



Validation Report

Reference Number: PCV: VIE 2009-04
Project Number: VIE 38392
Loan Number: 2194(SF)
May 2009

Socialist Republic of Viet Nam: Support the Implementation of the Poverty Reduction Program II

Independent Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CPRGS	–	Comprehensive Poverty Reduction and Growth Strategy
IED	–	Independent Evaluation Department
M&E	–	monitoring and evaluation
ODA	–	official development assistance
PCR	–	project completion report
PRSC	–	Poverty Reduction Support Credit
SIPRP	–	Support the Implementation of the Poverty Reduction Program
SOE	–	state-owned enterprises
TA	–	technical assistance

NOTE

In this report, “\$” refers to US dollars.

Key Words

asian development bank, governance, market economy, independent evaluation department, poverty reduction program, project completion report, sustainable growth, validation, viet nam

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The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. Director, IED1 recused himself from the review and approval of this report due to his previous involvement in the country operation of Viet Nam. To the knowledge of the management of IED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

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PROJECT COMPLETION VALIDATION REPORT FORM

A. Basic Project Data		PCR Validation Date:	May 2009	
Project and Loan Number:	VIE 38392-01/Loan 2194-VIE(SF)		Approved	Actual
Project Name:	Support the Implementation of the Poverty Reduction Program II (SIPRP II)	Total Project Costs (\$ million):	770.00	587.00
Country:	Socialist Republic of Vietnam	Loan (\$ million): (SDR million equivalent)	15.00 (10.35)	15.46 (10.35)
Sector:	Multisector	Total Cofinancing (\$ million):	210.50	202.54
ADB Financing (\$ million):	Special Funds: 15.00 (SDR10,349,000)	Borrower (\$ million):	545.00	369.00
Cofinanciers:	Loan: World Bank, ADB, JBIC, AfD Grant: Agencia Espanola de Cooperacion Internacional, European Commission, CIDA, Denmark, Ireland, the Netherlands, DFID	Beneficiaries:	—	—
		Others (\$ million):	—	—
Approval Date:	3 Nov 2005	Effectiveness Date:	28 Feb 2006	10 May 2006
Signing Date:	30 Nov 2005	Closing Date:	31 Dec 2006	5 Jul 2006
Project Officers:	Name: Kanokpan Lao-Araya, Economist	Location: VRM	From	To
			2005	2006
Evaluator:	Pedrito B. dela Cruz, Consultant	Director:	Hemamala Hettige, IED2	
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— = not applicable, ADB = Asian Development Bank, AfD = Agence Française de Développement, CIDA = Canadian International Development Agency, DFID = Department for International Development of the United Kingdom, IED = Independent Evaluation Department, JBIC = Japan Bank for International Cooperation, PCR = project completion report, SDR = special drawing rights, SF = special funds, SIPRP = Support the Implementation of the Poverty Reduction Program, VIE = Viet Nam, VRM = Viet Nam Resident Mission.

B. Project Description (summarized from the RRP)¹

(i) Rationale

During the last decade Viet Nam achieved high economic growth, creating jobs and providing better livelihoods, thus contributing to poverty reduction. To maintain this trend, the Government must continue its program of effective policy reform to remove remaining structural weaknesses, promote socially inclusive development, and modernize governance and public administration. The program loan was to support implementation of the Poverty Reduction Program outlined under the Fourth Poverty Reduction Support Credit (PRSC 4), which is part of the Government's overall Comprehensive Poverty Reduction and Growth Strategy (CPRGS). The annual PRSC is part of the current 5-year PRSC cycle, which provides a medium-term framework (2002–2006) for poverty reduction policies, programs, and actions with specific targets for development outcomes by 2006.

¹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Socialist Republic of Viet Nam to Support the Implementation of the Poverty Reduction Program II*. Manila.

As part of the official development assistance (ODA) community, the Asian Development Bank (ADB) has adopted the CPRGS as the reference document for planning external assistance. The ODA community considers the PRSC to be an important instrument for supporting CPRGS implementation. ADB has been actively involved in formulating the PRSC 4 and has promoted policy dialogue on similar issues through its program lending activities and sector policy reforms. As a multisector instrument covering a wide range of issues related to poverty reduction, the PRSC framework provides ADB with an opportunity to (i) advance and widen national policy dialogue in a well-coordinated and comprehensive manner; (ii) provide lending and nonlending assistance in coordination with other ODA partners; and (iii) ensure that the policy issues affecting ADB operations in Viet Nam are addressed in the policy dialogue between the Government and the ODA community to help achieve the common goals of poverty reduction and growth.

(ii) Impact

As part of a series of five consecutive annual PRSC operations, the SIPRP II shares the expected impact of the SIPRP I: reduce poverty and sustain high economic growth.

(iii) Objectives or Expected Outcomes

The loan is to help fund the PRSC 4 and, thereby, produce the following outcomes: (i) reduced structural weaknesses and improved business environment; (ii) promotion of socially inclusive and environmentally sustainable development, and (iii) modernized governance.

(iv) Components and/or Outputs

The program loan is to benefit Vietnamese residents and businesses on three policy fronts:

Pillar I: Transition to a Market Economy

- (i) Move to a market economy and integrate with the global economy.
- (ii) Promote competition in product markets (e.g., by accelerating the divestiture of state-owned enterprises [SOEs] and state-owned commercial banks).
- (iii) Strengthen the institutional and regulatory framework of the financial sector.
- (iv) Improve the business environment to foster private sector development.
- (v) Foster a policy environment conducive to infrastructure development.

Pillar II: Social Inclusion and Environmental Sustainability

- (i) Improve coverage and quality of education, especially in poor areas.
- (ii) Change financing of health services and improve health indicators.
- (iii) Improve use of land and water resources.
- (iv) Upgrade the legal framework for environmental protection.
- (v) Address gender issues.

Pillar III: Modern Governance

- (i) Improve planning processes.
- (ii) Improve public financial management.
- (iii) Strengthen financial accountability and transparency.
- (iv) Provide legal and public administration reform.
- (v) Address anticorruption.
- (vi) Provide information.

C. Evaluation of Design and Implementation (PCR assessment and Validation)

(i) Relevance of Design and Formulation

Discussion in the project completion report (PCR) of the relevance of design and formulation focused on background information (e.g., consistency of the SIPRP II with ADB's long-term strategic framework and medium-term strategy, its relation to the CPRGS and the Socioeconomic Development Plan, the yardsticks used for identifying policy actions), the processes, and the bases for formulation. The PCR should have included more discussion on the soundness of the strategies (pillars) and how they relate to each other, and the distinctive nature of the SIPRP II—factors that form a crucial part of the logic governing the loan.

The performance target for health and some of the targets for modern governance are unclear. In terms of health (Appendix 1), change in the financing of health services alone does not sustainably improve health indicators, as performance in health is determined by a host of other factors related to equity, quality, and sustainability. These are factors that should drive health systems and, therefore, are basic concerns of health sector management and, ultimately, modern national and local governance. In terms of governance (Appendix 1), the performance measures for the three items under "Improved Planning Processes," the second item under "Improved Public Financial Management," and the first item under "Provision of Legal and Administrative Reform" could have been sharper. The program design and formulation could have been rated highly relevant (as rated by the PCR). However, due to the weaknesses identified, the Independent Evaluation Department (IED) rates the design and formulation "relevant."

(ii) Program Outputs

The PCR discussion on outputs is complete and fair. The progress against the desired development outcomes was presented adequately (para. 8–12, and Appendix 3). Achievement of a development outcome is given one of the following ratings: highly satisfactory, satisfactory, partially satisfactory, or unsatisfactory. This rating system clearly identifies areas demonstrating stronger and weaker progress, and the PCR provides reasons for the decisions (para. 12).

(iii) Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule (as relevant to project performance)

The discussion and various tables on project cost, disbursements, borrower contribution, and cofinancing (pp ii–iii, paras. 13–14, Appendix 1) contain adequate information. However, the actual contribution of each cofinancier would have been informative. The PCR (para. 13) does not mention the total actual amount contributed by the cofinanciers. The total actual contribution of cofinanciers is only shown in the Basic Data (page iii).

The PCR does not adequately discuss conformance to or deviation from the schedule, especially as it affects project performance. While the PCR states that the program implementation schedule did not encounter any delays as all policy conditions for the single-tranche release were met prior to the approval of the SIPRP II, it does not provide any clarification on the discrepancy between the originally planned 18-month implementation (from 30 June 2005 to 31 December 2006) and actual implementation of less than 2 months (10 May 2006 to 5 July 2006), thus making the presence of these dates in the text (para. 15) a bit confusing.

The PCR did acknowledge the delay in loan effectiveness, from 28 February 2006 as originally expected, to 10 May 2006, after the Ministry of Justice's legal opinion on the Loan Agreement was received.

(iv) Implementation Arrangements, Conditions and Covenants, Related Technical Assistance, Procurement, and Consultant Performance

The discussion of implementation arrangements was adequate. However, information on how the project coordinating unit, established in 2005, worked on the program agenda and interacted with the other

implementation structures and the development community would have been helpful, considering that the increasing number of cofinanciers and the need for timely coordination were among the reasons for the unit's creation.

The conditions and covenants section (paras. 19–20) and Appendixes 4 and 5 adequately present compliance with loan conditions and covenants.

The PCR adequately discusses the mobilization of a project preparatory small-scale technical assistance (TA)² project to support the SIPRP II, and also the SIPRP III and IV. The TA is described as successful in delivering the outputs indicated at TA appraisal, and in allowing ADB to play a critical role, along with the Government and the World Bank, as a coorganizer of two important consultative workshops in Hanoi.

No consultants were recruited under the SIPRP II. The TA consultants were engaged in accordance with ADB's *Guidelines on the Use of Consultants*.

(v) Performance of the Borrower and Executing Agency

The PCR rates the performance of the Borrower as “satisfactory,” but does not elaborate on the reason for an intermediate rating (i.e., it does not speak of any weakness in the performance of the borrower which prevented it from getting a rating of highly satisfactory). It elaborates on the composition and work of the National Steering Committee, which is also the main mechanism for ownership and interagency representation in decision-making; and cites the State Bank of Vietnam, the Executing Agency, giving it a “satisfactory” rating, as playing a key role in coordinating implementation. However, discussion on the performance of the Borrower and Executing Agency leaves out any substantive information on the work of the CPRGS Secretariat and the project coordinating unit, whose roles were vital in moving and monitoring the reform agenda.

Going by the accomplishments vis-à-vis the expected development outcomes, the status of policy reforms, and compliance with the loan covenants, IED confirms the “satisfactory” rating given by the PCR to the Borrower and Executing Agency.

(vi) Performance of the Asian Development Bank

The PCR acknowledges the thorough efforts of the Viet Nam Resident Mission in facilitating policy dialogue and communication among numerous stakeholders, and in participating actively in refining and finalizing the PRSC 4 policy matrix. It also cites the fast-track processing for loan approval. Although ADB is just one of the cofinanciers of the PRSC 4 and, therefore is just one of the many agencies that can influence decision-making, ADB could have improved the performance targets for health and modern governance in the design and monitoring framework.

IED agrees with the “satisfactory” rating given by the PCR for the performance of ADB.

D. Evaluation of Performance (PCR assessment and Validation)

(i) Relevance

The PCR rates the SIPRP II as “highly relevant” as it was consistent with the Government's 5-year development strategy at appraisal and at the time of writing the PCR, and supported implementation of the CPRGS. From ADB's perspective, the SIPRP II was consistent with ADB's development strategy for Viet Nam and adheres to ADB's efforts to adopt program-based and sector approaches in its lending operations to reduce transaction costs. The approach is described as consistent with ADB's reform agenda, long-term strategic framework, and medium-term strategies I and II; and directly helped fulfill ADB's obligations to the Rome Declaration (2003) and the Paris Declaration (2005).

² ADB. 2005. *Technical Assistance to the Socialist Republic of Viet Nam for Support to Implementation of Poverty Reduction Program II Outlined under the Poverty Reduction Support Credit (PRSC) IV (TA4593-VIE)*. Manila.

Due to the few weaknesses in the design, IED finds the program “relevant.” However, implementing it in order to achieve the program purpose through policy actions should be coupled with sound and exhaustive monitoring and evaluation (M&E) that probes both policy-making and implementation, as well as the linkages between various policy actions or expected development outcomes (e.g., between financial sector reforms and SOE reforms).

(ii) Effectiveness in Achieving Outcome

The PCR rating of the SIPRP II is predicated on its rating of the PRSC program. It rates the program as “highly effective” in achieving outcomes based on the following: (i) the rate of poverty reduction, with the percentage of people living in extreme poverty falling from 58.1% in 1993 to 19.5% in 2004 or an average decline of 3.5% per year, and sound macroeconomic management; (ii) the support it gave to the Government’s poverty reduction program within the policy framework of the PRSC 4; and (iii) the attainment of the outputs indicated under the program framework by the end of 2006.

In fact, items (i) and (ii) seem to be redundant, and item (iii) has to be taken with caution since the PCR mentions that some development areas demonstrated weaker progress, such as banking reform, environment, legal development, and anticorruption (para. 12). A perusal of progress of development outcomes expected as of 2006 (Appendix 3) shows that eight development outcomes were assessed to be only “partly satisfactory:” (i) under pillar I (transition to a market economy), one on SOE reform and two on financial sector reform; (ii) under pillar II (social inclusion and environmental sustainability), outcomes on land and forestry reform, water, and environment; and (iii) under pillar III (modern governance), one outcome on legal development and another on anticorruption. While these numbers are small compared to the total set of expected development outcomes, weak progress in these areas can actually diminish the gains and impinge on the accomplishment of other development outcomes. These caveats, notwithstanding, IED rates the program “effective.”

(iii) Efficiency in Achieving Outcome and Outputs

The PCR rates the SIPRP II as “highly efficient” because of the unusually low transaction costs associated with the loan, which was a result of the short processing time and the low cost of loan processing, loan administration, and M&E. Another basis cited for this rating is that all policy conditions were complied with prior to loan approval. As the PCR notes, the efforts undertaken jointly with other development partners provided greater leverage to other ADB sector operations and reduced the operating costs for the Government and the development partners, in accordance with aid harmonization. IED agrees with the rating given.

As efficiency in the SIPRP I and II hinged heavily on the Government’s public financial management systems (i.e., to ensure that funds provided are in fact used for their intended purpose), the onus of responsibility for determining actual efficiency is not only on ADB but on all cofinanciers.

(iv) Preliminary Assessment of Sustainability

The PCR rates the SIPRP II “likely to be sustainable,” with the Government’s full ownership of the Program as the main reason. The embedding of the CPRGS principles adopted under the SIPRP II (results-based, participatory, monitorable, and based on good analysis) in the new Socioeconomic Development Plan 2006–2010 is considered to greatly increase the chances of sustainability. The trends of poverty reduction and high economic growth are projected to be highly likely to continue, especially with reforms envisioned by the Program. The discussion, though, could have given more concrete information if it had added even a brief commentary on how the reforms in the modern governance pillar are being institutionalized and sustained by national and local governments. Nevertheless, IED agrees with the rating. The Program is “likely to be sustainable,” but the areas of weak progress (item ii) should be attended to in a timely manner.

(v) Impact (both intended and unintended)

The PCR rates the SIPRP II as having “substantial impact” on poverty reduction and institutional development. For poverty reduction, the basis cited is the poverty reduction outcome between 1990 and 2004, implying that the same trend will continue as a result of the SIPRP II and other programs, for 2005–2006, even if a “gradual deceleration” in poverty reduction is expected. IED agrees with this assumption or projection, and the rating given.

For institutional development impacts, the PCR cited qualitative improvements, such as developing capacity to improve pro-poor policy-making, positive changes resulting from coordination and implementation mechanisms, and enhanced capacity of the Government to undertake policy analysis, although no substantiating statements are given.

No PRSC operations necessitated ADB safeguard interventions on environment, indigenous peoples, or involuntary resettlement. Reforms affecting human resources also avoided adverse social impacts through social safety net programs for redundant employees.

E. Overall Assessment, Lessons, and Recommendations (Validation of PCR assessment)

(i) Overall Assessment

Overall, the PCR rates the Program “successful;” IED concurs. The PCR describes the M&E system as well designed (it did not use the word “relevant” and its variations), and IED rates it “relevant.”

(ii) Lessons

IED agrees with the PCR’s identification of lessons concerning ADB participation in PRSC operations, including additional lessons relating to the need (i) to identify opportunities for greater ADB involvement (e.g., thru the provision of TA by ADB specialists) to achieve maximum leverage; and (ii) for ADB to engage in analytical work beyond the scope of the PRSC framework to push for reforms in difficult areas such as banking and SOEs (para. 43).

To enhance the relevance of program design and formulation, performance targets for components and/or subcomponents of a program need to be clearly stated and assessed. For example, a change in the financing of health services alone does not guarantee a sustainable improvement in health indicators, since performance in the health sector is determined by a host of other factors related to equity, quality, and sustainability. These are basic concerns of national and local health sector management and, ultimately, of modern governance.

(iii) Recommendations

IED agrees with all the PCR recommendations.

F. M&E Design, Implementation, and Utilization (PCR assessment and Validation)

As a comprehensive reform program that simultaneously dealt with multiple sectors and thematic areas, and sought structural changes as well as program outcomes, M&E poses a serious challenge. Earlier discussions comment on the aspects of the M&E framework that needs strengthening. As to actual conduct of M&E, the PCR provides little information on how monitoring was conducted, except for the production of a series of comprehensive analytical reports covering the three CPRGS pillars, which are said to have contributed to monitoring reform implementation (para. 7) and have guided improvements in the design of subsequent programs, and an annual assessment of progress in achieving development outcomes (para. 11). The PCR makes no mention of how the interministerial working group’s secretariat, which was established at the Ministry of Planning and Investment (para. 18) is actually monitoring the CPRGS. That the responsibility of monitoring the CPRGS is lodged with the interministerial group and its secretariat, which is also tasked with subnational implementation, gives rise to the question of objectivity

in monitoring. The PCR states, as a recommendation, that ADB could have been more active in reviewing the annual government-prepared CPRGS progress reports by tapping on ADB specialists in various sectors, implying that monitoring could have been improved.

G. Other (e.g. Safeguards, including Governance and Anticorruption; Fiduciary Aspects; Government Assessment of the Project, as applicable) (PCR assessment and Validation)

The PCR does not identify any compelling safeguard, accountability, anticorruption, or fiduciary issues adversely affecting program implementation.

H. Ratings	PCR	IED Review	Reason for Disagreement/Comments
Relevance:	Highly relevant	Relevant	Difference in the rating due to identified weaknesses in project design, implementation, and benefit monitoring and evaluation that were noted
Effectiveness in Achieving Outcome:	Highly effective	Effective	Some reform areas demonstrated weaker progress
Efficiency in Achieving Outcome and Outputs:	Highly efficient	Highly efficient	
Preliminary Assessment of Sustainability:	Likely to be sustainable	Likely to be sustainable	
Borrower and Executing Agency	Satisfactory	Satisfactory	
Performance of ADB:	Satisfactory	Satisfactory	
Impact:	Substantial	Substantial	
Overall Assessment:	Successful	Successful	
Quality of PCR:		Satisfactory	Refer to Section I

I. Comments on PCR Quality

The PCR provides significant highlights of the program cycle. It emphasizes (i) the uniqueness of the SIPRP II and its predecessor; (ii) loan preparation and approval processes; (iii) the nature of a single-tranche program loan that is actually part of a continuum with multiple phases; and (iv) its scope, comprising policy reforms in different sectors. However, this uniqueness may have prevented the PCR from presenting a clearer and adequate account of how the SIPRP II was implemented, monitored, and evaluated. The absence of a PCR prepared by the Executing Agency only reinforces this impression. While PCR could have been fine tuned further, it had the basic requirements of covering all the components (cost, evaluation criteria, etc.) as well as of being consistent and logical. Therefore, IED rates the quality of the PCR "satisfactory."

J. Recommendation for IED Follow Up

None.

K. Data Sources for Validation

This PCR validation refers to the following reports and documents:

- (i) PCR, RRP, Loan Agreement;
- (ii) Minutes of Management Review Meeting and Board Meeting;
- (iii) Back-to-Office and TA Monthly Summary Reports; and
- (iv) Other IED evaluation reports, including PCR reviews.

REGIONAL DEPARTMENT'S RESPONSE TO THE PROJECT COMPLETION REPORT VALIDATION REPORT

On 22 January 2009, Principal Evaluation Specialist, Independent Evaluation Department (IED), Division 1, received the following response from Viet Nam Resident Mission (VRM), Southeast Asia Department.

We have reviewed OED's Project Completion Report (PCR) Validation Report circulated to us on 14 January 2009. The report is well prepared. It provides a good assessment of project performance in terms of outputs and impacts as well as the conditions that contributed to such performance. It is noted that some differences in PCR and IED review ratings are based on the fact that PCR ratings are formed largely based on the assessment of the multi-donor supported PRSC operations to which SIRPP II provided ADB's contributions while the Validation Report also reflects SIRPP II presentations of PRSC operations.