

**Road to 2030: ADB's New Strategy**  
**Southeast Asia Consultations**  
**23 March 2016, Hanoi, Viet Nam**

**VIEWS FROM SENIOR GOVERNMENT OFFICIALS**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges

- Southeast Asian countries are very diverse with varying levels of growth and development and with different expectations from international development partners. The development landscape is shifting significantly, with many of developing member countries (DMCs) having reached middle-income status and aspiring to become upper middle-income countries (UMICs). ADB's responses to their development challenges need to be differentiated and country-focused.
- There are some common challenges. Poverty and inequality, and in particular regional disparities in individual countries, still need to be addressed. The Sustainable Development Goals (SDGs) need to be met. Infrastructure remains a bottleneck. Countries need to enhance connectivity with neighboring countries to benefit from greater investments and trade opportunities. Economies need to become more competitive and regional cooperation and integration (RCI) needs to be strengthened. There is a lack of sufficient human resources and skills development. Climate change is a major threat.

Strategic Priorities for ADB

- As more and more countries in the region move towards middle income status, seeking prosperity should be the new strategic objective for 2030 ("A Prosperous and Poverty Free Asia and Pacific"). Elements of regional cooperation, inclusion, sustainability, resilience, security and stability could also be considered in crafting ADB's vision under its new strategy. At the same time, poverty reduction is still relevant. ADB can also help address regional disparities.
- More advanced economies like Malaysia do not seek sovereign assistance from ADB. Thailand borrows mainly for non-sovereign private sector projects. Cost of borrowing from ADB is an issue for countries that can raise cheaper funds through domestic capital markets.
- Both Malaysia and Thailand seek to continue partnership with ADB in the RCI area. ADB can play a more active role through well-established subregional groupings such as GMS, BIMP-EAGA, or IMT-GT; and Trans-Pacific Partnership (TPP) as platforms for increasing RCI. Opportunities for engaging with ASEAN should be further explored. DMCs expressed interest in more transport projects to support regional connectivity.
- The ability to create new, innovative regional, cross-regional and global partnerships to promote more investments in DMCs will be critical. While ADB will remain an important source of development financing, there will be new players like the AIIB, the New

Development Bank and the Silk Road Fund. ADB will need to enhance partnership and cooperation with these new sources of financing.

- ADB should also work more with the private sector to scale up private financing of infrastructure and for RCI projects. DMCs need access to finance for regional transport corridors. ADB can support not only infrastructure, but also soft aspects of transport corridors, such as modernizing rules and laws for development of regional frameworks. Development of capital markets is important. Support to private sector development is necessary from the job creation perspective. ADB should be able to integrate public and private solutions to development problems. Public-private partnerships (PPPs) for infrastructure development should be a key focus.
- ADB should have a clear priority on sustainable development to respond to threats of climate change and environmental challenges, including air pollution. This should include support for agricultural development, clean and renewable energy as well as for green business development. ADB needs to provide support to agriculture, as it is linked to livelihoods and food security, especially in rural areas.
- ADB should continue supporting secondary and tertiary education, skills development, technical and vocational education and entrepreneurship. Labor productivity and labor mobility are important issues and there is a need for reskilling of the workforce. ADB can support regional training centers to improve specific skills to enhance productivity, especially in the industrial sector.
- ADB should also support strengthening the quality of public health services and contribute to controlling cross-border diseases.
- Support for development of small- and medium-sized enterprises, which are major job creators, is necessary.
- ADB should support greater international competitiveness of regional economies by assisting in enhancing their productivity levels through policy and investment support.
- For some countries (like Myanmar), ADB assistance for enhancing governance reforms, debt management, public finance and aid management capacity should be considered.
- ADB should support remote, lagging areas by providing social protection and addressing infrastructure needs. For countries like the Lao PDR, Cambodia, and Myanmar, ADB support for poverty reduction remains vital.
- The economic base in some DMCs is narrow and there is a need to support diversification.
- There is also a need for reform in public financial management.
- ADB should support DMCs on SDGs.

### ADB's Comparative Advantages

- ADB has a long experience in the region and has built a reputation as a trusted development partner, especially in its RCI work.
- ADB is able to bring large volumes of long-term, concessional finance for projects that would otherwise not attract private sector financing. This is also a key strength.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Business Processes

- ADB needs to streamline its operational procedures. Its business processes are cumbersome, inflexible and time consuming which results in inefficiency throughout the project cycle.
- Some business processes during project implementation stage add very little value (for example, prior approvals are required even for insignificant changes). This contributes to the delay in completing projects.
- Use of country systems in projects is limited. There have been significant improvements in country systems over the years. ADB needs to move to a more country-system based approach.
- ADB needs to revise its safeguards policy by shifting away from compliance towards outcomes.
- Delays in project start-up and implementation, including recruitment and fielding consultants and delay in procurement approvals, cause inefficiencies in ADB operations. In particular, the international competitive bidding process takes too long. On procurement, a comprehensive revision is necessary to save time and rationalize ADB's involvement in multiple stages of the procurement review and approval process.
- ADB must differentiate between borrowers (depending on the stage of development and the state of country systems) and discard use of one size fits all approach. For small countries with limited capacities, ADB's business processes can be especially onerous.
- Consultant Guidelines must be revised to remove time consuming procedures. Consultant recruitment should be aligned with practices in the private sector. Selection should be based on value for money.
- A more flexible approach to ADB's graduation policy is necessary.
- There is scope to streamline procedures for MFF. For instance, one option is to remove the requirement to do fact finding mission for each MFF tranche.

### Technical Assistance and Knowledge Support

- ADB's TAs, and in particular regional technical assistance projects, are mostly supply-driven. Consultants tend to treat ADB as the main client and not the DMC. The quality of

outputs of some consultants is not good. Ownership of the borrowers on TAs needs to be strengthened. DMCs should participate in the design of RETAs.

- ADB relies on consultants to provide knowledge support. Administration of consultancies is sometimes inadequate. There is lack of consultation by the consultant with borrower agencies. A more effective tri-partite arrangement should be put in place.
- ADB should link up with existing centers of knowledge and use them more to transfer knowledge to borrowers through in-country workshops, study tours, and regional programs. In cases where in-country knowledge centers are available, ADB support should focus on building their capacity to deliver knowledge solutions.
- PPTAs are often too long. DMCs need a fast-tracked project preparation approach.
- PPTAs still require recruitment of HIV consultants, even if no substantive HIV-related issues are present in the project. ADB can use government health programs to address HIV concerns.

#### Role of ADB Resident Missions

- Malaysia inquired if ADB was interested to establish a representative office in the country to maintain engagement. Such an office could focus on regional development issues.
- Strengthening of resident missions (RMs) is needed to increase ADB's responsiveness. Some delegation is happening, but ADB largely remains a HQ-centric organization. ADB should continue to delegate more authority to RMs.
- For RMs to be more responsive, their staff strength must be increased and they should become self-contained to deliver all operational services (procurement, safeguards, etc). This will improve response time, result in improved country engagement, and facilitate more country-focused solutions. ADB should provide RM staff with more training through cross-country knowledge sharing.
- Some ADB staff lacks the necessary expertise to provide value-adding policy advice. They rely more on consultants and their focus is on meeting internal ADB requirements. Hands-on experience and expert skills are necessary. Strengthening of staff numbers and quality in RMs is required so that they can provide rapid responses to country requests that depends less on HQ support and expertise.

#### New Products and Modalities

- Increase in nonsovereign lending should be considered, particularly for revenue-earning and profitable SOEs and PPPs. However, it should be ensured that nonsovereign financing support delivers clear development impacts.
- Advance financing to complete detailed project designs should be provided to borrowers. Project preparation is currently driven by ADB-appointed consultants with lack of adequate consultation with executing and implementing agencies.

- Some countries foresee a stronger demand for greater budget support and more sector-wide interventions.

#### Financing

- DMCs, like Viet Nam, prefer to use OCR for infrastructure projects and concessional or local funds for social sector projects in health, education, and TVET.
- Countries like Thailand, noted high cost of borrowing from ADB and called for blending of OCR with trust funds to soften borrowing terms.
- Lending in local currency is a potential area for ADB support.

#### Results Framework

- There is a need to further simplify the results framework and clarify results chain (linkages between project performance and broader corporate targets).
- Most indicators in the results framework are quantitative. ADB should consider bringing in more qualitative dimensions in the framework.

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**BILATERAL MEETINGS WITH THE GOVERNMENT OF VIET NAM**

- Viet Nam's successful economic transition from a low-income country (LIC) to a lower-middle income country (LMIC) is a significant turning point. The Government has outlined its medium to long-term strategic priorities and targets in its Socio Economic Development Plan (SEDP) 2016–2020 as well as in "Viet Nam 2035". These documents provide inputs towards developing the new country partnership strategy (CPS) for Viet Nam as well as ADB's new strategy. Expectations for ADB's continued support are high in light of these developments.
- Viet Nam undertook scenario planning under "Viet Nam 2035" with World Bank assistance. While the report identifies broad directions and corrective measures, it is not specific in terms of how to implement these strategies. ADB could play a role in helping to implement recommendations from this report. The government would also appreciate ADB advice on new drivers of change for longer term growth. Drivers of change should be ambitious and have breakthrough solutions.
- Implementation of SEDP and "Viet Nam 2035" requires more diversified sources of funding, including from the private sector. ADB's continued support through public sector assistance as well as private sector development and support for direct private sector investments is critical.
- Viet Nam has to avoid the middle-income trap. The Viet Nam Government priority is focused on key drivers of change that could strengthen Viet Nam's competitiveness and support the country to become an upper middle-income country (UMIC). The three top priorities include (i) improving markets and institutions; (ii) accelerating infrastructure investments (including construction and financing of North-South Highway; support for upgrading of railways, ports, and airports; and systems to address urban congestion and traffic); and (iii) supporting human resource development to enhance productivity of the labor force. Training and capacity building to upgrade quality of human resource development to serve new business demands is essential. There is a need to speed up skills development and to take advantage of the demographic dividend. Development of social protection systems to reach the poor and the vulnerable is vital.
- Addressing and reversing the impacts of climate change is a forefront priority of the Government. Weather events including below-average rainfall and drought conditions are badly affecting agriculture and livestock in the Mekong Delta and creating shortages of drinking water. Other issues include landslides and salinization. Viet Nam's 13 provinces face severe salinization and 500,000 hectares of land and 2 million people are affected.
- While climate change is not a new challenge for Viet Nam, its speed and impact have been felt more strongly recently. Investments and technical support from ADB are required to help address these challenges. Viet Nam government needs resources for implementing adaptation measures in a comprehensive way. For example, construction of reservoirs, investment in desalination, and a focus on forestation are needed.

- Viet Nam needs to make full use of opportunities of economic integration. Free trade agreements (such as the Trans-Pacific Partnership) present challenges and opportunities. Viet Nam has to respond to new challenges and risks as it opens up more. For this purpose, it needs to raise competitiveness and productivity at national, corporate and product level. Viet Nam aims to be an industrialized country in the longer term. ADB's expertise and support and advice are needed to facilitate this.
- A discussion of Viet Nam's future graduation from concessional funding resources from the World Bank and ADB is ongoing. Graduation will require a shift to more market-based loans to replace concessional official development assistance (ODA). However, Viet Nam's ceiling of public debt is a constraint, particularly with respect to less concessional or non-concessional borrowing. Given the government's direction to prioritize market-based loans (such as OCR) for revenue-generating projects/programs, a key concern is whether projects in sectors/subsectors that do not directly generate revenue—that is, social sector projects and projects in relatively poorer areas, will be de-prioritized.
- The importance of mobilizing domestic resources (including through the private sector) is seen as crucial. Viet Nam hopes to implement more public-private partnership (PPP) projects. It also hopes to tap new donors (like AIIB) for financing. To strengthen domestic resource mobilization, ADB's support and advice and experts are needed to help the Government reform the banking system, develop a strong equity market, and create a healthy and sound financial system.
- Viet Nam seeks ADB's support through diversified lending modalities. This includes budget support and direct lending support for private and state-owned enterprises.
- Beyond financing, Viet Nam needs knowledge, expertise and policy advice on new drivers of economic development for the country.

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**VIEWS FROM VIET NAM PROVINCIAL GOVERNMENT OFFICIALS**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges

- Provincial governments of Viet Nam are in various stages of growth and development, with diverse development needs and expectations.
- Climate change is a common and critical challenge. Climate change is happening quicker than anticipated. Impacts of climate change are felt not just in the Mekong Delta region but also along the Viet Nam coastline. The agriculture sector and availability of safe drinking water are badly affected.

Strategic Priorities for ADB

- ADB's new strategy should steer away from the "poverty reduction" goal and be more forward looking. Sustainability, integration and inclusion could be reflected as a new vision in ADB's strategy for the region.
- ADB's support for infrastructure development should continue. This is an area of ADB's strength. Transportation, irrigation, waste water management, water supply and market infrastructure are critical needs of municipalities. Given the serious threat of climate change, building resilient infrastructure is necessary.
- A focus on inclusion is critical. Infrastructure development, for example, roads in poor and remote regions, promotes inclusive growth. Attention to ethnic minorities is also needed.
- Viet Nam's likely graduation from IDA (and ADF) masks the fact that many areas of Viet Nam (especially the 13 provinces along the Mekong Delta) are poor with continued need of concessional funding. Therefore, despite its MIC status, Viet Nam continues to need more targeted support for the vulnerable and disadvantaged provinces. Although provinces need to attract private investment, provincial enterprises are too small and have low capacity.
- ADB should find ways to engage more with private sector for infrastructure development at the provincial level. Increasing competitiveness and productivity is critical.
- ADB's support is needed for sustainable development and improvement of the environment. This includes measure to improve urban planning and develop green cities.
- ADB should continue to support regional cooperation and integration (RCI). For example, Viet Nam needs infrastructure to connect to Lao PDR and other countries. As

part of its support for RCI, ADB can also support regional dialogue and climate change adaptation in the Mekong Delta Region.

- Climate change is adversely affecting agricultural production. ADB could develop projects in this area and expand financing, and provide TA/research and policy advice, focusing on provinces that are most impacted by climate change.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Products and Modalities

- There is limited direct donor investment in most provinces. Provinces' access to ODA is through the central government. Access to information on ADB assistance is limited, although several provinces are keen to establish a more direct relationship to access financing from ADB.
- Some provinces prefer budget support over project support. This could be used to help strengthen reform efforts at the provincial level.
- ADB should not retreat from concessional funding as there are still huge development challenges in Viet Nam, and many provinces are still poor. ADB could reconfigure its lending to target concessional assistance to specific sectors or areas, based on maximizing development impacts to the poor.

### Business Processes

- ADB projects are slow. ADB's project processing time is long; provinces would prefer shorter time for preparation and implementation of projects for ADB's assistance to be more effective.
- ADB's business processes, including compliance procedures (for instance, on safeguards) add to the longer project preparation time. There are several bottlenecks to project start-up activities. ADB's project processing can sometimes be uncoordinated and complicated.
- Use of good consultants to support project preparation could speed up processes (for both processing and implementation). But some international consultants hire poor quality local subcontractors who may not have the requisite skills or capabilities required for the project.
- ADB has good and capable staff. ADB should continue to deploy more staff from HQ to field offices (for safeguards, procurement, etc.).

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**VIEWS FROM VIET NAM PRIVATE SECTOR REPRESENTATIVES**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges

- The role of the private sector as a driver of growth, productivity, innovation and competitiveness is emphasized in Viet Nam's medium and long-term strategic priorities (Socio Economic Development Plan, 2016–2020 and Viet Nam 2035).
- Leveraging private sector funding is needed to diversify sources of development financing (beyond ODA) and ease the tight fiscal situation of the country.
- Viet Nam needs to grow out of cheap manufacturing. It has the potential to becoming an important hub, building on regional value chains (ASEAN integration). IT and telecommunications are high potential areas. Viet Nam needs to improve its competitiveness in the global market. A clear policy for industrialization, including supporting local industries, is required.
- The regulatory environment (characterized as having complicated procedures, especially at the provincial levels) remains a disincentive for private sector participation, particularly in large scale infrastructure projects.
- The impacts of climate change, particularly on livelihoods of poor and vulnerable households along the Mekong River, are major concerns.
- The Trans-Pacific Partnership (TPP) is a concern for the vulnerable sectors such as agriculture (particularly, animal husbandry). Industries must be prepared to respond to the opportunities and challenges presented by increased trade cooperation.

Strategic Priorities for ADB

- Inadequate infrastructure (roads, energy, etc.) remains a major obstacle in attracting private sector investments in Viet Nam. ADB should continue to provide investment financing for infrastructure development.
- There is a mismatch between the supply and demand in the labor market leading to high unemployment rates among Viet Nam's educated youth. Appropriate investments in higher education, technical and vocational training are needed to anticipate future business needs. There is insufficient career guidance to youth, and ADB can support the Ministry of Education in skills forecasting. ADB could capitalize on its convening role to help the public and private sectors match supply and demand in the labor market and by providing a platform for a dialogue between private and public sectors on skills training. Direct support to business associations, sector councils, and training providers (for example, through conducting training needs analysis or curriculum development) could be explored.

- Although a challenging area, ADB should support reform of state-owned enterprises (SOE).
- ADB should provide research and advice to help government formulate policies that support the role of the private sector and reduce the cost of doing business, including through improved regulations.
- Support for microfinance (access to finance and capacity building for entrepreneurs) and access to finance for small-and medium-sized enterprises, particularly those run by women, is an important area for ADB support. ADB can introduce peer-to-peer lending practices for SMEs, as SMEs' access to finance is limited. Also, there is a need to introduce electronic finance technology in Viet Nam.
- SMEs need long-term capacity building, focusing on applied training.
- ADB could share risk with credit institutions that seek to invest in bankable projects with a significant development impact. For instance, one promising area for ADB support is renewables. This could be done through the use of guarantees and any other risk-mitigating instruments.
- ADB could play an important role in sharing lessons on successful initiatives that could be scaled-up, and in introducing innovative initiatives on the use of technology for revitalizing the private sector. ADB could provide investments for innovation (such as establishing “techno parks”) and provide research support.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Business processes and institutional changes

- The range of assistance modalities that ADB could provide is appreciated, from investment loans for infrastructure development to policy-based assistance for helping improve the investment climate for private sector development.
- ADB's risk guarantee instruments are useful to attract private sector participation in projects with development impact, and in which the private sector might otherwise not invest on its own because of risk and other factors.

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**VIEWS FROM VIET NAM CIVIL SOCIETY AND THINK TANKS**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges

- Climate change is the most serious issue and challenge. In various parts of Viet Nam, people are experiencing drought, salt water intrusion, floods, erosion of the coastline and landslides. The poor are particularly vulnerable to these challenges.
- Deepening integration into the global economy provides an opportunity and challenge for Viet Nam. Opening markets through the Trans-Pacific Partnership (TPP), for instance, requires that the country is able to compete internationally in the various economic sectors. Without adequate preparation, opening up of the economy could adversely affect vulnerable sectors (such as agriculture).

Strategic Priorities for ADB

- ADB needs to identify its focus clearly. An overarching emphasis on green and more inclusive growth is appropriate.
- Climate change issues and other environmental challenges should be a critical component of ADB's new strategy. These cover a wide range of activities for ADB in infrastructure support (including building dikes and irrigation systems), water resource management, and stepping-up adaptation/mitigation measures, especially in the Mekong River Delta. Disaster risk mitigation is also critical.
- There is a need to monitor upstream water quality, have measures to protect coastlines from the encroaching sea and sand mining, and take measures to reduce deforestation due to commercial trade of wood. Sea water levels are rising, leading to shortage of drinking water in the Mekong Delta Region. ADB can help address these issues. ADB can also help coordinate among ASEAN countries in the construction of storage dams.
- Financing is only one component of ADB's support. Promoting partnerships and introducing appropriate technologies are also critical. ADB's research work is also held in high repute. ADB needs to promote such work further and expand its partnerships with the academia and CSOs. ADB could also provide knowledge products on specific issues (for example, conduct a research study on enhancing the sustainability of the Mekong River Delta).
- There is a need for more cross-border projects (e.g. investments along the Mekong River). ADB should focus its support on issues requiring regional or inter-donor coordination leveraging and further strengthening its role as an "honest broker".
- ADB should also support inter-provincial and regional planning to help develop a coordinated approach to infrastructure development in the country.

- ADB should support regional economic zones.
- The social inclusion agenda is an area for ADB's increased support, especially in helping provide social security and increasing resilience of communities to shocks. ADB needs to adopt community-based approaches to promote inclusiveness.
- Human resource development is also a priority for Viet Nam and needs to be fully reflected and elaborated in ADB's new strategy.
- The new strategy should take into consideration the political economy of Viet Nam as well as the region. ADB should promote critically needed structural reforms in the country.
- Opportunities for supporting the digital economy (ICT to improve finance, government service, national ID system, etc.) should also be explored.
- As a development bank, it is incumbent on ADB to provide "responsible" loans that lead to real improvement in the quality of life of citizens, and not just add to Viet Nam's debt burden.
- Potential areas for ADB support include infrastructure, waste management, energy, private sector operations, and SMEs.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

- ADB's involvement with CSOs and academia in Viet Nam is limited and needs to be enhanced so that ADB can tap into local expertise and knowledge available on the ground.
- Participation and involvement of NGOs (in Viet Nam and other parts of the region) is important. ADB is often seen as a public sector bank. While activities with NGOs are available, these are not frequent. There is scope for increasing alliances and networking with local NGOs. ADB should pay more attention to development partners outside the public sector.
- ADB should act as a bridge between CSOs and the government. It should promote the role of NGOs as an important voice in national development.
- The role of CSOs as independent, third-party monitors on development projects is also important and should be promoted.
- Viet Nam's access to concessional financing will reduce over time and this will also further limit access of CSOs to financing. The possibility of creating dedicated financing mechanisms to support CSOs, private sector and SMEs should, therefore, be explored.

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**Southeast Asia Consultations**  
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**VIEWS FROM DEVELOPMENT PARTNERS BASED IN VIET NAM**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges

- Key trends shaping development in Southeast Asia include issues of ageing, integration (due to the Trans-Pacific Partnership [TPP]), greater instability in the global context (including refugee crisis and how this plays out in Asia), climate change, and an increasing number of countries becoming middle-income countries (MICs). It would be important to analyze these trends and assess what these mean for Asia and ADB.
- In particular, the rise of MICs has brought rising expectations by a rapidly growing middle class. Creating jobs will be critical to meet demands of youth and to support social stability.
- Poverty remains an issue, even in MICs. Inequality is also a rising concern. If concessional assistance to Viet Nam ceases over time, how will the development of the poor areas and social sectors be supported?
- Climate change presents major environmental and energy-related challenges for the region.

Strategic Priorities for ADB

- ADB should broaden its vision statement beyond poverty to reflect new challenges facing Asia. It will also be good to capture sustainability and resilience in the vision statement.
- ADB continues to be seen as a solution provider to complex development problems, with its distinct and unique comparative advantage as a regional development bank. Therefore, ADB should leverage its position as a regional bank to play a more important role in advising governments through sustained policy dialogue.
- Supporting regional cooperation and integration (RCI) is a clear strength of ADB. ADB needs to expand its support for regional cooperation. ADB should support countries to better integrate in global value chains.
- ADB's cross-country presence provides an opportunity for coordination across countries to contribute to stability in the region (Example: Mekong Delta water management issues cuts across countries. The issue can lead to conflict and the focus should be on conflict prevention. ADB could play a coordination role as an honest broker for dialogue and joint actions). ADB should continue supporting RCI and trade facilitation (e.g., in the context of the TPP).

- With ODA reducing, the private sector needs to develop as a stronger engine of growth. Development partners, including ADB, need to be more creative in catalyzing other funding sources, especially the private sector. Viet Nam, for instance, is pushing for more renewable energy through private sector support but commercial project financing is getting tight. ADB's nonsovereign operations are quite important in this context, especially to finance renewable energy and other projects with strong development impact.
- Preparing bankable development projects is critical. ADB has started work on this area and its role as a project developer should be further expanded.
- ADB should promote meaningful reforms in core sectors, beyond providing infrastructure project support. For instance, ADB should support reforms in the energy sector.
- Helping address the ageing challenge could be a new area for ADB (as well as for other development partners). This would require specific measures (elderly care, sustainable pensions, etc.) and ADB may have to build its technical capacity to provide effective support in this area.
- ADB can build a stronger link between the World Bank, International Monetary Fund and ADB to build Asian countries' macroeconomic resilience during periods of instability.
- Support for higher education and vocational training will be required to address future needs of DMCs. ADB should expand support in this area. ADB should shift its focus from access to quality of education services.
- There is a clear role for a big lender like ADB to influence reforms needed to promote the "Viet Nam 2035" vision. Multilaterals (like ADB) could do more than bilaterals to support countries to address corruption and governance issues.
- There are big gaps in innovation, technology, and research and development in the region. ADB has a strong potential to be more active in this area.
- ADB should bear in mind that poverty remains a critical challenge in MICs. ADB should consider instruments and arrangements to support poverty reduction as Viet Nam graduates from ADF.
- Malnutrition and stunting are high in Viet Nam. There is a nexus with water and sanitation issues. ADB can help address these health-related challenges.
- There is a need for private sector development to support new exporting industries. ADB can support improving the enabling environment for private sector.
- Given that climate change is a big challenge, ADB can provide concessional funding to support climate change.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Engaging with Development Partners

- ADB enjoys a good working relationship with development partners in Viet Nam. Donor coordination is working well.
- ADB and the World Bank should coordinate on Viet Nam's eventual graduation from IDA and ADF. For World Bank, Viet Nam is expected to graduate soon and transitional arrangements are being discussed to cushion impacts (on the volume and cost of borrowing) of IDA graduation.

### Business processes

- ADB's high safeguard standards are appreciated. New development institutions emerging in the region should also uphold international safeguard standards.
- At the same time, more active use of country systems (especially in MICs) is also important going forward. World Bank is moving towards increased use of country systems (through performance for results and its new procurement framework). On the other hand, the use of country systems in situations where the systems are not yet consistent with international standards could also become a stumbling block to effective aid delivery.
- ADB's new strategy should embed flexibility in its systems and processes to allow it to respond quickly to the needs of governments.

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