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Report Number : ICRR0021250

1. Project Data

Country
Vietnam

Practice Area(Lead)
Macroeconomics, Trade and Investment

Programmatic DPL

Planned Operations: 3

Approved Operations: 3

Operation ID
P122793

Operation Name
Econ Mngmt Competitiveness Credit 1

L/C/TF Number(s)
IDA-52110

Closing Date (Original)
30-Jan-2014

Total Financing (USD)
250,000,000.00

Bank Approval Date
19-Mar-2013

Closing Date (Actual)
30-Jan-2014

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	250,000,000.00	0.00
Revised Commitment	250,000,000.00	0.00
Actual	247,009,513.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID
P146095

Operation Name
Econ Management Competitiveness Credit 2 (P146095)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-52110,IDA-54810,IDA-54820,TF-17737	31-Jan-2015	250,000,000.00

Bank Approval Date	Closing Date (Actual)
05-Jun-2014	31-Jan-2015

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	250,000,000.00	23,000,000.00
Revised Commitment	250,000,000.00	22,940,475.86
Actual	236,820,188.00	22,940,475.86

Operation ID	Operation Name
P157405	EMCC3 DPO (P157405)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-86120,IDA-54810,IDA-54820,TF-17737,TF-A3028	30-Apr-2017	150,000,000.00

Bank Approval Date	Closing Date (Actual)
12-May-2016	30-Apr-2017

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	150,000,000.00	12,254,749.51
Revised Commitment	150,000,000.00	12,254,749.51
Actual	150,000,000.00	12,254,749.51

2. Program Objectives and Policy Areas

a. Objectives

The Economic Management and Competitiveness Credit series (EMCC) consisted of three development policy operations (DPLs) processed in FY2014, FY2015, and FY2016, respectively. The program development objective (PDO) set out in the program document (PD) for the first EMCC, EMCC1, was to contribute to *enhanced competitiveness to boost growth and poverty reduction.* This objective was to be achieved by emphasizing three elements of competitiveness: macroeconomic stability; transparency, efficiency and accountability in the public sector; and an enabling business environment that promotes private sector development (PD1, page 1).

The original PDO was revised for EMCC2 and again for EMCC3.

The PDO for EMCC2 was *enhanced competitiveness through strengthened financial sector and fiscal management; strengthened public administration through anti-corruption, state-owned enterprise (SOE) and public investment reforms; and reduced administrative burden through improved tax and procurement policies* (PD2, page 4).

The PDO for EMCC3 was *strengthened financial sector governance and fiscal management; improved public administration, SOE management and public investment management; and reduced administrative burden and strengthened tax and procurement policies* (PD3, page 16).

The three PDOs share the same higher level goal – enhanced competitiveness, and the areas of reform that will help the country move towards that goal. Several outcome targets also were revised during implementation, but a split rating will not be performed because the operations achieved original as well as revised targets.

Efficacy will be assessed on the basis of the PDO for EMCC3, which combines an explicit and still succinct objective statement. The discussion of efficacy will be organized around the following outcomes: (i) strengthened financial sector governance and fiscal management; (ii) improved public administration, SOE management, and public investment management; and (iii) reduced administrative burden and strengthened tax and procurement policies.

b. Pillars/Policy Areas

The EMCC series included three pillars:

Pillar 1: Support for macroeconomic stability through measures that were to strengthen financial sector governance and fiscal management.

Pillar 2: Support for a transparent, efficient, and accountable public sector through measures that were to improve public administration, state enterprise management, and public investment management.

Pillar 3: Support for an enabling business environment through measures that were to reduce the administrative burden and strengthen tax and procurement policies to create an enabling business environment.

c. Comments on Program Cost, Financing, and Dates

Project cost and financing. The commitment under EMCC1 was US$250 million, under EMCC2, US$250 million, and under EMCC3 US$150 million. The commitments were fully disbursed. Disbursements were US$ 247.01 million, US$236.8 million, and US$150 million, respectively. The discrepancies between commitments and actual disbursements reflect SDR exchange rate fluctuations.

Dates. EMCC1 was approved on March 19, 2013, became effective on August 1, 2013, and closed on January 30, 2014. EMCC2 was approved on June 5, 2014, became effective on October 30, 2014, and closed on January 31, 2015. EMCC3 was approved on May 12, 2016, became effective on April 30, 2017, and closed on that same day.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The EMCC series' objectives and key policy areas were aligned with government policy and the Bank's Country Partnership Strategy (CPS), FY2012-FY2016. In covering issues relating to macroeconomic stability, public sector governance, and bottlenecks to business expansion, it addressed policy and institutional weaknesses that were key constraints on competitiveness in the economy. The series therefore supported key areas of the government's Structural and Economic Reform Program (SERP) 2011-2015, and was well aligned with the government's most recent priorities as laid out in the socio-economic development strategy covering the years 2011-2015, and a subsequent socio-economic development program for the years 2016-2020. Both emphasize macroeconomic stability and competitiveness, and commitment to fight corruption and advance the effectiveness of the public sector. Some of the main themes of the EMCC series – management of public resources; public sector performance; public and private sector corporate governance; and systemic corruption -- have been retained in the recently issued new country partnership framework (CPF) for 2018-2022.

Rating
High

b. Relevance of Design

The chosen policy areas and proposed reform actions were directly relevant to addressing the PDO. The policy actions drew on extensive analytical work, had the necessary institutional depth, and were supported by technical assistance, to ensure that the Bank was providing added value through the series. That was further leveraged by close collaboration with other donors, and the experience of previous development policy lending under a programmatic Poverty Reduction Support Credit (PRSC) that came to closure in 2012. The results chain for the EMCC, reflected in the policy matrix, was clear, and prior actions and triggers, once they were under implementation, could reasonably be expected to deliver the intended outcomes. The choice of a programmatic approach was a design strength given the gradual and progressive nature of the reforms. The series was ambitious and the scope of reforms wide, involving many stakeholders. While implementation arrangements included both ministerial and technical level people (through a steering committee and a technical working group), the arrangement would not function as smoothly as expected: neither the committee nor the working group seem to have engaged to a sufficient degree, and as a result, neither prior actions nor results indicators appear to have been sufficiently aligned with local conditions (ICR, pages 15 and 25). This would drive subsequent adjustments to EMCC2 and in particular EMCC3, including a decrease in the credit amount of the latter, as it was refocused on core reforms (ICR, pages 7-8).

The macroeconomic policy framework during the preparation of the EMCC1 was adequate, and macroeconomic stability continued to improve as EMCC2 was being prepared. While macroeconomic prospects faced the risk of domestic and external shocks in the absence of sufficient fiscal consolidation, the macroeconomic policy framework still was considered adequate for the third operation. While there currently is no active International Monetary Fund (IMF) program, the IMF maintains an active policy dialogue through its Article IV consultations.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
To strengthen financial sector governance and fiscal management

Rationale
1. Financial sector governance

To stabilize the banking sector, reduce systemic risk, and strengthen oversight and regulation, the government promoted the restructuring of banks and strengthening of policies for management of non-performing loans.

Outputs

- The government adopted a comprehensive banking sector restructuring plan, including foreign participation in domestic commercial banks, incentives for consolidation of banks, and a plan to deal with non-performing loans (EMCC1 prior action);

- The state bank of Vietnam (SBV) strengthened regulations on asset classification, internal credit rating, and loan loss provisioning (EMCC1 prior action);
- A comprehensive policy framework was established to address the issue of non-performing loans (EMCC2 prior action);
- An asset management company (VAMC) was established to restructure bad debts; and
- Public disclosure of non-performing loans was introduced (EMCC3 prior action).

Outcomes

Indicators of success were the trend in non-performing loans, and the level of bank restructuring. Over the program period, 2015-2017, the share of non-performing loans fell from 2.55 percent of the portfolio to 1.99 percent, compared to a baseline of 8.6 percent in 2012, prior to EMCC1. However, this does not include non-performing loans sold to VAMC. Including those loans shows slower progress, indicating that 8.4 percent of loans are non-performing – a significantly more modest result at this stage. Bank restructuring was measured in terms of the reduction in joint stock commercial banks through mergers and acquisitions. The number of joint stock commercial banks was at 31 in 2017, compared to a target of less than 30, and a baseline of 42 in 2012.

2. Fiscal management

To strengthen debt and treasury management, the government adopted prudential debt thresholds, prepared a medium term debt strategy, and introduced measures to improve cash management and reduce short-term liquidity needs.

Outputs

- The government adopted a decision to strengthen the institutional framework for debt management and establish prudential debt thresholds for medium-term fiscal sustainability (EMCC1 prior action);
- The government adopted a medium-term debt management program for the period 2013-2015 (EMCC2 prior action);
- The government adopted a decree to establish a Treasury Single Account, strengthen cash flow forecasting, and modernize cash management (EMCC2 prior action);
- The government updated its medium-term debt management program for the period 2016-20, including by strengthening risk analysis and updated macroeconomic assumptions (EMCC3 prior action); and
- The Treasury Single Account was introduced in selected banks.

Outcomes

The establishment of a statutory debt threshold was to ensure debt sustainability, and the introduction of a medium-term debt strategy was to ensure consistency in decisions regarding the use of different financing sources and clarify portfolio choices. The establishment of the Single Treasury Account was to strengthen oversight and control over state budget resources and minimize idle cash balances across Treasury accounts.

Indicators of success were the control of the statutory debt, and the number of Treasury accounts. In the former case, public and publicly guaranteed debt remained below the statutory limit of 65 percent for every year during the period 2011-2015, albeit rising steadily during the period of the EMCC program, pointing to the need for additional initiatives. In the latter case, Treasury accounts were consolidated from 701 in 2012 to 5 accounts in 2017, equal to the target.

Another indicator of success, signaled in the ICR (page 16), but not a key indicator under the operation, is the increase in financial markets' confidence in the government indicated by a decline in the sovereign borrowing rate and an increase in the sovereign credit risk rating.

In summary, progress was made in banking sector restructuring and on outstanding non-performing loans, increasing stability in the banking sector. Fiscal management was strengthened in terms of debt and treasury administration. However, in both areas – financial sector stability and fiscal discipline -- progress was more modest than had been expected, in terms of non-performing loans and in terms of debt.

Rating
Modest

Objective 2

Objective
To improve public administration, SOE (state-owned enterprise) management, and public investment

Rationale
1. Improve public administration

To strengthen public administration, the government promoted stricter transparency guidelines and improved transparency in tax administration.

Outputs

- The government introduced legislation on stricter transparency guidelines for areas and sectors that were most vulnerable to corruption (EMCC1 prior action);
- The government amended the law on tax administration to streamline tax procedures, introduce advance pricing arrangements, increase risk-based management, and improve transparency (EMCC1 prior action); and

- The government amended the law on anti-corruption to increase transparency, income and asset declarations of public officials, and accountability of public agencies and officials to citizens (EMCC2 prior action).

Outcomes

The reforms, when effectively applied, were likely to result in increased transparency and reduced corruption in sectors that were considered vulnerable to corruption, and in tax administration. Indicators of success were disclosure of information on land management, on public officials' income and assets, and on risk-based management. The number of provinces that disclosed information on land management was 45 (out of a total of 63), equaling the target; the baseline was six provinces. The share of declarations disclosing public officials' incomes and assets increased from 59.4 percent to 98.9 percent between 2013 and 2017, against a 2015 target of 50 percent; the baseline was zero. The share of risk-based audits exceeded 90 percent in 2017, compared to a target of over 50 percent, and a baseline of 40 percnt.

2. Strengthened state enterprise management

To strengthen state enterprise management, the government sought to improve the regulatory environment, restructure individual SOEs and state economic groups (SEG) with a focus on equity and divestiture of non-core high risk assets, and improve corporate governance.

Outputs

- The government issued a decision to restructure SEGs and general corporations (GCs), including their classification by level of government ownership, time-bound action plans for their restructuring, and definition of responsibilities for SEG/GCs across government agencies (EMCC1 prior action);
- The government issued a decree on state investment in enterprises and financial management of enterprises with 100 percent state ownership (EMCC2 prior action);
- The government issued a decree to regulate financial supervision and on disclosure of financial information of SOEs and SEGs (EMCC2 prior action);
- The government divested eighty percent of five high-risk, non-core businesses in six SEG/GCs (EMCC3 prior action); and
- The audited reports on key financial performance data of all SEG/GCs were made available to the public (EMCC3 prior action).

Outcomes

With state-owned enterprises accounting for one-third of all business assets, restructuring was to enhance SOE performance and increase efficiency in the use of public assets. Indicators of success were the decline in investments by SEGs in high-risk non-core areas as a share of SEG capital. In 2017 the share was zero for all forms of investment, compared to a target of zero, and a baseline that had fluctuated between 0.06 percent for investment funds to 1.53 percent for banking. The number of SEGs disclosing their audited financial statements on their websites rose to 8 in 2017, equaling the target; the baseline was 4.

3. Improved public investment management

To improve public investment management, the government strengthened policies that were likely to generate more efficient capital expenditures, including by stricter prioritization in the allocation of resources for public projects and when tackling expenditure arrears, and developing a medium-term agenda for restructuring public investment planning, with an increased focus on better accountability and efficiency, and less fragmentation.

Outputs

- The government adopted a medium-term investment plan for the period 2013-2015, setting out capital expenditure priorities for the state budget, and including off-budget bond financing for 2013 (EMCC1 prior action);
- A management information system was put in place to track, monitor, and evaluate large investments funded through the state budget;
- The government introduced a framework for accelerating clearance of capital expenditure arrears (EMCC2 prior action);
- The government issued a public investment law establishing a comprehensive legal framework for improving efficiency in capital spending, reducing fragmentation in public investments, aligning public investments with national development plans, and improving public disclosure and transparency (EMCC3 prior action).

Outcomes

The initiatives that were introduced were likely to bring increased rigor into capital budgeting and spending. While it is premature to determine indicators of success for medium-term investment planning, the series used capital expenditure arrears from the central budget as a measure of impact. These declined from Vietnamese Dong (VND) 43 trillion in 2013 to VND 30 trillion in 2017, equal to the target set for this indicator.

In summary, transparency and accountability in Vietnamese public administration has improved, as the relevant indicators show, and this is likely to continue as implementation of the relevant legislation is more widely applied. This should also over time lead to more efficient and effective use of public resources. Likewise, state enterprise management has improved, as indicators show, and the legislation that has been put into place is likely to further strengthen the ownership function over time. Legislation surrounding public investment management has institutionalized a medium-term public investment framework.

Rating
Substantial

Objective 3

Objective
To reduce the administrative burden and strengthen tax and procurement policies

Rationale
The objective aimed at contributing to improvements in the business environment, including through the simplification of business procedures, online business registration, the introduction of modern procurement practices, and adjustments to the tax regime for businesses.

Outputs

- The government adopted procedures for the rollout of e-business registration and placing business registration information in the public domain (EMCC1 prior action);
- The government adopted a process for ministries and provincial authorities to review the impact of administrative procedures on the business environment (EMCC1 prior action);
- A monitoring and evaluation system to facilitate reforms in administrative procedures was introduced;
- The procurement law was amended to strengthen transparency and competition in public procurement (EMCC2 prior action);
- Implementation regulations for the procurement law were adopted (EMCC3 prior action);
- The government adopted a law on corporate income tax to establish competitive income tax rates, clarify rules and regulations on transfer pricing, and introduce provisions on deductible expenses (EMCC2 prior action);
- The government adopted an amended law on value added tax (EMCC2 prior action);
- To reduce the compliance burden on taxpayers, the government issued a resolution on key duties and solutions to improve the business environment and competitiveness in 2015-2016, and enhance the business environment through the simplification of tax procedures for taxpayers (EMCC3 prior action); and
- The government adopted a decree to eliminate limitations on foreign investors' participation in public companies in selected areas of the stock market (EMCC3 prior action).

Outcomes

The measures listed above were to contribute to a better investment climate. However, as noted earlier, legislative and regulatory reforms do not always translate into effective implementation, and success will require a longer-term perspective. In the meantime, the government has set out a platform that should reduce the burden on business, and if rigorously applied, credibly advance towards the intended goals. As a package, the measures facilitate business activity, modernize procurement procedures, lower corporate income tax rates (from 25 percent to 20 percent), and ease administrative procedures for tax payment.

Indicators of success are as follows: to measure implementation of the procurement law, the share of direct contracting over total contracting in value terms declined from a baseline of 34 percent to 21 percent, with a target of 30 percent (for end-2015); the time needed to comply with tax payment requirements declined from 320 hours for the value added tax in 2012 and 217 hours for the corporate income tax, to 220 hours and 150 hours, respectively.

Rating
Substantial

5. Outcome

The relevance of the PDO is rated **high**, as it responds to both the government's reform program and the Bank's country strategy. Relevance of design is rated **modest**, influenced by an overly ambitious design. Efficacy is rated **modest** for the first objective reflecting partial progress in debt restructuring and on outstanding non-performing loans, and **substantial** on the two other objectives. While outcomes - changes in behavior - will happen over time and only if the laws and regulations are implemented consistently, the legal, regulatory, and institutional platforms that were put into place under the project appear sound and offer a strong springboard for more permanent change (albeit with concerns about debt management).

a. Outcome Rating
Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The reforms undertaken in the EMCC series have laid a broad legal and regulatory framework for public sector management and an enabling business environment that directly supports the government's objectives and strategy for the medium to long term. The Bank will continue to be engaged in further developing several of the policy areas that it has already helped shape in the context of the EMCC series. The most recent CPF covering the period 2018-22 signals this: it continues to focus on EMCC-relevant areas in the public sector an in business development. A joint government-Bank report - *Vietnam 2035* - lays out a long-term reform agenda including further structural and governance reforms. The government's most recent strategy document, the socio-economic development program for 2016-2020, maintains the themes addressed in the EMCC.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

The series was strategically relevant, supporting the government's medium-term strategy in key policy areas. It addressed key challenges of institutional and administrative reform. It was also in line with the Bank's country strategy. The approach, a programmatic series of DPLs built on the experience of a prior programmatic series – the PRSC - allowed the Bank to engage in the progressive building up of public policy instruments. Preparation also drew on a significant background of analytical and advisory work covering all the EMCC pillars, and on collaboration with other development partners. The results chain was adequate. The design did go through a number of adjustments during implementation, partly reflecting the broad scope of the series, and to some extent insufficient attention to involving local leadership. This had been addressed during preparation by setting up a ministerial steering committee and a technical working group, but neither proved operational, resulting in uncertainties when pushing through complex policy changes. This may have been one contributing factor to adjustments in objectives and indicators during implementation, but this is also likely to happen as a matter of course in a multi-year operation, arguably even a justification for a phased approach. That said, the series was ambitious, and that is likely to have played a role when trying to engage local leaders, as well as in garnering their support for adjustments.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank had a strong team that was able to adequately supervise the broadly focused EMCC series and adjust it as the implementation experience required. In doing so, it drew on ongoing technical assistance and analytical and advisory work, and on development partners, whose activities supported implementation of the reforms introduced under the series. The team was closely engaged with the authorities, and in particular the SBV, who had taken on the coordinating role for the program.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The government was committed to the program, as the program directly supported its medium-term socio-economic strategy, and the dialogue between the government and the Bank team is described as frank and open in the ICR. "The government" in this case consisted of several ministries, and while there was broad support for the EMCC, support did vary on individual themes.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

SBV served as the lead coordinating agency, supported by a Steering Committee and a technical working group. In practice, the latter two entities would turn out not to be very active, and the main coordinating responsibility fell on SBV. SBV handled that function well and maintained a results-oriented policy dialogue.

Implementing Agency Performance Rating

Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The SBV had main responsibility for M&E, assisted by key implementing agencies. M&E design drew on lessons from the PRSC, in particular the fragmentation that its broader scope had caused, especially in terms of communications and coordination. Instead, M&E was designed jointly by the Bank team, SBV and development partners. While the results framework was adequate, adjustments were made during implementation, on objectives and on indicators. Adjustments appear to have been made primarily to better align them with policy reforms and provide stronger focus to the operation.

b. M&E Implementation

As noted above, for all practical purposes the SBV coordinated the program, with the role of other coordinating bodies – a steering committee and a technical secretariat – playing a very limited role. Nevertheless, implementation was results-oriented, marked by continuous dialogue between the Bank, SBV, and development partners. Information flowed from partner agencies and was centralized by SBV, and the M&E system was also able to draw on ongoing technical assistance and analytical work.

c. M&E Utilization

Information flows were focused on prior actions and outcome indicators, and they formed the basis for the discussion on reforms. Information flowing from ongoing technical assistance and advisory services was also drawn on as inputs into the discussion.

M&E Quality Rating
Substantial

10. Other Issues

a. Environmental and Social Effects

Not applicable.

b. Fiduciary Compliance

Not applicable.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The following lessons are drawn from the ICR:

Care should be exercised in designing multi-sector programs. A focused program, addressing a limited number of sectors or issues, may achieve more coherent outcomes**.** The EMCC series may not have been unduly broad in its sectoral focus, but it addressed numerous public sector, financial sector, and private business themes – all important – but in drawing in several stakeholders with at least partly dissimilar agendas, it risked uneven implementation, as happened in EMCC.

A programmatic operation introduces flexibility. Programmatic, multi-year programs sometimes need to adjust their policies and their indicators to changing circumstances, or to better understanding of the issues as implementation advances. The EMCC went through a few transformations – of PDO, of indicators, even of policy objectives – all of them based on learning by doing, i.e. during program implementation.

Design and implementation of a programmatic operation ideally draws on inputs from many sources. Where local stakeholders and development partners are active, and technical assistance and analytical work abound, an operation should engage such sources. The EMCC series is an example. In addition to the direct relationship with the Borrower, the series also actively engaged other stakeholders, both local and external, and drew on ongoing research.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a candid assessment of the series, and is an adequate basis for assessing it. It covers most parts of the program in sufficient detail, but could have discussed the implications of legislation vs. implementation in somewhat more detail (what is in fact the implementation record of the country when it comes to enforcing laws and regulations). Lessons are based on evidence and analysis. The document is internally consistent, and it follows OPCS guidelines.

a. Quality of ICR Rating

Substantial