

Ex-ante Evaluation

1. Name of the Project

Country: The Socialist Republic of Vietnam

Project: Fifth Poverty Reduction Support Credit

(Loan Agreement: March 30, 2007; Loan Amount: 2,500 million yen; Borrower: The Government of the Socialist Republic of Vietnam)

2. Necessity and Relevance of JBIC's Assistance

The Government of Vietnam has promoted a policy of openness toward other countries ever since the adoption of the *Doi Moi* policy in 1986. In recent years, the government has been working on promotion of economic growth and poverty reduction through further development of the market economy and integration into the international economy via negotiations on membership in the WTO. Vietnam has maintained a high rate of economic growth in real terms, in excess of 7% every year in recent years.

The Government of Vietnam instituted its Comprehensive Poverty Reduction and Growth Strategy (CPRGS) in May 2002. CPRGS calls for the reform of state-owned enterprises (SOEs), private sector incentives, the financial sector reform, and trade liberalization. In addition, in CPRGS the country is aiming at reforming policies and strengthening institutions in social sectors such as education and health, and addressing policy issues such as public administration reform and strengthening of governance. Through these reforms, Vietnam achieved a high economic growth rate of more than 8% in 2005, and as a result, the percentage of the poor out of the total population declined from 28.9% in 2002 to 24.1% in 2004.

As a framework to support CPRGS, the World Bank extends Poverty Reduction Support Credit (PRSC) in phases to Vietnam. From among the matters mentioned for reform in CPRGS, the Japanese government and JBIC attach particular weight to (1) improvement of public finance management through the resource allocation mechanisms of CPRGS, (2) support for implementation of Japan-Vietnam Joint Initiatives, (3) financial sector reforms, and (4) SOEs reforms. Together with extending yen loans for the third PRSC in 2004 and the fourth PRSC in 2005, the Japanese government and JBIC continue to actively collaborate, make adjustments in, and contribute to the discussions among the Vietnamese government, the World Bank, and other donors.

As described above, the Japanese government and JBIC plan to continue to actively support the Vietnamese government's steady implementation of CPRGS, which is oriented toward both economic growth and poverty reduction. Moreover, in JBIC's Medium-Term Strategy for Overseas Economic Cooperation Operations, the strategy is to support both "sustained economic growth and strengthening of international competitiveness" and "poverty reduction," and a priority area for assistance is improvement of policies and institutions. Given this, JBIC's continuous assistance for the cofinance of PRSC 5 (hereinafter referred to as "the program ") is highly necessary and relevant.

3. Project Objectives

The program aims to address the policy challenges articulated in CPRGS and summarized as (1) transition to a market economy, 2) inclusive and sustainable development, and (3) building a modern governance by supporting various reforms undertaken by the Government of Vietnam (particularly the public financial management, development of the investment and business development, and

reform of SOEs and financial sector), and thereby contribute to poverty reduction and economic growth in Vietnam.

4. Project Description

(1) Program Outline

In this program, CPRGS is conceptually organized around the three pillars of (1) a transition to a market economy, (2) inclusive and sustainable development, and (3) building a modern governance structure, and the program will promote reform in the following 19 sectors.

Pillar	Sector
Transition to a market economy	International trade integration, reform of SOEs, financial sector reform, private sector, and infrastructure
Inclusive and sustainable development	Education, health, social protection, land and forests, water, environment, gender
Building a modern governance structure	Planning process, public financial management, financial accountability, legal development, public administration, anti-corruption, information availability

(2) Total Project Cost/Loan Amount

Total donor assistance for program: US\$ 254 million (estimate)

(Yen Loan Amount: 2,500 million yen (equivalent to approximately US\$21 million))

(World Bank funds: US\$100 million)

Other planned donors are the Asian Development Bank, EU, United Kingdom, the Netherlands, Denmark, Germany, and Australia, etc.

(3) Implementation Structure

(a) Borrower: The Government of the Socialist Republic of Vietnam

(b) Executing Agency: The State Bank of Vietnam

(c) Operation and Maintenance System: Same as (b). Concerning monitoring of the reform items discussed in this program, the Vietnamese government and all the donors will hold consultations, and the progress will be assessed and confirmed.

(4) Environmental and Social Consideration

(a) Environmental Impacts/Land Acquisition and Resettlement

(i) Category: C

(ii) Reason for Categorization: This project is likely to have minimal adverse impact on the environment due to the fact that the project sector and project characteristics are not likely to exert impact and the project is not located in a sensitive area under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Consideration” (established in April 2002). Thus this program is classified as Category C.

(b) Promotion of Poverty Reduction

This program supports CPRGS which aims to achieve poverty reduction and growth in Vietnam. The program itself aims to remove distortions and regulations that disadvantage the poor. Moreover, as reforms on which action should be taken, the program includes reform components that contribute directly to the poor, such as a health fund for the poor and improvement of school education in poor areas, as well as preparation of laws related to social protection.

(c) Promotion of Social Development (e.g. Gender Perspective)

As a reform-related matter set forth in this program, a planning manual is to be completed that includes gender considerations for the central government and its ministries.

(5) Other Important Issues

None

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline (2003) ¹	Target (2006)
Outcome related to public finance management: Assurance of adequate consideration for operation and maintenance costs	(U) Unsatisfactory (limited progress)	Improvement compared to baseline (U)
Outcome related to planning process: Screening of public investment projects using criteria based on impact on growth and poverty alleviation	(S) Satisfactory (Integration of a role for infrastructure development in CPRGS)	Maintenance of the baseline (S) or improvement
Outcome related to private sector development: Assurance of conditions for fair competition through application of the same regulations to all companies	(U) Unsatisfactory (limited progress)	Improvement compared to baseline (U)
Outcome related to reform of SOEs: Reduction of the number of SOEs to approximately 2,100	(PS) Partially satisfactory (reduced from 5,334 in 2001 to 4,361 in 2003)	Maintenance of the baseline (PS) or improvement
Outcome related to financial	(U) Unsatisfactory	Improvement compared

¹ The baseline is based on the four-level evaluation (highly satisfactory (HS), satisfactory (S), partially satisfactory (PS), and unsatisfactory (U) which was used in the interim evaluation (2004) conducted by the World Bank.

sector reform: Specialization of the State Bank of Vietnam's (SBV) supervisory and regulatory functions	(SBV's authority as "owner" and "supervisor" of all state-operated banks has not been separated.)	to baseline (U)
6. External Risk Factors		
International economic conditions such as fluctuations in oil prices and exchange rates as well as trends in trade and investment, etc.		
7. Lessons Learned from Findings of Similar Projects Undertaken in the Past		
<p>In cofinance projects, and particularly where there are many cofinance institutions involved, it is necessary to give adequate consideration so that communications reach all cofinance institutions and so that their understanding of all aspects of the project is in alignment at all times. For this program, in the course of program formation, meetings have been held repeatedly among the Vietnamese government and cofinance institutions on each matter of reform, and efforts have been exerted to share information.</p> <p>According to PRSC Stock Taking 2005 implemented by the World Bank, in addition to the implementation of program monitoring among donors, it is necessary to ensure accountability through reports from the National Assembly of the country receiving assistance. In Vietnam heretofore, CPRGS and the 5-year Plan for Socio-Economic Development have been operating in parallel, but the Government of Vietnam is working on integrating both of them in its preparation of the new 5-year plan for 2006-2010. Moreover, the Government of Vietnam is boosting its ownership by listing its name in 2004 as a joint implementer of the Public Expenditure Review implemented hitherto by the World Bank, and it is endeavoring so ensure accountability that goes beyond the monitoring by donors.</p>		
8. Plans for Future Evaluation		
<p>(1) Indicators for Future Evaluation</p> <p>(a) Outcome related to public finance management (assurance of adequate consideration for operation and maintenance costs)</p> <p>(b) Outcome related to planning process (screening of public investment projects using criteria based on impact on growth and poverty alleviation)</p> <p>(c) Outcome related to private sector development (assurance of conditions for fair competition through application of the same regulations to all companies)</p> <p>(d) Outcome related to reform of SOEs (reduction of the number of SOEs to approximately 2,100)</p> <p>(e) Outcome related to financial sector reform (specialization of the State Bank of Vietnam's (SBV) supervisory and regulatory functions)</p> <p>(2) Timing of Next Evaluation After program completion</p>		