



## Concept Paper

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Project Number: 50051-001  
May 2016

# Proposed Programmatic Approach, Policy- Based Loan and Technical Assistance Grant for Subprogram 1 Viet Nam: Improving Public Expenditure Quality Program

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**Asian Development Bank**

## CURRENCY EQUIVALENTS

(as of 05 May 2016)

Currency unit	–	dong (D)
D1.00	=	\$0.000044
\$1.00	=	D22,405

## ABBREVIATIONS

ADB	–	Asian Development Bank
ALM	–	asset and liability debt management
CFBA	–	Committee for Financial and Budgetary Affairs
FDS	–	financial development strategy
IPEQ	–	Improving Public Expenditure Quality
MOF	–	Ministry of Finance
MPI	–	Ministry of Planning and Investment
PEFA	–	public expenditure and financial accountability
PFM	–	public financial management
SEDP	–	socio-economic development plan
SEDS	–	socio-economic development strategy
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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## PROGRAM AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 50051-001</b>	
<b>Project Name</b>	Improving Public Expenditure Quality Program	<b>Department /Division</b>	SERD/SEPF
<b>Country Borrower</b>	Viet Nam, Socialist Republic of Socialist Republic of Viet Nam	<b>Executing Agency</b>	Ministry of Finance
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Public sector management</b>	Public expenditure and fiscal management		200.58
		<b>Total</b>	<b>200.58</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development Institutional systems and political economy Public financial governance	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Private sector development (PSD)	Conducive policy and institutional environment		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Nation-wide	High
<b>6. Risk Categorization:</b>	Complex		
<b>7. Safeguard Categorization</b>	<b>Environment: C Involuntary Resettlement: C Indigenous Peoples: C</b>		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>200.58</b>	
Sovereign Capacity development technical assistance: Technical Assistance Special Fund		0.58	
Sovereign Programmatic Approach Policy-Based Lending (Loan): Asian Development Fund		104.00	
Sovereign Programmatic Approach Policy-Based Lending (Loan): Ordinary capital resources		96.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>200.58</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

## THE PROGRAM

### A. Rationale

1. Low-quality public expenditure remains a critical development constraint to more inclusive economic growth in Viet Nam.<sup>1</sup> The proposed Viet Nam Improving Public Expenditure Quality (IPEQ) Program deepens ongoing ADB support of sequenced policy measures to increase the efficiency of public expenditure and improve infrastructure and services for the people of Viet Nam.<sup>2</sup> The draft design and monitoring framework is in Appendix 1, and the problem tree in Appendix 2. The program will be included in the Viet Nam country operations business plan, 2017–2019 for delivery in 2016.

2. **Development problem.** Viet Nam has achieved high rates of economic growth, averaging 6.5% per annum since 2000. Growth slowed following the global financial crisis in 2009, although real gross domestic product growth recovered to 6.7% in 2015 as a consequence of foreign direct investment. Sustained high economic growth has supported increased spending on infrastructure and public services, but these expenditures have not always resulted in improved outcomes. Viet Nam government spent an average of 11% of gross domestic product per year on public infrastructure during 2010–2014 (one of the highest levels of investment in Southeast Asia), but poor-quality infrastructure remains a significant drag on Viet Nam’s regional competitiveness. In 2015, Viet Nam ranked 81st out of 144 countries for the quality of its infrastructure according to the Global Competitiveness Index,<sup>3</sup> still well behind regional competitors such as People’s Republic of China (46th), Thailand (48th), and Indonesia (56th). Various indicators measuring the effectiveness of public financial management (PFM) suggest these outcomes are partially a consequence of weak PFM systems,<sup>4</sup> diminishing the pro-poor effects of higher budget spending on infrastructure and services.

3. **Binding constraints.** The government has identified four main binding constraints to effective fiscal and budget management:<sup>5</sup> (i) inefficient public resource allocation, with limited consideration of recurrent maintenance and operating costs created as a result of investment decisions; (ii) poor identification and management of fiscal risks, resulting in unexpected fiscal costs and limiting the government’s ability to develop systems to track and mitigate risks; (iii) weak oversight and evaluation of budget implementation leading to poor implementation monitoring and limited accountability for results by budget managers to the National Assembly and the public; and (iv) inefficient domestic resource mobilization, limiting funds available for public expenditure.<sup>6</sup> These constraints compromise the impact of public expenditure on infrastructure quality and service delivery, slowing poverty reduction and progress against the objectives in the government’s Socio-Economic Development Plan, 2016–2020.<sup>7</sup>

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<sup>1</sup> Aligned with the Public Expenditure and Financial Accountability Secretariat ([www.pefa.org](http://www.pefa.org)): expenditure quality is defined as the extent to which public financial management systems, processes and institutions contribute to the achievement of aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

<sup>2</sup> An outline of ongoing and future ADB support for IPEQ reform pillars is in Supplementary Appendix 4.

<sup>3</sup> World Economic Forum. 2015. *Global Competitiveness Report 2015–2016*. Geneva.

<sup>4</sup> ADB has made detailed assessments of Viet Nam’s PFM systems: ADB. 2015. *Viet Nam: Country and Sector Procurement Risk Assessment*. Manila; ADB. 2016. *Viet Nam: Governance Risk Assessment and Risk Management Plan*. Manila; ADB. 2016. *Funds Flow, Accounting and Auditing in Viet Nam*. (unpublished); and ADB. 2016; *Viet Nam Public Sector Management Sector Assessment, Strategy and Roadmap*. Hanoi.

<sup>5</sup> Government of Viet Nam. 2013. *Public Expenditure and Financial Accountability (PEFA) Report*. Hanoi.

<sup>6</sup> Appendix 2 and Supplementary Appendix 2 describe how these binding constraints align with broader public sector management issues and summarize development partner support in the sector.

<sup>7</sup> Government of Viet Nam. 2016. *Socio-Economic Development Plan 2016–2020*. Hanoi.

4. **The government public financial management strategy.** The government's Finance Development Strategy (FDS) 2011–2020<sup>8</sup> sets out a comprehensive reform plan to improve the impact of public expenditure on poverty reduction and sustainable growth. The FDS, 2011–2020 aims to reduce financial waste, enhance the accountability and transparency of budget operations, and empower subnational governments to provide services more directly to the public. In line with the FDS, the government has approved a number of recent landmark PFM reforms, including passage of the Public Investment Law in 2014 and the State Budget Law in 2015.<sup>9</sup> Following the passage of these reforms, the government is now faced with significant implementation challenges. Numerous decrees are needed to clarify implementation of the Public Investment Law and State Budget Law. Significant capacity development is required at national and provincial government levels to ensure officials can implement enhanced PFM requirements. While reforms are focused on PFM processes, it is envisaged these will be a catalyst for incremental institutional reforms over the medium term. Therefore, to ensure the impact of reforms is sustained, support is also required to ensure the institutional changes needed for a more transparent, accountable system of government are undertaken as planned.

5. **ADB engagement and development partner coordination.** IPEQ will be ADB's first dedicated PFM reform program, building on an ongoing engagement in PFM through policy dialogue, targeted technical assistance (TA), and program and project loans at the sector and micro level. TA is currently being provided to assist the government in implementing a range of PFM reforms.<sup>10</sup> ADB is also active in coordinating development partners, and led the recent establishment of a development partner PFM working group to ensure assistance is provided in a structured and coordinated manner.

6. **Program design and sustainability.** To ensure the program's impact is sustainable, IPEQ will adopt a programmatic approach and policy-based loans to support reforms that are assessed against a medium-term results framework. IPEQ will become an umbrella governance operation that complements ADB operations, particularly in relation to sustainable infrastructure investment, and with direct linkages to road, rail and metro asset management (infrastructure spending accounts for a sizeable share of the national budget). The IPEQ will also complement other policy-based loans for state-owned enterprise reform and financial sector deepening.<sup>12</sup> In addition to policy reform, IPEQ will support institutional change to strengthen the role of the National Assembly in overseeing budget implementation, enhance the responsibility and accountability of provinces, and clarify relationships between the national government and line agencies.

## B. Impact, Outcome and Outputs

7. IPEQ's impact is to improve the provision of infrastructure and service delivery to lift

<sup>8</sup> Government of Viet Nam. 2011. *Finance Development Strategy 2011–2020*. Hanoi.

<sup>9</sup> These reforms align Viet Nam with international good practice, by: (i) introducing medium-term expenditure, revenue and debt planning; (ii) increasing fiscal autonomy of provincial governments, particularly with regards to debt management; (iii) introducing output-based budgeting practices; (iv) reducing the extent of off-budget expenditure; (v) strengthening the management of public assets; and (vi) enhancing budget transparency.

<sup>10</sup> Supplementary Appendix 3 specifies the contributions of ADB TA to IPEQ reform program objectives. This includes: (i) strengthening the systems for domestic and international capital mobilization and management by provincial governments, (ii) enhancing regulatory frameworks for the strategic management of state infrastructure assets, (iii) building capacity of the National Assembly to enforce budget screening and monitoring required under the new State Budget Law (2015), (iv) reviewing legal frameworks for the use of state government guarantees to improve fiscal transparency and better manage fiscal risk, and (v) supporting implementation of results-based monitoring and evaluation systems for public investment.

<sup>12</sup> Supplementary Appendix 4 presents the main synergies between IPEQ support and other ADB operations.

living standards and reduce poverty. The program's outcome is enhanced public financial management systems. There are three main outputs.

8. **Output 1: Public financial resources productively allocated.** This output will support reforms to improve the efficiency of public resource allocation at both national and subnational government levels. Subprogram 1 will support: (i) the introduction of the State Budget Law (2015) to facilitate more transparent and accountable financial management, and mandating the use of medium-term fiscal frameworks; (ii) the introduction of the Public Investment Law (2014) strengthening fiscal controls on the allocation and disbursement of public funds, and supporting the introduction of medium-term investment planning; and (iii) implementation of an enhanced legal and regulatory framework for more sustainable and efficient public asset management. Subprogram 2 will include support for implementation of medium-term expenditure and public debt planning and issuance of implementing regulations for the Public Investment Law.

9. **Output 2: Budget credibility enhanced.** This output will strengthen the government's management of fiscal risks and improve fiscal transparency. Subprogram 1 will support (i) the introduction of a public debt management system that more transparently discloses fiscal risks, improves debt management capacity in provincial governments, and increases the effectiveness of official development assistance mobilization and on-lending procedures. Subprogram 2 will assist in the introduction of stricter and more transparent procedures for the use of state government guarantees, enforce risk-based user fees for government guarantee use, and ensure compliance by provincial governments with onlending policies.

10. **Output 3: Oversight and monitoring and evaluation of budget implementation improved.** This output will strengthen budget expenditure liquidation, introduce more transparent systems for evaluating public investment, and enhance the legal framework for preventing misuse of public funds. Subprogram 1 will support the: (i) introduction of more detailed guidance on public investment supervision, and strengthen the capacity of the National Assembly to conduct budget screening and oversight; (ii) development of a monitoring and evaluation system that provides more detailed information on project performance; and (iii) introduction of revised state audit law aligning domestic to global standards. Subprogram 2 will support: (i) issuance of guidelines on legislative oversight of the state budget by the National Assembly; (ii) efforts to enforce the application of new evaluation provisions to all state budget-financed projects; and (iii) information management systems to enhance results monitoring of national and provincial budgets.

### C. Program Costs and Financing

11. Subprograms 1 and 2 are envisioned as single-tranche policy-based loans. The inclusion of a third subprogram will be discussed with the authorities during program implementation. The loan amounts reflect the country's development financing needs and indicative costs of reform. The government has requested loans of \$200 million for subprogram 1 and \$200 million for subprogram 2 using a combination of Asian Development Fund and ordinary capital resources financing.

### D. Indicative Implementation Arrangements

12. The Ministry of Finance (MOF) will be the executing agency. The MOF, Ministry of Planning and Investment and the National Assembly Committee for Financial and Budgetary Affairs will be the implementing agencies. The program will be overseen by a steering committee chaired by the MOF, with implementing agencies as members. The implementation

period is November 2014 to July 2016 for subprogram 1, and August 2016 to July 2018 for subprogram 2.

## II. TECHNICAL ASSISTANCE GRANT

13. A TA grant of \$575,000 is proposed to accompany subprogram 2 implementation. The TA grant will be implemented from January 2017 to June 2018. The TA will support reform implementation with a focus on technical inputs and targeted capacity development of implementing agency officials to ensure that reform results are sustained. The TA is described in Supplementary Appendix 6.

## III. DUE DILIGENCE REQUIRED

14. The program is expected to be classified as category C for all safeguard categories (environment, involuntary resettlement, and indigenous peoples). Due diligence will focus on three areas: i) PFM assessment, ii) a program impact assessment, and iii) updated assessments of the state of governance systems in Viet Nam. ADB's Anticorruption Policy (1998, as amended to date) will be discussed with the government and included in the loan agreement.

## IV. PROCESSING PLAN

### A. Risk Categorization

15. The loan amount for each subprogram exceeds \$50 million, and the program is therefore categorized as complex.

### B. Resource Requirements

16. The program will be prepared by ADB staff. The estimated internal resource requirement for processing the two subprograms is: mission leader, 8 months; co-mission leader from ADB's Viet Nam resident mission, 8 months; legal counsel, 6 weeks; national officers and analysts, 6 months in total; and operations assistant, 5 months.

### C. Processing Schedule

**Table 1: Proposed Processing Schedule**

<b>Milestones</b>	<b>Expected Completion Date</b>
Loan fact-finding mission	May 2016
Management review meeting	June 2016
Loan negotiations	September 2016
Board circulation	October 2016
Board consideration	October 2016

Source: Asian Development Bank.

## V. KEY ISSUES

17. The continuity of reforms under a new National Assembly elected in 2016 represents a specific risk. ADB will coordinate closely with government agencies and other development partners to mitigate this risk, particularly through the PFM working group.

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Program is Aligned with:</b> Provision of infrastructure and service delivery improved to lift living standards and reduce poverty (Viet Nam Government's Financial Sector Strategy, 2011–2020).			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<p><b>Outcome</b> Enhanced public financial management systems</p>	<p>a. Improvement against PEFA assessment ratings for policy-based fiscal strategy and budgeting to an average of B+ by 2018 (2013 baseline: C+)<sup>a</sup></p> <p>b. Improvement against PEFA assessment ratings for budget credibility to an average of C+ by 2018 (2013 baseline: D+)<sup>b</sup></p> <p>c. Improvement against PEFA assessment ratings for transparency and management of public assets and liabilities to an average of B+ by 2018 (2013 baseline: B)<sup>c</sup></p>	<p>a. PEFA report</p>	<p>Macroeconomic instability undermines economic growth and hampers reform</p> <p>Lack of political will to control rising public debt results in sharp unproductive expenditure contraction</p> <p>Poor development partner coordination reduces effectiveness of development assistance</p>
<p><b>Outputs</b> 1. Public financial resources more productively allocated</p>	<p><b>Program targets</b></p> <p>1a. Annual budget allocations fully aligned with expenditure ceilings established under the medium-term expenditure framework (2016 baseline: N/A)</p> <p>1b. Medium-term public debt borrowing and repayment plans published (2016 baseline: N/A)</p> <p>1c. Staff from at least five provinces and/or line agencies undergo training on medium-term expenditure and debt planning by 2018 (2016 baseline: 0)</p> <p><b>Subprogram 1 targets</b></p> <p>1d. Risk assessment on potential implications of subnational capital mobilization from commercial banks completed by MOF by the end of 2016 (2016 baseline: N/A)</p> <p>1e. Revised provincial government capital mobilization circular</p>	<p>1a. MOF reports</p> <p>1b. MOF reports</p> <p>1c. MOF reports</p> <p>1d. MOF and consultants reports</p> <p>1e. MOF reports</p>	<p>Poor coordination between ministries limits reform momentum and impact</p> <p>National Assembly elections in 2016 disrupts reform process</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	clarifying legal standards for subnational borrowing approved by the end of 2016 (2016 baseline: N/A)		
2. Budget credibility enhanced	<p><b>Program targets</b></p> <p>2a. PAPI assessment rating for transparency reaches 6.5 by 2018 (2014 baseline: 5.88)<sup>d</sup></p> <p>2b. Less than 10% difference between final budget out-turn from original budget estimates in at least 2 of last 3 years (2015 baseline: 15%)</p> <p>2c. Reduction in off-budget expenditure (excluding on-lending) to less than 5% of total state budget expenditure by 2018 (2013 baseline: 11.6%)</p> <p>2d. Revised use of state guarantees circular approved by 2018 that limits the use of state guarantees for public enterprises (2016 baseline: 0)</p> <p><b>Subprogram 1 targets</b></p> <p>2e. PAPI assessment rating for transparency reaches 6.0 for 2016 (2014 baseline: 5.88)</p> <p>2f. Public disclosure of the number and value of all guarantees provided by the central government to social policy banks by 2016 (2015 baseline: n/a)</p> <p>2g. Review of adequacy of debt information management systems completed by 2016 (2015 baseline: 0)</p>	<p>2a. PAPI reports</p> <p>2b. Annual budget documents</p> <p>2c. Annual budget documents</p> <p>2d. MOF reports</p> <p>2e. PAPI annual report</p> <p>2f. Consultant report</p> <p>2g. Consultant report</p>	
3. Oversight and M&E of budget implementation improved	<p><b>Program targets</b></p> <p>3a. Introduction of information management system that support results framework for national and provincial-level budget monitoring (2015 baseline: none)</p>	<p>3a. MOF reports</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>3b. Introduction of a public investment evaluation framework including a set of quality standards applicable to all supervision and evaluation reports by 2018 (2015 baseline: n/a)</p> <p><b>Subprogram 1 targets</b></p> <p>3c. Capacity development plan for provincial government implementation of the State Budget Law (2015) finalized by end-2016 (2016 Baseline: 0)</p> <p>3d. Training manual for National Assembly CFBA members on State Budget Law (2015) implementation completed by end-2016 (2016 Baseline: 0)</p>	<p>3b. MPI reports</p> <p>3c. National Assembly and consultant reports</p> <p>3d. National Assembly and consultant reports</p>	
<b>Key Activities with Milestones: Policy Matrix being formulated</b>			
<p><b>Inputs</b></p> <p><b>ADB</b> Subprogram 1 \$200,000,000 (loan): \$103 million in ADF lending and \$97 million in OCR lending Subprogram 2 \$200,000,000 (loan): \$100 million in market-based OCR lending and \$100 million in concessional OCR lending</p> <p><b>Technical Assistance</b> <b>ADB:</b> \$575,000 Technical Assistance Special Fund (TASF-V)</p>			
<b>Assumptions for Partner Financing:</b> Not applicable			

ADB = Asian Development Bank, ADF= Asian Development Fund, CFBA = Committee for Financial and Budgetary Affairs, M&E = Monitoring and evaluation, MOF = Ministry of Finance, MPI = Ministry of Planning and Investment, OCR = ordinary capital resources, PAPI = Provincial Government and Public Administration Performance Index, PEFA = Public Expenditure and Financial Accountability, TASF = Technical Assistance Special Fund.

Note: Details will be aligned with the policy matrix for the program loan to be prepared during the project preparatory technical assistance. This design and monitoring framework is indicative for the entire cluster of subprograms proposed. Viet Nam's next national level PEFA is scheduled for completion in 2018.

<sup>a</sup> Under the revised 2016 PEFA scoring methodology this includes indicators 17, 16, and 18, which (in the order listed) link to indicators 11, 12 and 27 under the 2011 methodology used to calculate Viet Nam's 2013 PEFA scores. Supplementary Appendix 5 correlates Viet Nam's 2013 PEFA scores and the revised PEFA 2016 methodology.

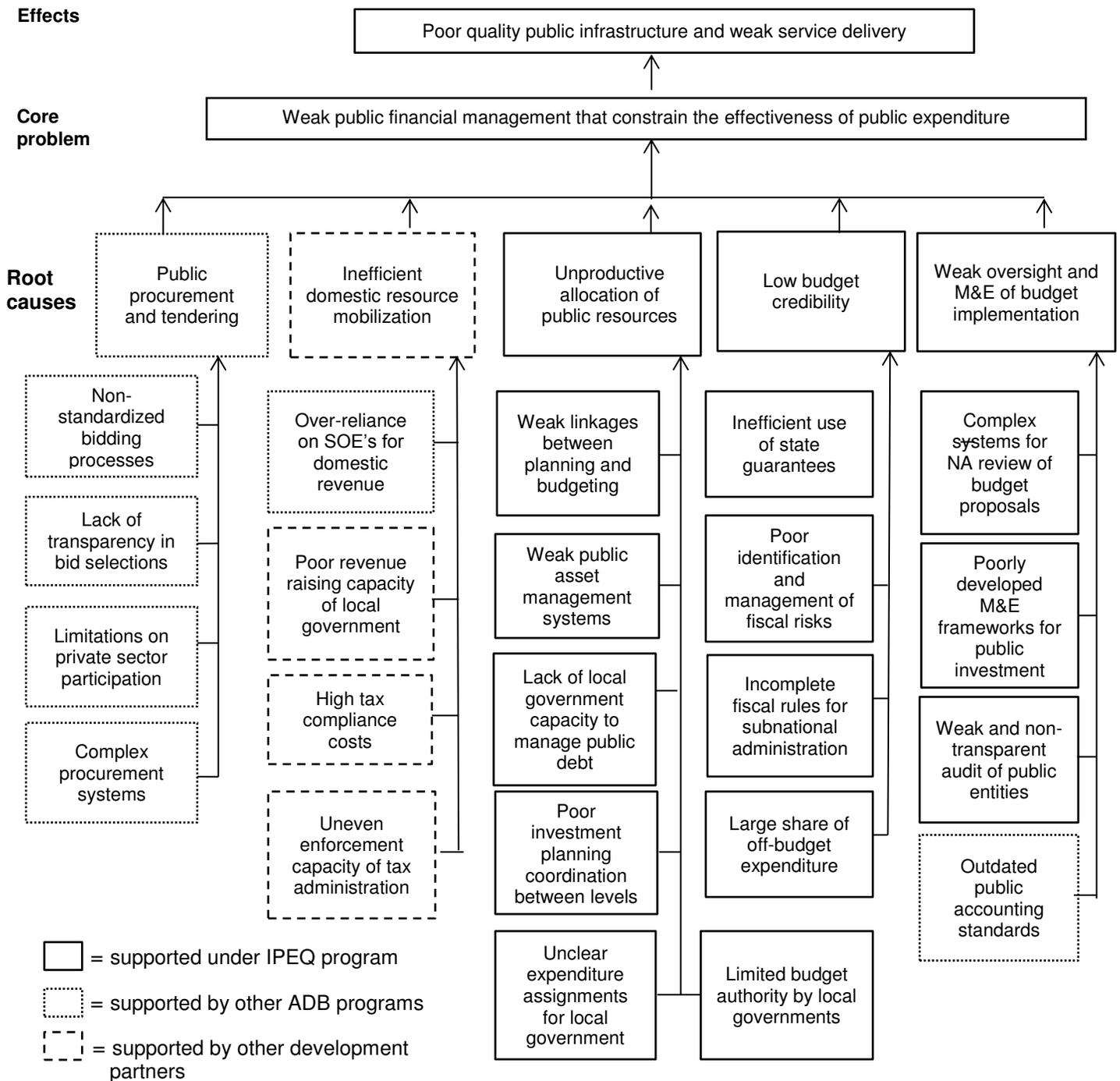
<sup>b</sup> Under the revised 2016 PEFA scoring methodology this includes indicators 1, 2 and 4, which (in the order listed) link to indicators 1, 2 and 5 under the 2011 methodology used to calculate Viet Nam's 2013 PEFA scores.

<sup>c</sup> Under the revised 2016 PEFA scoring methodology this includes indicators 5, 6, 9, and 13, which (in the order listed) link to indicators 6, 7, 10 and 17 under the 2011 methodology used to calculate Viet Nam's 2013 PEFA scores.

<sup>d</sup> The Viet Nam PAPI is based on data collected since 2009 through an annual citizens survey covering approximately 15,000 people across all 63 provinces. Rigorous sampling methodological standards are used to ensure proportionality and random selection. The PAPI is funded by the United Nations Development Program.

Source: Asian Development Bank.

### PROBLEM TREE



M&E = monitoring and evaluation, SOE =state-owned enterprise.

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Viet Nam	Program Title:	Improving Public Expenditure Quality Program
Lending/Financing Modality:	Programmatic approach and policy-based loan for subprogram 1 and technical assistance grant	Department/ Division:	Southeast Asia Department Public Management, Financial Sector and Trade Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The government's Socio-Economic Development Strategy (SEDS) 2011–2020 lays out a vision for environmental sustainability and socially equitable economic development, highlighting the need for deeper structural reform to the system of governance and public administration while maintaining macroeconomic stability. The government's five-year Socio-Economic Development Plan (SEDP) 2016–2020 elaborates these objectives for the second 5 years of the SEDS, 2011–2020 and identifies specific measures and resources needed to achieve its objectives. A central pillar of the SEDP, 2016–2020 is to promote improved public administration and public sector efficiency to achieve greater value for money in service delivery and improve the quality of public investments. In line with the draft ADB Viet Nam country partnership strategy, 2016–2020, the Improving Public Expenditure Quality Program will support the SEDP, 2016–2020 objectives by improving the quality of public financial management that currently constrains the effectiveness of public expenditure. The program will also help provide the foundation for greater public expenditure transparency and accountability. In addition, ADB will help strengthen service provision coverage by supporting decentralization and equipping local governments with adequate technical expertise and capacity support to meet their expanding fiscal and service delivery responsibilities.

#### B. Poverty Targeting:

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

The reform measures do not specifically target groups of beneficiaries by income level or location. However, the proposed program will indirectly benefit poor and vulnerable groups who rely on services provided by the government. More broadly, weaknesses in public sector institutions and budget transparency, and deficiencies in public expenditure management constrain efforts to end extreme poverty and promote inclusive service delivery. Enhancing transparency and improving public expenditure management are therefore major priorities in the promotion of poverty reduction and inclusive growth. These reforms are also needed to improve the country's competitiveness, and promote economic growth and job creation.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The potential beneficiaries are the general public, who will benefit through improved management of public funds, more efficient government investment in infrastructure, and greater transparency over public fund usage.

2. Impact channels and expected systemic changes. Poverty reduction is built into the proposed program through (i) sustained, equitable, and inclusive long-term economic growth built on improved public financial management and better quality infrastructure; and (ii) enhanced job creation and economic opportunities arising from private sector competitiveness. Empirical studies continue to support this causal chain, showing that improvements to public financial management have a direct impact on the quality of infrastructure, which is in turn directly related to poverty reduction.

3. Focus of (and resources allocated in) the capacity development technical assistance (CDTA) or due diligence. The proposed CDTA will verify the proposed impact of a better public financial management environment on infrastructure quality. Due diligence is also supported by ADB's ongoing engagement in discussions regarding the Improving Public Expenditure Quality program, and the TA ADB currently provides for public financial management reform.<sup>a</sup> The Australian Department of Foreign Affairs and Trade, European Union, German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit, United States Agency for International Development, and the World Bank will be requested to review the proposed program's design and documentation.

4. Specific analysis for policy-based lending. The policy interventions and actions outlined in the program require demonstrated government commitment to improving public financial management and fiscal policy through the continued implementation of meaningful reforms. Specific short-term actions that are needed include implementation of medium-term expenditure and debt planning frameworks at both national government agency and provincial levels of government; the finalization and passage of the Public Asset Management Law that incorporates more transparency and accountable asset management approaches; and the issuance of an enhanced framework for the use of state guarantees to better manage off-budget fiscal risks. Over the medium term, these reforms will need to be accompanied by significant capacity development and training initiatives across national and subnational levels of government to ensure the full benefits can be achieved. At the same time efforts are needed to strengthen the planning budget to improve alignment between expenditure and policy priorities. The program will indirectly benefit the poor by freeing resources for greater social spending and promoting economic growth. Improvements to the quality of infrastructure through program reforms will encourage productivity growth, job creation and private sector development.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

Not applicable.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes  No Please explain.

The policy actions supported under the program may have indirect gender impacts through an increase in the quality of infrastructure, which would benefit women and men equally. Overall, improved infrastructure, especially in rural areas and disadvantaged regions, will likely improve women's access to better economic opportunities.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No Please explain

4. Indicate the intended gender mainstreaming category:

GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

Consultations with the government were held before and during program processing by way of missions to conduct policy dialogue with stakeholders. Potential primary beneficiaries are businesses and the general population through improved infrastructure. The poor will benefit from better employment opportunities and better access to and use of infrastructure, particularly in rural and disadvantaged areas.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

The program will be based on supporting government strategies and plans, including the Socio-Economic Development Plan, 2016–2020 and the Financial Sector Strategy, 2011–2020. These plans were developed using a consultative approach and provide mechanisms for ongoing monitoring and public reporting on performance. During program processing, specific stakeholders—including the Ministry of Finance, Ministry of Planning and Investment, and the National Assembly—will participate in the program design. Other stakeholders, such as selected provincial governments and the private sector (through chambers of commerce), will be consulted on specific policy issues.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? – Not applicable

Information generation and sharing  Consultation  Collaboration  Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No

<b>IV. SOCIAL SAFEGUARDS</b>
<p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the project design? - None</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? Not applicable.</p>
<b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - Not needed</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? - Not applicable.</p>

ADB = Asian Development Bank, PPTA = project preparatory technical assistance.

<sup>a</sup> Asian Development Bank. 2015. *Technical Assistance to the Socialist Republic of Viet Nam for Supporting Public Financial Management*. Manila.