

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Since the early 2000s, the Asian Development Bank (ADB) has provided a range of support for the government's public expenditure and fiscal management (PEFM) reform efforts. This has included capacity building and technical assistance (TA) activities aimed at (i) enhancing the efficiency of externally financed public investments, (ii) improving civil service capacity and performance management, (iii) strengthening monitoring and evaluation systems and their links to national strategies, and (iv) supporting the preparation of the Socio-Economic Development Strategy, 2011–2020 and the Socio-Economic Development Plan, 2011–2015. ADB has also worked to support the technical drafting of the revised Procurement Law and related decisions that regulate investment through private sector models.

2. From 2014, ADB has stepped up its PEFM assistance to support the effective recent high-level reforms centered on the core areas of improving the allocation of public financial resources, enhancing budget reliability and strengthening oversight and evaluation of budget implementation. Major TA activities have supported (i) public asset management through enhancing regulatory frameworks and information systems; (ii) public debt management through strengthening regulations on government guarantees, developing a stronger government guarantee risk management methodology and associated management software, establishing procedures to more comprehensively register and manage public debt at national and subnational levels, upgrading guidelines on the financial management of official development assistance and concessional borrowings; (iii) capacity building of the National Assembly to enforce budget screening functions required under the new State Budget Law (2015); and (iv) rolling out the implementation of medium-term expenditure frameworks. Additional TA¹ for ADB's approval in 2016 will further improve public debt and investment management by introducing onlending and risk sharing mechanisms between national and provincial governments, developing an integrated public debt management system, and supporting the implementation of results-based monitoring and evaluation systems for public investment.

3. Other key development partners in PEFM in Viet Nam include the European Union (EU), German Corporation for International Cooperation (GIZ), Japan International Cooperation Agency (JICA), Swiss Agency for Development and Cooperation (SECO), the United States Agency for International Development (USAID), and the World Bank.

4. The EU, through GIZ, is supporting the implementation of the State Budget Law (2015) focusing on regulatory frameworks for fiscal decentralization and introducing medium-term financial planning. The EU with cofinancing from SECO is also providing TA to strengthen the institutional capacity of the State Audit of Viet Nam, including modernizing audit methods and managing audit activities as well as upgrading the national taxation system.

5. GIZ is supporting (i) fiscal policy reforms following the Vietnam Green Growth Strategy through the development of the Green Growth Action Plan of the Ministry of Finance; (ii) reforms in the taxation system for stronger incentives for green investments, production, and consumption; and (iii) the development of green standards and criteria for public expenditure and procurement for stronger incentives for green public consumption.

6. JICA focuses on tax and customs administration reforms, encompassing capacity building in international taxation, tax debt collection management, operational frameworks for tax appeal handling, and the modernization of customs administration.

¹ ADB. 2016. *Technical Assistance to Improving Public Expenditure Quality in Viet Nam*. Manila.

7. SECO—through the World Bank, EU, and the International Finance Corporation—is actively supporting a range of PEFM activities to strengthen the capacity of executive bodies and, to a lesser extent, the legislature in policy making and implementation towards improved budget planning, execution, transparency, accountability, and sustainability. It also supports Viet Nam to better manage fiscal risks for better resilience against crises, improve macroeconomic forecasting capacity, strengthen the external oversight capacity of the State Audit of Viet Nam, build broad and inclusive local capital markets and non-banking financial institutions, and improve the tax regulatory environment to be more conducive for small businesses and cost efficient for tax authorities.

8. USAID is active in streamlining procedures for tax administration and capacity building for legislative bodies in terms of budget-related regulatory reviews. USAID is also providing TA in upgrading regulations and guidelines on public procurement, improving public investment decentralization, and strengthening institutional capacity for the State Audit of Viet Nam.

9. The World Bank has been supporting the revision of the State Asset Management Law; the preparation and implementation of the Domestic Resource Mobilization Plan, 2016–2020, a tax administration reform plan; and the implementation of the Public Investment Law (2014). It has also been conducting public expenditure reviews (the last one in 2015).

Major Development Partner Activities

Development Partner	Program Name	Duration	Amount (million)
ADB	Improving Public Expenditure Quality Program (proposed)	2017–2018	\$0.6
	Supporting Public Financial Management in Viet Nam	2015–2017	\$0.5
	Supporting Project Financial Management Decentralization	2012–2015	\$0.6
	Support for the Preparation of the Results-based Socio-Economic Development Plan, 2011–2015	2010–2015	\$1.3
EU	Public Finance Modernization Project – Component 1	2015–2019	€3.9
	Public Finance Modernization Project – Component 2 (indirect management through GIZ)	2015–2018	€3.0
	European Trade Policy and Investment Support Project (EU-MUTRAP)	2015–2016	€0.3
GIZ	Supporting Green Fiscal Policy Reform Macroeconomic Reform/Green Growth Program	2015–2018	\$1.1
JICA	The Project for Enhancing Corporate Finance Management Capacity to Implement SOEs Restructuring	2014–2017	\$0.1
	Tax Administration Reform – Phase 4	2014–2017	\$0.9
	Project for Strengthening the Effectiveness of Viet Nam Automated Cargo Clearance System	2015–2018	\$2.0
SECO	Public Finance Analytical and Advisory Assistance to Viet Nam (indirect management through the WB)	2015–2019	CHF 7.0
	Fiscal Risk Management for Middle-Income Countries (indirect management through the WB)	2012–2016	\$2.0
	Capacity Building for SAV (indirect management through EU)	2015–2019	CHF1.5
	Capital Market Development (indirect management through IFC)	2015–2019	CHF2.5
	Tax Simplification (indirect management through IFC)	2012–2017	\$2.0
USAID	Governance for Inclusive Growth	2014–2018	\$42.0

Development Partner	Program Name	Duration	Amount (million)
WB	Support the revision of the State Asset Management Law	2015–2016	\$0.1
	Domestic Resource Mobilization Support Program	2016–2018	\$4.2
	Analytical and Advisory Assistance Program to Support PEFM Reform	2016–2018	\$5.6
	Public Investment Management TA Program	2015–2017	\$0.2

ADB = Asian Development Bank, EU = European Union, GIZ = German Corporation for International Cooperation, IFC = International Finance Corporation, JICA = Japan International Cooperation Agency, MUTRAP = European Trade Policy and Investment Support Project, PEFM = public expenditure and fiscal management, SAV = State Audit of Viet Nam, SECO = Swiss Agency for Development and Cooperation, SOE = state-owned enterprise, TA = technical assistance, USAID = United States Agency for International Development, WB = World Bank.

Source: Asian Development Bank.

B. Institutional Arrangements and Processes for Development Coordination

10. Cooperation with development partners is an important feature of ADB's activities to develop PEFM in Viet Nam. In 2015, ADB supported the establishment of a development partner PEFM working group comprising the World Bank, EU, and several bilateral partners to ensure a structured and coordinated approach to its assistance.

11. In processing this program, ADB consulted closely with key development partners including Australian Department of Foreign Affairs and Trade (DFAT), Expertise France, EU, GIZ, JICA, SECO, USAID, and World Bank to ensure that the activities under the proposed program and piggybacked technical assistance will complement the initiatives of other development partners. During the implementation of the program, ADB will continue to conduct and hold continuous dialogue and consultations with other development partners to further strengthen cooperation.

C. Achievements and Issues

12. A public expenditure and financial accountability (PEFA) assessment report in 2013 and recent annual progress reports of the Finance Development Strategy, 2011–2020 highlight continuing progress in budget credibility, public debt management, and strategic resource allocation while also pointing out weaknesses, including weak domestic revenue collection and insufficient progress with regard to budget transparency. A majority of PEFA ratings remain at the C to D level indicating many binding constraints which limit the government's ability to strategically allocate and manage scarce public resources.

D. Summary and Recommendations

13. The scope and intention of the proposed program to support PEFM in Viet Nam inclusive of all its components has been closely coordinated with all major development partners, including EU, GIZ, JICA, SECO, USAID, and the World Bank. ADB's support in this area is considered appropriate and timely, and the proposed program is complementary to existing aid agency programs.