for a single loan. Alternatively, the conditions set out in a loan, even if met, are far from sufficient to ensure financial sector development. Finally, the conditions set may prejudge policy options in areas in which Viet Nam has received conflicting advice from other qualified international advisers.

101. Policy reform is most likely to be successful when it is nationally owned, based on a broad political consensus. Indeed, the success of the Vietnamese reform process rests on many difficult policy changes that were made before the resumption of multilateral aid in 1993. In the critical phase of reform, the Government received and made use of international advice without the pressures or incentives of policy lending. There is little evidence that conditional lending has increased Viet Nam's receptivity to external advice. In some respects, policy-conditional lending may add to the difficulty of policy reform. The formulation of policy in Viet Nam involves a complex process of national consensus building. When there is a national consensus behind policy reforms, conditionality, as seen above, is at best supportive. Where there is not, conditionality is unlikely to be complied with readily. This suggests that it might be best to restrict loan conditions to actions that are intrinsically necessary for the success of a project. The past concentration in policy advice and loan conditionality on the rapid issuance of new laws, decrees, and legislation may need to be reviewed, as these incurred difficulties and may not have necessarily resulted immediately in the creation of the conditions (e.g., a viable financial market) intended by these decrees and legislations. Reform may be best supported by a well-focused and sustained TA effort.

E. TA Operations

102. TAs accounted for a significant element of ADB's total assistance to Viet Nam. Of the 83 TAs, amounting to \$61 million, approved by ADB as of end 1998, about half in terms of value were for investment-related activities (42 projects), the rest being divided between support for capacity building (23 projects) and policy support (18 projects). In percentage terms, the agriculture sector accounted for 19 percent of total TAs, social infrastructure for 31 percent, transport for 5 percent, energy for 10 percent, finance and industry for 6 percent, and others for 29 percent (Appendix 7).

103. As of end 1998, only 14 TCRs have been circulated (Appendix 1, Table A1.2). The TAs were all rated as generally successful in the TCRs except for the TA on Coastal Agriculture Development Study, which was rated as partly successful because the TA had limited impact: the EA did not give a high priority to the findings of the coastal aquaculture study, with the result that no coastal aquaculture sector or policy reforms were formulated. Of the TAs that had circulated TCRs, four were postevaluated. One was rated as generally successful while the other three focusing on the financial sector were rated as partly successful because the objectives of the TAs were not fully achieved.

104. While some of the TAs are still ongoing, and TCRs have yet to be prepared even for some of those completed, a general impression of the performance of the TAs can be formed. Generally, project preparatory TAs (PPTAs) produced the most tangible results, resulting in projects for ADB's lending program. Nevertheless, views repeatedly articulated by the Vietnamese counterparts suggest that there were problems with the existing mode of delivery of PPTAs that broadly relate to the issue of ownership of the TA activities. In a number of cases, the Vietnamese authorities concluded that they had too little control over the consultants involved in project preparation, which in some cases had detracted from the efficiency of the work on project formulation and design. International consultants engaged in the preparation of highways projects, for instance, did not see the Vietnamese authorities as their clients and did not work closely enough with the Vietnamese side. The result was that project design failed to take proper account of local conditions, necessitating substantial modifications of the detailed project design at the implementation stage. On the other hand, ADB staff and consultants argued that the Government often did not sufficiently articulate its requirements, allocate counterpart staff, or provide information and documentation in sufficient quality and quantity to allow for meaningful interaction with the consulting team.

105. The concern for greater collaboration with the PPTA consultants had another dimension. Under existing regulations, the Vietnamese authorities have to prepare their own feasibility studies for proposed projects in accordance with the specific format and data requirements demanded by the Government. Often, the feasibility studies completed by the consultants engaged under the PPTAs did not conform to the requirements of the Government; as a result, the Vietnamese staff had to prepare another feasibility study, lengthening the loan processing and approval time. Close collaboration would have saved the Government much-needed time, as the feasibility report prepared by the consultants could have met the Government requirements and also have been used for submission to the Government authorities with appropriate but minimal modifications.

106. This suggests that ADB should consider modifying its methods for contracting consultants involved in project preparation, so that the beneficiaries are clearly identified as primary clients whose concerns and requirements should be addressed at least equally with

those of ADB. Increasing the local ownership of the project preparation process, with more active participation by the beneficiaries in the management of the TA and more direct control over the consultants, would avoid problems later in the project cycle, when projects might have to be redesigned to adjust to national requirements and local conditions.

107. For the TAs aiming at institutional strengthening and capacity building, the most obvious successes have been those involved in strengthening understanding of the detailed procedures involved in implementing ADB projects, significantly increasing Vietnamese absorptive capacity and accelerating the implementation of ADB projects. The reasons for the success of such TAs are that the purposes of the TA were clearly defined, the skills and information to be transferred were concrete and limited in scope, and the activities were related to immediate requirements to increase absorptive capacity, a goal shared by both sides.

108. The performance of TAs that aimed more generally at fostering institutional strengthening or capacity building is more difficult to judge. While individually these TAs might have achieved their purpose either partially or fully, this group of TAs appeared to lack the focus and synergy to reinforce one another's impact. In the context of the Doi Moi process, there was certainly a great need for advice and training to provide knowledge and adjust government capacity to the needs of managing a market economy. Such a need perhaps justified the broad scope of the largest of the capacity building TAs, namely, the support provided to the State Planning Commission (which became the Ministry of Planning and Investment) to provide training in market economics to most of the staff of the ministry. However, the training input was not related to any effort to restructure the ministry or change the work tasks of the staff being trained. Instances of training benefits given through the TAs not being utilized or sustained can be found. An example is the case of the training provided under the TA on Commercial Banks Review and Training,³⁴ where staff trained in utilizing modern techniques of project appraisal could not utilize them because of existing government requirements to use another approach.³⁵

109. There seems to be too little coordination between the TA interventions of various aid agencies (e.g., in relation to support for administrative reform, agricultural policy, or financial sector reform). Many agencies receive TAs from various sources with overlapping terms of reference, sometimes offering conflicting advice (e.g., that with respect to deposit insurance legislation). The relationship between the various donor initiatives seems more competitive than complementary. Also, there was little effort to improve coordination over time. Those involved in implementing projects were not properly informed about earlier initiatives in related areas supported by ADB or by other agencies. Discussions with consultants on the ground indicated that they tended to stumble across the reports of other consultants on earlier or related work largely by accident. A large number of reports were produced, but there was little follow-up to ensure that productive use was made of them.

110. In a number of critical areas of institutional reform and capacity building, the process of change will take many years, extending well beyond the life of individual projects. In areas such as civil service reform, economic policy work, and reform of the financial sector, capacity development will require a sequence of steps, where at each stage, work should build on the foundations laid by earlier efforts. There is no mechanism in place to promote the necessary linkages. Nor has sufficient consideration been given to the trade-off between funding expensive

³⁴ TA 2039-VIE: *Commercial Banks Review and Training*, for \$600,000, approved on 27 December 1993.

³⁵ As reported in IN.1-99: *Technical Assistance Performance Audit Report on Effectiveness of Bank's Technical Assistance in the Financial Sector in Viet Nam*, 5 January 1999.

consulting studies and training programs and funding the creation of local institutions that could deliver the required studies and training on a sustainable basis over the longer term.

111. The TA sums involved were quite large. From the Vietnamese side, even though the resources involved were largely in the form of grants, there would be real costs in terms of lost opportunities if these considerable sums were not used effectively. What may be required is a more systematic joint exercise to provide a road map for longer-term capacity building, with a sequence of goals, to provide a framework into which capacity building TA projects could fit. Greater efforts are required to link the various initiatives. Discussions with ADB staff suggested that they did not have sufficient time to undertake the effective planning and management of TA operations. As the sums involved in individual projects were small compared to project loans, it is not surprising if an impression that ADB did not give a high priority to TA design is retained.

V. CONCLUSION

A. Overall Assessment

112. ADB's country strategy was relevant to the country's needs and conditions, even though it became more diffused in focus during the later period. The strategy adopted in the earlier period, in particular, reflected the correct diagnoses of the country's situation by the early economic and sector work. The program of assistance that followed also broadly reflected the strategy and the needs of the country. Both the country strategy and the program supported the Doi Moi process. The shift towards a greater focus on crosscutting issues in the later period was itself not only a reflection of internal developments in ADB but also of the additional concerns of the Government after its initial priority needs (rehabilitation and reconstruction of infrastructure) had been partly met.

113. The present ADB strategy of greater emphasis on crosscutting issues and more decentralized development is sustainable so long as the country maintains its high priority for poverty reduction, particularly through rural development, and other crosscutting issues. The ADB strategy and program have served to reinforce the Government's commitment to reforms. On the Government's side, it began formulating Doi Moi II as the next phase to quicken the reform process, and to take up other concerns, particularly in regard to governance, where drastic measures have recently been taken. However, the recent graduation of the country from Group A to Group B1 may have implications in terms of future ADB programs. The relative reduction in the availability of concessionary resources may force the Government to realign its priorities for more efficient use of ADB's resources, typically penalizing projects with lower returns. At the same time, this would provide ADB the opportunity to assess whether it should refocus its intervention in a few areas where it has comparative advantage and where it could give the best developmental impact.

114. ADB's strategy and program of assistance have been relatively effective in supporting and promoting policy reforms essentially through its lending operations, though they may not have been the most efficient. Performance of its nonlending operations in promoting policy reforms is less assured, given the lack of a focus and a coherent strategy for systematizing and sequencing TA operations. Beyond this, it is not possible to assess the development effectiveness of ADB's program as the projects are still ongoing, particularly those aimed at achieving growth and poverty reduction targets.

115. The implementation performance of ADB interventions in the past has been relatively poor and needs to be improved. Much-needed efforts and resources need to be expended to resolve delays arising from coordination constraints and the cumbersome decision-making process. Appropriate capacity building TAs continue to be needed to help improve the implementation performance of projects. Until the full costs and benefits of ADB's intervention are known (when projects are completed), an assessment of the efficiency of ADB's intervention remains speculative.

116. On the other hand, it can more assuredly be stated that ADB's program has not made much impact on certain crosscutting areas, chiefly gender equity and governance, simply because, not having priority or not being deemed a major concern at the time, they were not actively addressed. Nevertheless, a number of TAs were provided to improve the audit and procurement functions, examine potential for administrative reforms and strengthen selected

ministries. These efforts were conducive to governance improvement. The program addressed poverty reduction and environmental concerns to a creditable level, though the extent of its impact will be known only much later.

117. ADB's contribution to the country's development at the macroeconomic and sectoral level cannot be established with certainty. While ADB is among the major donors, its share in the overall donor assistance is not dominant (Appendix 5, Chart A5.1). Nevertheless, a tentative assessment of the program is that it has 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 has 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 does not detract from the program's relevance to the country's needs, although it can raise the question of how cost effective ADB's intervention has been.

B. Major Issues for Consideration

1. Coordination and Decentralization

118. Coordination problems between departments, provincial and central authorities, and even between departments and their parent ministries are likely to remain for the immediate future, given the characteristic consultative and multilayered decision-making process of the Vietnamese bureaucracy. ADB continues to design projects that require coordination across boundaries. While such projects may be unavoidable for numerous valid reasons, coordination constraints need to be anticipated, including the delays arising from the long approval process. The problem is likely to loom larger with the greater attention to decentralized developmental efforts, where coordination problems between central and provincial authorities are further compounded by the inadequate capacity at the provincial levels.

119. The attempt to promote greater decentralization, with provincial authorities assuming more direct roles in developmental efforts, often meets with operational difficulties. For one thing, owing to inadequate capacity, ADB staff have often had to liaise and coordinate with central authorities, who in turn liaise with the provincial authorities, thus undercutting the decentralization process.³⁶ For another, there is no incentive for experienced staff at the central level to relocate, even temporarily, to PMUs at the provincial levels to provide project implementation capacity. The shift towards more decentralized developmental efforts should, therefore, be accompanied by the greater availability of ADB staff time (either at the headquarters or at the Resident Mission) and systematic assistance to increase the project management capacity at the provincial level.

2. Poverty Reduction Modality

120. The poverty reduction issue was addressed in ADB's program in the earlier period as an aspect of growth projects, implying that growth is a necessary (though not sufficient) condition for poverty reduction. To address the poverty issue directly, ADB along with other aid agencies

³⁶ A suggestion by the Vietnamese central authorities to ADB staff that the staff coordinate directly with the provincial authorities in a provincial water supply project was apparently rejected on the grounds that ADB did not have enough staff time to do so.

and in keeping with the Government's emphasis on decentralizing poverty reduction, increasingly turned its attention to local interventions that are intended to have a direct impact on the income potential of poor communities. However, many of these areas as identified by the Government are in the remote highlands or coastal areas not well-endowed with natural resources, and designing appropriate and economically viable projects for them can prove challenging. At the same time, decentralized projects are typically smaller than centralized projects but require the coordination of a number of departments and complex judgments regarding household needs. Given the high fixed costs of administering ADB-financed projects, it will be important to study the resource implications of alternative options.

3. Systematic Approach to Capacity Building and Institutional Strengthening

121. Basic institutions that are critical to the emergence and development of a competitive market remain poorly developed in Viet Nam. ADB-financed TAs have generally focused on narrow short-term objectives and have not always been planned within the context of long-term strategies for capacity building and development of such basic institutions. A coherent strategy and plan for the use of TAs in systematic capacity and institutional strengthening, taking into consideration the priority of institutions to be strengthened, timing and sequencing of TA efforts, synergistic impact of the TAs and other factors, would greatly assist the Vietnamese efforts at hastening the pace of policy reforms. The implication of such a strategy, given ADB's limited TA resources, is that ADB should focus more narrowly on providing systematic programs of longer-term policy and institutional strengthening support to priority institutions and should limit the number of TAs given for other purposes.

4. Condition Setting and Program Lending

122. The setting of conditions in program loans may need to be refined in the context of Viet Nam's cumbersome process of consensus building. ADB's tendency for conditional rapid passage of decrees, laws, and other legislation might have been prompted by the perception that these legislative actions were needed quickly to build up a substantially different policy, legal, and institutional frameworks required for the development of a competitive market economy. Such conditions could lead to problems of compliance, however. Major problems, in fact, arose because of inconsistencies and ambiguities between various policy statements and regulations and in some cases because of poor drafting and internal inconsistencies in single documents. But more fundamentally, the process required consultations along the way. And the long delays often gave the impression of lack of commitment or ownership of the reforms by the Government. What needs to be borne in mind is that a considerable amount of reform was implemented even before ADB resumed lending operations. The reforms will continue to be pursued under the Doi Moi process. Adopting the modality of a program loan to encourage the reform process through difficult conditions, and at the same time expecting quick disbursement of the loan amount (usually in two tranches) based on compliance with such conditions, are apparently irreconcilable in the Vietnamese context. Support of the reform process through program loans, particularly at the present stage where unfamiliar institutional changes have to be made, may have to be complemented with other modalities, including nonlending operations.

C. Lessons Learned

123. The COS and CAP documents need to be designed to provide relevant operational guidance, particularly for project identification and processing. The strategy and program proposed should be focused and selective and should provide the basis for decision making including exclusion of specific areas of intervention. Priority areas need to be identified.

124. It is unrealistic to expect that capacity building can quickly enhance the absorptive capacity of a transition economy. There is as much need to tailor ADB's business processes and country strategies to the country's administrative environment as there is for TAs to help the country to strengthen its capacity.

125. Interagency and provincial-central level coordination in a country that values consensus building represents a serious constraint to expeditious project implementation. In such cases, projects that minimize across-boundary coordination should be preferred whenever possible.

126. The use of TA for capacity building and institutional strengthening can greatly assist the country in its reform process, but the 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.

127. The failure to instill recipient ownership of lending and nonlending aid agency interventions is detrimental to their successful outcomes. Such a failure could arise from a lack of political or ideological commitment or conviction. Such issues are quite separate from fundamental problems of coordination and absorptive capacity and need to be resolved quite differently.

D. Recommendation

128. In view of ADB's shift towards more decentralized intervention, especially for poverty reduction projects, and the consequent need for greater coordination with provincial level staff, more staff time should be provided for project processing and implementation. For greater efficiency, the project administration staff strength of the Viet Nam Resident Mission should be increased. At the same time, a sharper geographical focus for ADB's operations would help to narrow down the amount of staff time required.

129. In view of the apparent lack of a context for capacity building TA operations, it is suggested that the COS provide the framework for capacity building in Viet Nam that could be followed by the CAP. Such a framework should not only define the priority areas but also the sequencing for capacity building efforts.

130. It is suggested that performance indicators be identified in both COS and CAP documents as a basis for monitoring and evaluating ADB's program of assistance in Viet Nam.

131. As ADB's program in Viet Nam since 1993 largely consists of ongoing projects, 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. This suggestion is made on the understanding that the country's uncompleted reform agenda will continue and that it will continue to require intensive ADB assistance.

APPENDIXES

Number	Title	Page	Cited on (page, para.)
1	ADB Loan and Technical Assistance Projects in Viet Nam	35	1, 1.
2	Milestones in the Vietnamese Reform Process: 1986-1998	38	2, 9.
3	Number of Loans as Proposed and Approved by Sectors	41	5, 43.
4	Number of Loans as Proposed and Approved by Type of Projects	43	5, 45.
5	Data on Aid Commitments and Disbursements	45	1, 63.
6	Viet Nam Portfolio Performance	52	3, 69.
7	Number of Technical Assistance Projects Approved by Sectors	54	11, 102.

ADB LOAN AND TECHNICAL ASSISTANCE PROJECTS IN VIET NAM

Table A1.1: Viet Nam Bank Loan Projects, 1993-1998

Loan No.	Project Title	Amount (\$ million)	% of Total ADB Fund	Net Loan Amount (\$ million)	Approval Date	Signing Date	Effective Date	Closing Date	Extension Date
1259	Irrigation and Flood Protection	76.50	4.84	75.59	26 Oct 93	30 Oct 93	28 Mar 94	31 Dec 98	30 Jun 99
1272	Road Improvement	120.00	7.59	117.14	29 Nov 93	28 Sep 94	9 Nov 94	31 Dec 98	31 Dec 99
1273	HCMC Water Supply and Sanitation	65.50	4.11	63.32	29 Nov 93	28 Sep 94	10 Apr 95	30 Jun 99	30 Jun 01
1340	Agriculture Sector Program	80.00	5.06	78.78	08 Dec 94	19 Jan 95	17 Apr 95	30 Jun 98	
1344	Red River Delta Water Resources Sector	60.00	3.79	56.27	13 Dec 94	19 Jan 95	17 Apr 95	30 Sep 00	
1354	Saigon Port	30.00	1.90	28.50	02 Mar 95	24 Mar 95	21 Jul 95	31 Dec 98	3 Jun 00
1358	Power Distribution Rehabilitation	80.00	5.06	70.61	08 Jun 95	16 Jun 95	22 Sep 95	31 Dec 99	
1361	Provincial Towns Water Supply and Sanitation	66.00	4.17	58.39	17 Aug 95	15 Sep 95	22 Dec 95	31 Dec 00	
1404	Fisheries Infrastructure Improvement	57.00	3.61	52.95	16 Nov 95	21 Dec 95	17 Apr 96	31 Dec 02	
1457	Rural Credit	50.00	3.16	46.37	12 Sep 96	18 Oct 96	3 Apr 97	30 Jun 01	
1460	Population and Family Health	43.00	2.72	40.65	19 Sep 96	28 Nov 96	11 Mar 97	30 Jun 03	
1485	Financial Sector Program	90.00	5.69	86.97	19 Nov 96	28 Nov 96	3 Feb 97	31 Dec 99	
1487	Second Road Improvement	120.00	7.59	115.36	21 Nov 96	25 Mar 97	3 Jul 97	31 Dec 01	
1514	Second Provincial Towns Water Supply	69.00	4.36	66.20	27 Feb 97	4 Jun 97	17 Nov 97	30 Jun 02	
1515	Forestry Sector	33.00	2.09	33.18	20 Mar 97	4 Jun 97	8 Oct 97	31 Dec 03	
1537	Lower Secondary Education Development	50.00	3.16	51.09	16 Sep 97	17 Dec 97	27 Mar 98	30 Jun 04	
1564	Rural Infrastructure Sector	105.00	6.64	106.70	23 Oct 97	23 Jan 98	30 Apr 98	30 Dec 04	
1585	Central and Southern Viet Nam Power Transfer	100.00	6.32	101.37	27 Nov 97	25 Nov 98		31 Dec 02	
1598	Phuoc Hoa Multipurpose Water Resources	2.60	0.16	2.64	18 Dec 97	4 May 98	22 Jul 98	31 Mar 00	
1653	Third Road Improvement	130.00	8.22	126.45	10 Dec 98	13 Apr 99	20 Sep 99	31 Dec 03	
1655	Vocational and Technical Education	54.00	3.42	52.49	11 Dec 98			30 Oct 04	
1660	GMS: HCMC-Phnom Penh Highway	100.00	6.32	97.27	15 Dec 98	20 Mar 99		30 Jun 03	
	Total	1,581.60	100.00	1,528.29					

ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City.

Table A1.2: Viet Nam Bank Technical Assistance Projects, 1993-1998

TA No.	Project Title	Approval Date	Amount (\$)	TA Completion Report		TA Performance Audit Report	
				Circulation Date	Performance Rating	Circulation Date	Performance Rating
1961	Development of Small-Scale Rural Credit	6 Oct 93	568,000	Dec 94	Generally Successful	Sep 96	Generally Successful
1968	Operation and Maintenance Strengthening	26 Oct 93	1,800,000				
1996	Institutional Strengthening of the Ministry of Transport	29 Nov 93	1,900,000				
1997	Second Road Improvement	29 Nov 93	2,100,000				
1997	Second Road Improvement (Supplementary)	31 May 95	850,000				
1998	National Water Tariff Policy Study	29 Nov 93	600,000				
1999	Institutional Strengthening of HCMC Water Supply Company	29 Nov 93	600,000				
2000	HCMC Water Supply Master Plan	29 Nov 93	600,000				
2032	Secondary Education Development	27 Dec 93	550,000				
2039	Commercial Banks Review and Training	27 Dec 93	600,000	Nov 95	Generally Successful	Dec 98 ^a	Partly Successful
2040	HCMC Environmental Improvement Planning	29 Dec 93	600,000	Mar 97	Generally Successful		
2050	Seminar on Bank's Operational Policies and Procedures in Viet Nam	22 Dec 93	30,000				
2061	Institutional Strengthening of a Special Procurement Unit	14 Feb 94	100,000				
2063	Financial Markets Development	17 Feb 94	600,000	May 96	Generally Successful	Dec 98 ^a	Partly Successful
2084	Improving National Accounts	13 Apr 94	700,000				
2128	Strengthening Environmental Planning and Environmental Impact	1 Aug 94	600,000	Feb 97	Generally Successful		
2135	Financing of Social Services	12 Aug 94	575,000	May 97	Generally Successful		
2146	Second Provincial Towns Water Supply and Sanitation	1 Sep 94	550,000				
2148	Urban Sector Strategy Study	7 Sep 94	300,000	Mar 96	Generally Successful		
2167	Water Resources Sector Review	26 Sep 94	99,500				
2200	Training Seminar on the Project Cycle for Vietnamese Officials	2 Nov 94	95,000				
2218	External Debt Management	5 Dec 94	416,000	Dec 97	Generally Successful	Dec 98 ^a	Partly Successful
2224	Rice Market Monitoring and Policy Options Study	8 Dec 94	832,000				
2225	Land Information System and Agricultural Taxation Study	8 Dec 94	646,000				
2229	Review of Agricultural Strategy, Planning, and Programming	9 Dec 94	98,700				
2233	Capacity Building in the Water Resources Sector	13 Dec 94	1,350,000				
2239	Institutional Strengthening of the State Planning Committee in Energy Planning	14 Dec 94	580,000	Dec 97	Generally Successful		
2240	Financial Sector Review	14 Dec 94	325,000				
2247	Institutional Strengthening of the National Office for Procurement	20 Dec 94	600,000	Mar 98	Generally Successful		
2286	Rural Finance	12 Jan 95	586,000				
2305	Computerized Management Information System for Saigon Port	2 Mar 95	500,000				
2345	Improvement of Financial and Accounting Systems of the Power Companies	8 Jun 95	1,200,000				
2346	Training in Distribution Planning	8 Jun 95	247,000				
2348	Population and Family Health	15 Jun 95	415,000				
2375	Capacity Building for Provincial Water Supply and Sanitation	17 Aug 95	700,000				
2376	Community Environmental Health Improvements for the Provincial Towns	17 Aug 95	500,000				
2382	Coastal Aquaculture Development Study	23 Aug 95	600,000	Jun 97	Partly Successful		
2392	Review of Hydrocarbon Sector Policy	5 Sep 95	290,000	Dec 97	Generally Successful		
2411	Forestry Sector and Watershed Management	2 Oct 95	598,000				
2444	Capacity Building of Ministry of Fisheries	16 Nov 95	1,000,000				
2460	Capacity Building at the State Auditor General's Office	8 Dec 95	600,000	Jun 98	Generally Successful		
2470	Central and Southern Viet Nam Power Distribution	12 Dec 95	508,000				
2489	Capacity Building at the Ministry of Planning and Management	20 Dec 95	2,445,650				
2489	Capacity Building at the Ministry of Planning and Investment	12 Sep 96	904,350				
2540	Agricultural Policy and Programs Support	8 Mar 96	100,000				
2575	Phuoc Hoa Multipurpose Water Resources	31 May 96	600,000				

HCMC = Ho Chi Minh City, TA = technical assistance.

^a Consolidated into one technical assistance performance audit report.

Table A1.2: Viet Nam Bank Technical Assistance Projects, 1993-1998 (continued)

TA No.	Project Title	Approval Date	Amount (\$)	TA Completion Report		TA Performance Audit Report	
				Circulation Date	Performance Rating	Circulation Date	Performance Rating
2603	Strengthening Aid Coordination and Project Management	5 Jul 96	100,000				
2615	Red River Waterways	24 Jul 96	980,000				
2635	Rural Infrastructure Sector	28 Aug 96	600,000				
2636	Third Road Improvement	29 Aug 96	1,300,000				
2671	Technical Education	25 Oct 96	800,000				
2673	Supporting the Public Administration Reform Program	29 Oct 96	600,000	May 98	Generally Successful		
2687	Pilot Project to Modernize the Operation of a State-Owned Company	19 Nov 96	850,000				
2690	Lower Secondary Curriculum and Teacher Training System	20 Nov 96	1,000,000				
2696	Enterprise Reform	3 Dec 96	600,000				
2701	Institutional Strengthening of the National Office for Procurement	9 Dec 96	420,000				
2704	Hazardous Waste Management	12 Dec 96	600,000				
2718	Training of Government Officials	18 Dec 96	600,000	May 98	Generally Successful		
2746	Improvement of Project Implementation in Viet Nam	7 Jan 97	41,000				
2790	HCMC Environmental Improvement	7 May 97	600,000				
2823	Registration System for Secured Transactions	14 Jul 97	500,000				
2824	Training Seminar in Bank Policies and Procedures	15 Jul 97	100,000				
2838	Training for Rural Infrastructure Development	11 Aug 97	1,000,000				
2852	Forestry Sector	20 Aug 97	7,000,000				
2853	Retraining Government Legal Officers	26 Aug 97	1,200,000				
2869	Operation and Maintenance Development in the Irrigation Sector	16 Sep 97	150,000				
2871	Red River Basin Water Resources Management	19 Sep 97	1,150,000				
2871	Red River Basin Water Resources Management (Supplementary)	31 Dec 97	212,663				
2884	High Level Policy Seminar on Recent Financial Developments in Asia and Viet Nam's Economy	30 Sep 97	60,000				
2888	Improvement of the Power Sector Regulatory Framework	7 Oct 97	800,000				
2897	Commercialization of Power Companies	20 Oct 97	900,000				
2909	Policy Support for the State Bank of Viet Nam	4 Nov 97	700,000				
2923	Tree Crops Development	27 Nov 97	600,000				
2959	Preparation of a Development Strategy for the Central Region	22 Dec 97	898,000				
2970	Teacher Training	24 Dec 97	600,000				
2991	Second Rural Credit	24 Feb 98	150,000				
3023	Strengthening Capacity for the Public Administration Reform	28 May 98	995,000				
3028	Capacity Building in Project Financial Management	9 Jun 98	500,000				
3050	Second Red River Basin Water Resources Sector	22 Jul 98	600,000				
3060	Capacity Building at the State Auditor General's Office (Phase II)	20 Aug 98	787,000				
3063	Capacity Building in Vocational and Technical Education	3 Sep 98	600,000				
3064	Strengthening of Resettlement Management Capacity in the Ministry of Agriculture and Rural Development	4 Sep 98	150,000				
3077	Rural Health	25 Sep 98	600,000				
3091	Lower Secondary Education Development	23 Oct 98	505,000				
3140	Energy Sector Profile Study	23 Dec 98	60,000				
Total			60,967,863				

HCMC = Ho Chi Minh City; TA = technical assistance.

MILESTONES IN THE VIETNAMESE REFORM PROCESS: 1986-1998

Year	Reform
1986	Sixth Party Congress declares beginning of <i>Doi Moi</i>
1987	Law on Foreign Investment - introduction of "open door" policy Land Law establishes private use of allocated land in agriculture Central treasury created to execute the budget
1988	Creation of two-tier banking system Law on Import and Export Duties introduces the customs tariff Farming households given long-term rights to use land for agricultural production Foreign exchange control decree liberalizes retention of foreign exchange, opening of foreign currency accounts, use of transfers to pay for imports and repay foreign loans Encouragement of private enterprises becomes official policy Devaluation of trade and invisible payments exchange rates Land Law creates non-transferable, exclusive land use rights for agriculture Restrictions on establishment of foreign trading organizations relaxed and central government monopoly of foreign trade terminated
1989	Nearly all forms of direct subsidization of production and price control removed - end of "two price" system Quotas removed on all but 10 export and 14 import commodities (subsequently reduced to 7 export and 12 import commodities) Ordinance on Economic Contracts establishes rights for legal entities to enter into contracts Foreign exchange rate system unified Domestic trading in gold legalized Producers of exportables allowed to sell to any appropriately licensed foreign trade company Bank interest rates made positive in real terms All budgetary export subsidies removed
1990	Special sales tax introduced Turnover tax and profit tax introduced Law on Foreign Investment revised Law on State Bank of Viet Nam (SBV) and National Law on Banks, Cooperative Credit Institutions and Financial Institutions enacted, prohibiting SBV from engaging in commercial banking and empowering it as central bank Law on Private Enterprises establishes legal basis for establishment of sole proprietorships Law on Companies establishes basis for limited liability and joint-stock companies
1991	Ordinance on civil contracts Foreign exchange trading floors opened at SBV Decrees establish rights of State-owned enterprises (SOEs) to manage assets, provide rules for SOE formation, and initiate registration review, leading to major rationalization of SOE sector Regulation on setting up export processing zones promulgated Agriculture Bank of Viet Nam allowed to lend to households Private companies allowed to directly engage in international trade

Year	Reform
1992	<p>New constitution allows individuals to exercise property rights over income-producing assets and personal property</p> <p>Trade agreement signed with European Union (EU) establishes quotas on exports of textiles and clothing to EU and grants tariff preference on selected imports from EU</p> <p>Foreign investment law amended to reduce discrimination in favor of joint ventures and against 100 percent foreign-owned enterprises and to introduce build-operate-transfer concept for infrastructure projects</p> <p>Pilot equitization program for SOEs introduced</p>
1993	<p>New Land Law makes agricultural land use rights transferable and usable as collateral</p> <p>Export shipment licensing relaxed - six monthly licenses issued for 22 export commodities</p> <p>Law on bankruptcy and environmental protection promulgated</p> <p>90 days duty suspension system introduced for inputs into export production</p>
1994	<p>Economic courts established</p> <p>Elimination of import permits for all but 15 products</p> <p>Labor Code establishes protection of employer and employee rights, regulation of contracts, and social insurance and sets up arbitration mechanism</p> <p>Introduction of inter-bank foreign exchange market</p> <p>Pilot work on creation of general corporations as groupings of SOEs initiated</p> <p>Law on Promotion of Domestic Investment elaborates roles of different levels of government in licensing and lays out incentives for domestic organizations</p> <p>Export shipment licensing further relaxed—completely lifted for all commodities except rice, timber, and petroleum</p>
1995	<p>General Department for Monitoring the State Capital and Assets in State Enterprises created in the Ministry of Finance to improve supervision and management of SOEs</p> <p>Coverage of export quotas reduced to one commodity – rice</p> <p>Export tax rates raised on 11 products</p> <p>Range of goods subject to management by import quota reduced to seven</p> <p>Law on State Enterprises consolidates previous legislative initiatives on SOEs</p> <p>Civil Code enacted to lay foundation for market economy; establishes, inter alia, legal protection of industrial property rights</p> <p>Viet Nam joins Association of Southeast Asian Nations (ASEAN) and accedes to protocols of membership of ASEAN Free Trade Association</p> <p>Reduction in number of turnover tax rates from 18 to 11</p> <p>Major reorganization reduces number of ministries, establishes leading role of Ministry of Planning and Investment in approval and regulation of foreign investment</p> <p>Requirement for importers to get import permits on a shipment basis eliminated for a wide range of consumer and producer goods</p>

Year	Reform
1996	<p>Credit activities exempted from turnover tax</p> <p>Regulations elaborate regime under Civil Code for protection of industrial property rights</p> <p>Law on State Budget formalizes budgetary practice and defines revenue and expenditure responsibilities of different levels of government</p> <p>First Public Investment Program authorized</p> <p>New law on Foreign Investment reduces scope of import duty exemptions for foreign investment projects, clarifies treatment of certain forms of investment</p> <p>Inward foreign exchange remittance tax lifted</p> <p>Law on Minerals lays out framework for exploitation of mineral resources</p> <p>Import-export policy decision for 1996 reduces number of goods managed by import quota to six</p>
1997	<p>Decree allocates rice export quotas to provincial People's Committees as well as agencies under central management thus opening the way for direct export by the private sector. All restrictions on domestic trade in rice abolished</p> <p>Import of sugar prohibited. Number of goods subject to import quotas to achieve national balances increases</p> <p>Law on SBV specifies its roles and functions, but fails to give SBV autonomy in setting monetary policy</p> <p>Law on Credit Institutions establishes basis for supervision and regulation of banking system</p> <p>Law on Cooperatives confirms continued government support for this form of business</p> <p>Temporary prohibitions on imports of wide range of consumer goods were imposed but later lifted</p> <p>Law on Value Added Tax announces introduction of the value added tax in 1999 to replace turnover tax</p> <p>Approval of certain foreign investment projects decentralized to selected provincial People's Committees and industrial zones</p> <p>Law on Corporate Income Tax announces introduction of company tax in 1999 to replace profit tax</p>
1998	<p>Forward and swap foreign exchange transactions authorized</p> <p>Management of imports of most consumer goods shifted to tariffs rather than quotas or licensing</p> <p>Foreign invested enterprises permitted to export goods not specified in investment licenses</p> <p>Private sector enterprises allocated quota to import fertilizer and export rice</p> <p>Maximum tariff rate reduced to 60 percent</p> <p>Domestic enterprises authorized to directly export production without an export/import license</p> <p>Informal road map of the common effective preferential tariff scheme for tariff deduction by 2006 issued</p> <p>Incentives for domestic investment extended and access simplified</p>

Source: *Policies for Industrial Development and Enterprise Reform*, CIE 1998. ADB TA 2696-VIE.

NUMBER OF LOANS AS PROPOSED AND APPROVED BY SECTORS

Table A3.1: Number of Loans by Sectors as Proposed in the COPs/CAPs^a

Sector	COP 1993				COP 1994				CAP 1996				CAP 1997				CAP 1998			
	1993	%	1994-1996	%	1994	%	1995-1997	%	1996	%	1997-1999	%	1997	%	1998-2000	%	1999	%	2000-2001	%
Agriculture and Natural Resources	1	33	5	22	2	40	6	26	2	50	5	31	2	40	5	33	3	60	3	33
Energy			4	17	1	20	4	17			2	13	1	20	2	13			2	22
Industry and Finance			2	9			1	4	1	25	1	6			1	7			1	11
Social Infrastructure	1	33	8	35	1	20	8	35	1	25	5	31	2	40	4	27	1	20	3	33
Water Supply and Sanitation/Urban Development ^b	1		4		1		5				2		1		1		1		1	
Education, Health, and Population			4				3		1		3		1		3				2	
Transport and Communication	1	33	4	17	1	20	4	17			3	19			3	20	1	20		
Total	3		23		5		23		4		16		5		15		5		9	

CAP = country assistance plan, COP = country operational program.

^a There was no COP or CAP approved for 1995.

^b Includes urban environmental improvement.

Table A3.2: Actual Number of Loans by Sectors as Approved by Year

Sector	1993		1994		1995		1996		1997		1998	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	1	33.3	1	50	1	25	1	25	3	50		
Energy					1	25			1	16.7		
Industry and Finance							1	25				
Social Infrastructure		33.3				25		25				
Water Supply and Sanitation/Urban Development ^a	1		1	50	1				1	16.7		
Education, Health, and Population							1		1	16.7	1	33.3
Transport and Communication	1	33.3			1	25	1	25			2	66.4
Total	3	100	2	100	4	100	4	100	6	100	3	100

^a Includes urban environmental improvement.

NUMBER OF LOANS AS PROPOSED AND APPROVED BY TYPE OF PROJECTS

Table A4.1: Number of Proposed Projects by Type

Item	COP 1993		COP 1994		CAP 1996		CAP 1997		CAP 1998											
	1993		1994		1997		1998		1999		2000-2001									
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%								
Economic Growth Projects		8	34.8	4	80	9	39.1	2	40	5	45.4	2	40	5	45.4	1	20	2	20	
Social Projects		4	17.4	1	20	6	26.1	2	40	2	18.2	1	20	2	18.2			2	20	
Environment Projects		1	4.3			2	8.7			3	27.3	1	20	3	27.3	1	20	1	10	
Economic Growth Projects with Crosscutting Concerns	3	100	10	43.5			6	26.1	1	20	1	9.1	1	20	1	9.1	3	60	5	50
Total	3		23		5		23		5		11		5		11		5		10	

CAP = country assistance plan, COP = country operational program.

Table A4.2: Number of Approved Projects by Type

Item	1993		1994		1995		1996		1997		1998	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Economic Growth Projects	1	33.3	1	50	3	75	2	50	1	16.7	2	66.6
Social Projects	1	33.3			1	25	1	25	2	33.3	1	33.3
Environment Projects			1	50					2	33.3		
Economic Growth Projects with Crosscutting concerns	1	33.3					1	25	1	16.7		
Total	3		2		4		4		6		3	

DATA ON AID COMMITMENTS AND DISBURSEMENTS

Table A5.1: ADB's Cumulative Disbursements, 1994-1998
(in \$'000)

Loan No.	Project Title	1994	1995	1996	1997	1998	Total
1259	Irrigation and Flood Protection	3,000	4,595	10,385	20,021	30,322	68,323
1272	Road Improvement	0	582	15,153	32,845	66,313	114,893
1273	HCMC Water Supply and Sanitation Rehabilitation	0	500	1,792	7,368	18,004	27,664
1340	Agriculture Sector Program Loan	0	40,000	41,387	78,780	78,780	238,947
1344	Red River Delta Water Resources Sector	0	4,868	7,339	10,710	18,544	41,461
1354	Saigon Port	0	700	1,091	5,781	11,727	19,299
1358	Power Distribution Rehabilitation	0	0	541	1,264	5,496	7,301
1361	Provincial Towns Water Supply and Sanitation	0	0	502	1,958	5,547	8,007
1404	Fisheries Infrastructure Improvement	0	0	1,648	3,549	6,024	11,221
1457	Rural Credit	0	0	0	21,200	40,471	61,671
1460	Population and Family Health	0	0	0	1,183	10,826	12,009
1485	Financial Sector Program Loan	0	0	0	43,582	43,582	87,164
1487	Second Road Improvement	0	0	0	500	10,854	11,354
1514	Second Provincial Towns Water Supply and Sanitation	0	0	0	500	3,066	3,566
1515	Forestry Sector	0	0	0	0	504	504
1537	Lower Secondary Education Development	0	0	0	0	1,932	1,932
1564	Rural Infrastructure Sector	0	0	0	0	5,014	5,014
1585	Central and Southern Viet Nam Power Distribution	0	0	0	0	0	0
1598	Phuoc Hoa Multipurpose Water Resrouces	0	0	0	0	50	50
1653	Third Road Improvement	0	0	0	0	0	0
1655	Vocational and Technical Education	0	0	0	0	0	0
1660	GMS: HCMC-Phnom Penh Highway	0	0	0	0	0	0
Total		3,000	51,245	79,838	229,241	357,056	720,380

ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City.

Table A5.2: ADB's Annual Disbursements, 1993-1998
(in \$'000)

Loan No.	Project Title	1993	1994	1995	1996	1997	1998	Total
1259	Irrigation and Flood Protection	0	3,000	1,595	5,790	9,636	10,301	30,322
1272	Road Improvement	0	0	582	14,571	17,692	33,468	66,313
1273	HCMC Water Supply and Sanitation Rehabilitation	0	0	500	1,292	5,576	10,636	18,004
1340	Agriculture Sector Program Loan	0	0	40,000	1,387	37,393	0	78,780
1344	Red River Delta Water Resources Sector	0	0	4,868	2,471	3,371	7,834	18,544
1354	Saigon Port	0	0	700	391	4,690	5,946	11,727
1358	Power Distribution Rehabilitation	0	0	0	541	723	4,232	5,496
1361	Provincial Towns Water Supply and Sanitation	0	0	0	502	1,456	3,589	5,547
1404	Fisheries Infrastructure Improvement	0	0	0	1,648	1,901	2,475	6,024
1457	Rural Credit	0	0	0	0	21,200	19,271	40,471
1460	Population and Family Health	0	0	0	0	1,183	9,643	10,826
1485	Financial Sector Program Loan	0	0	0	0	43,582	0	43,582
1487	Second Road Improvement	0	0	0	0	500	10,354	10,854
1514	Second Provincial Towns Water Supply and Sanitation	0	0	0	0	500	2,566	3,066
1515	Forestry Sector	0	0	0	0	0	504	504
1537	Lower Secondary Education Development	0	0	0	0	0	1,932	1,932
1564	Rural Infrastructure Sector	0	0	0	0	0	5,014	5,014
1585	Central and Southern Viet Nam Power Distribution	0	0	0	0	0	0	0
1598	Phuoc Hoa Multipurpose Water Resrouces	0	0	0	0	0	50	50
1653	Third Road Improvement	0	0	0	0	0	0	0
1655	Vocational and Technical Education	0	0	0	0	0	0	0
1660	GMS: HCMC-Phnom Penh Highway	0	0	0	0	0	0	0
	Total	0	3,000	48,245	28,593	149,403	127,815	357,056

ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City.

Table A5.3: ADB's Annual Commitments, 1993-1998
(in \$ million)

Loan No.	Project Title	1993	1994	1995	1996	1997	1998
1259	Irrigation and Flood Protection	76.5					
1272	Road Improvement	120.0					
1273	HCMC Water Supply and Sanitation Rehabilitation	65.0					
1340	Agriculture Sector Program Loan		80.0				
1344	Red River Delta Water Resources Sector		60.0				
1354	Saigon Port			30.0			
1358	Power Distribution Rehabilitation			80.0			
1361	Provincial Towns Water Supply and Sanitation			66.0			
1404	Fisheries Infrastructure Improvement			57.0			
1457	Rural Credit				50.0		
1460	Population and Family Health				43.0		
1485	Financial Sector Program Loan				90.0		
1487	Second Road Improvement				120.0		
1514	Second Provincial Towns Water Supply and Sanitation					69.0	
1515	Forestry Sector					33.0	
1537	Lower Secondary Education Development					50.0	
1564	Rural Infrastructure Sector					105.0	
1585	Central and Southern Viet Nam Power Distribution					100.0	
1598	Phuoc Hoa Multipurpose Water Resrouces					2.6	
1653	Third Road Improvement						130.0
1655	Vocational and Technical Education						54.0
1660	GMS: HCMC-Phnom Penh Highway						100.0
	Total	261.5	140.0	233.0	303.0	359.6	284.0

ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City.

Table A5.4: World Bank's Annual Commitments, 1993-1998

(in \$ million)

Loan No.	Project Title	1993	1994	1995	1996	1997	1998
2548	Primary Education	70.00					
2549	NH No. 2 Improvement	158.50					
2561	Agricultural Rehabilitation Project		96.00				
2657	Structural Adjustment Credit I		150.00				
2711	Irrigation Rehabilitation Project			100.00			
2724	Power Sector Rehabilitation and Expansion Project			165.00			
2807	Population and Family Health Project				50.00		
2808	National Health Support Project				101.20		
2820	Power Development Project				180.00		
2785	Banking Modernization				49.00		
2855	Rural Finance Project				122.00		
2929	Rural Transport Project				55.00		
N013	Second Highway Rehabilitation Project					196.50	
N026	Water Supply Project					98.61	
2996	Forest Protection and Rural Development Project					21.50	
3000	Inland Waterways and Port Rehabilitation Project					73.00	
3030	Debt and Debt Service Reduction						35.00
3034	Transmission, Distribution, and Disaster Reconstruction Project						199.00
3126	Uni Educ						83.30
3099	Agri Diversification						66.87
3125	Town Transportation						42.74
	Total	228.50	246.00	265.00	557.20	389.61	426.91

Table A5.5: World Bank's Annual Disbursements, 1993-1998

(in \$ million)

Loan No.	Project Title	1993	1994	1995	1996	1997	1998	Total
2548	Primary Education	0.00	4.97	0.05	4.36	11.56	7.60	28.54
2549	NH No. 2 Improvement	0.00	4.97	2.70	20.92	35.78	16.92	81.29
2561	Agricultural Rehabilitation Project	0.00	54.98	14.47	10.31	17.01	2.33	99.10
2657	Structural Adjustment Credit I	0.00	60.87	29.83	59.59	0.00	0.00	150.29
2711	Irrigation Rehabilitation Project	0.00			5.00	3.80	3.98	12.78
2724	Power Sector Rehabilitation and Expansion Project	0.00			5.63	24.50	66.59	96.72
2807	Population and Family Health Project	0.00			0.80	2.05	7.20	10.05
2808	National Health Support Project	0.00			1.50	2.77	7.18	11.45
2820	Power Development Project	0.00			80.52	64.39	16.41	161.32
2785	Banking Modernization	0.00				0.50	0.04	0.54
2855	Rural Finance Project	0.00				5.00	33.61	38.61
2929	Rural Transport Project	0.00				4.85	6.36	11.21
N013	Second Highway Rehabilitation Project	0.00				5.00	3.66	8.66
N026	Water Supply Project	0.00				0.00	0.50	0.50
2996	Forest Protection and Rural Development Project	0.00				0.00	0.70	0.70
3000	Inland Waterways and Port Rehabilitation Project	0.00				0.00	1.00	1.00
3030	Debt and Debt Service Reduction	0.00					33.84	33.84
3034	Transmission, Distribution, and Disaster Reconstruction Project	0.00						
3126	Uni Educ	0.00						
3099	Agri Diversification	0.00						
3125	Town Transportation	0.00						
	Total	0.00	125.79	47.05	188.63	177.21	207.92	746.60

Table A7.1: Number of Technical Assistance Projects Approved by Sectors

Sector	1993		1994		1995		1996		1997		1998		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agricultural and Natural Resources	1	9	3	18	4	29	2	13	4	25	2	20	16	19
Energy	—		1	6	4	29	—		2	13	1	10	8	10
Industry and Finance	1	9	2	12	—		—		2	13	—		5	6
Social Infrastructure	5	46	6	35	3	21	5	33	3	18	4	40	26	31
Transport and Communications	2	18	—		1	7	1	7	—		—		4	5
Others	2	18	5	29	2	14	7	47	5	31	3	30	24	29
Total	11		17		14		15		16		10		83	

— = not applicable.