Executive Summary

Since the start of Doi Moi in 1986, the Vietnamese planning system is continuously evolving and adapting itself to the forces of a market economy and towards a state that has mainly a guiding and supporting role rather than a controlling role. From the early 2000’s onwards, the Belgian Government has supported these developments, both at the provincial and national level. The Capacity Development for Planning Reform Project (CDPR) is a programme that fits within the Vietnamese reform policies and the Belgian strategies for development cooperation. Since the end of the previous national support project (SPR, 2007-2014), Vietnam has been in financial bad weather because of increasing debt and uncontrolled public capital expenditures. Policies have since shifted towards improved public investment planning and management as the main driver for socio-economic development planning.

CDPR was implemented by the Department of National Economic Issues (DNEI) of the Ministry of Planning and Investment (MPI). Its strategy towards planning reform is to first ensure better investment planning by Line Ministries and Provinces before focussing on improving the overall Socio-Economic Development Planning (SEDP). The strategy towards capacity development is to build up a capacity development function within the planning and public investment management (OIM) sector to ensure proper support to Line Ministries and Provinces. And finally, a selection of provinces would be supported towards better practices at sub-provincial level. The project results were formulated in the project document as:

1. The legal framework for the planning reform is improved
2. The capacity of MPI to support capacity development of sub-national authorities in the area of planning and M&E is strengthened
3. The capacity of provincial authorities and 2-3 line ministries\(^1\) to develop, adopt and implement improved planning and M&E systems is strengthened
4. The capacity of selected local (districts + communes) authorities to develop, adopt and implement improved planning and M&E systems is increased

With CDPR support, the first ever Public Investment Law (PIL) in Vietnam was promulgated and became effective in January 2015. The Law creates a complete legal framework for the management of the entire public investment process, from investment policy approval, funding decision, formulation, monitoring and evaluation of public investment plans, programs and projects. During the CDPR period a change took place from annual public investment planning towards medium-term planning with a strong emphasis on the affordability through authorised public investment sources. The Law makes it compulsory – for projects to be included in the Medium Term Investment Plan (MTIP) – to identify the sources of funding, and the total public funding for each project cannot exceed the pre-set financial ceilings. It reduces the risk of starting un-funded projects, threatening budget balances. The Law and its implementation guidelines are an important contribution to strengthening Vietnam’s public investment management.

For the National Assembly, The Government of Vietnam and MPI to effectively guide the PIL and MTIP implementation process, three internal capacity development (CD) activities have been carried out. Firstly, an international course on public investment management and subsequent study tours – funded through other sources – were organised for key staff of the above mentioned agencies to gather lessons learned from other countries. Secondly, a large group of MPI staff was trained in the topics of PIL introduction, implementation guidelines of the various decrees, linkages with the SEDP and general PIM topics. And thirdly, DNEI and MPI sector departments have set up a support function at national level comprising of an informative website with a large section on Frequently Asked Questions and a separate help-line for additional questions.

The internal CD programme facilitated MPI to carry out an extensive training programme for all provinces and line ministries on the background and guidelines to formulate the MTIP. The

\(^1\) At a later stage the project decided to expand its services to all Line Ministries
initial CDPR objective was to only pilot with a few ministries, but since all ministries needed to formulate the MTIP, it was decided to involve all of them. Over the CDPR period, all Line Ministries 63 Provinces were assisted with two training programmes each. In addition a large number of District and Commune staff were trained in the MTIP and SEDP respectively.

The reactions from the ministerial and provincial staff are positive. The MTIP process forced them to move away from the old style of investment planning to a more disciplined and prudent style of planning. They cannot anymore plan with an indefinite budget; budget deficits and arrears in construction works are no longer allowed and arrears incurred prior to 2015 must be settled during the MTIP 2016-2020. Guided by the training and other support activities, the provinces and line ministries have formulated their MTIPs before the end of October 2016. At the same time, an online project registration system was introduced that will be the starting point of a countrywide M&E system.

MPI has succeeded in introducing a much needed new Public Investment Law and ensured the implementation of the Law via the MTIPs that regulate and control public capital investments by Provinces and Line Ministries. Decision making on investments has become less based on power and political relations, and more on technical and strategic considerations. Budget ceilings have been introduced that prevents over-committing resources. And these ceilings will decrease public debt, a primary government priority. CDPR has been an important contribution to the country’s planning reform process.

CDPR was a capacity development project directed at strengthening MPI’s planning reform capacities. Main achievements were the institutional capacities in terms of the PIL, Government Decrees and Circulars, and Prime Minister’s Decisions. Individual capacities were improved through training and workshop; more than 100 training events were organised to assist staff from all levels in implementing the Law and regulations. Because of the large training needs, the project decided to spend the available funds on widening the training to more provinces and districts than to the initially planned in-depth support to a small selection of Provinces. To further support the PIL implementation, MPI staff was strengthened to act as trainers and resource persons, among others to function as help-line staff for provinces and line ministries.

The mission used the standard evaluation criteria as one of its guidelines, in summary:

Relevance. CDPR has been a relevant and timely intervention to assist the Government in its first phase towards more effective and efficient public investment management. The National Assembly, Prime Minister’s Office, MPI and MoF are all closely following this process

Effectiveness: The project has been effective in two ways. Firstly by formulating and receiving government approval of a series of legal documents supporting improved investment planning. And secondly by creating awareness and knowledge among a large group of line ministry and provincial staff responsible for implementing the legal framework. Apart from the positive aspects of the law and its implementation, the issue remains that it is difficult for Vietnam, or any other country, to have a reliable five-year revenue projection, as is currently expected; the current situation will likely lead to ‘soft’ five-year capital budget ceilings.

Efficiency. Through the NEX modality efficient use of funds was ensured: mostly government staff implemented the project. For the future use of NEX, more attention is needed for the project’s design phase. Concerning the use of project PMU’s – each project has one – the Government is now working on a more efficient set-up for project support.

Impact. Early signs of impact are already surfacing. From Provincial and Line Ministry managers we were informed that a more prudent public investment management is already visible. Besides the legal framework, this changing practice is caused by a growing change in attitude among government staff. The pro-poor element in investment management may need increased integration of the ex-ante and ex-post evaluations in the project management procedures.

Sustainability. At the end of CDPR it is too early to assess sustainability of results. Even though important conditions for sustainability are in place – start of a legal framework and the process
of staff capacity strengthening – areas of attention remain: the alignment of relevant laws, balancing centralisation vs. decentralisation and organising continuous staff capacity development on PIM. The PIL and accompanying MTIP/MTFF are initial building blocks towards improved PIM. More is needed to make the PIM Cycle run effectively, like appraisal/evaluation methodologies, linking investment to O&M, capacities at provincial level and proper planning-financing linkages. Nevertheless, CDPR has made a convincing contribution to systematic PIM in Vietnam.

The project has come to an end and lessons were learned as to the sustainability of the project. For the positive results to continue in the future, emphasis needs to be put on two areas:

Content and process of Project Cycle Management in public investment
PIM is a cyclical process from ‘strategic guidance’ (based on socio-economic planning) to ‘evaluation of public investment projects (PIP)’, which in turn informs the guidance again. Various tools are still needed in this process, like the ex-ante and ex-post evaluation. The PIM process itself is implemented by various MPI Departments and other Ministries like the Ministry of Finance. Cooperation among these organisations towards effective PIP cycle management is just starting. PIM will benefit from the alignment between laws and between related organisations.

Approach to capacity development
CDPR has paid ample attention the legal conditions for improved PIM, and to individual CD by training a large number of staff. What was missing is the attention to organisational capacities that ensures effective and continuous implementation of the new legal products. Organisational CD in CDPR refers for instance to a strong and mandated MPI Training School, an established coaching capacity at national and Provincial level and formalised technical cooperation arrangements among the relevant units and Ministries. The mission is aware of the sensitivities involved in organisational capacity building. Given the relatively short project time period and the amount of fundamental changes involved in PIM, it was not possible to go beyond ‘business as usual’ concerning coordination issues. On the other hand, we have to admit that, if PIM were to be improved, increased coordination towards a joint approach would be advised, both internally and towards related Ministries.

After CDPR, PIM improvements will continue, various discussions are already taking place on the PIL and its implementation. To streamline these discussions, and to add to the background material for the upcoming MTIP review, the mission suggests to first have an independent study on the main topics: alignment between relevant laws, conditions for proper PIP cycle management and effective cooperation among the main stakeholders.

The mission’s main recommendations for the Ministry of Planning and Investment are:

Outsource an independent study on PIM experiences
To deal with the current concerns on how to continue with PIM, e.g. alignment of laws, revenue forecasting, predictability of priority projects, linking the MTIP with APIP and authorities on investment decisions, and in order to minimise organisational influencing in this debate, we would suggest an independent study on the PIM experiences to date, possibly financed by one of the new external support projects. This study could coincide with the upcoming MTIP midterm review.

Have a consultative MTIP review
A number of practical questions that are not yet answered might be taken up during the upcoming MTIP review and conclusions used for the next MTIP 2021-2025. Questions relate to topics like how to make the SEDP more a strategic document, work towards results based M&E and improve the ex-ante project appraisals.

Treat PIM as a cycle, not as a series of independent functions
The World Bank introduced a PIM cycle of good international practice. This cycle is part of the discussions within MPI; it is agreed that various Departments are involved in the process from ‘guidance’ (SED) to ‘PIM evaluation’. And besides MPI, other Ministries like MoF are also involved in making the PIM cycle work properly. We suggest forming a cross-ministerial
technical group or platform that is assigned to develop effective PIM procedures and tools, and submit these to their management levels.

The mission’s recommendation for ENABEL is:

*Align project design and implementation arrangements to the realities of institutional change.*

Institutional development (ID) projects like CDPR need a governance structure that is able to look beyond the main implementing unit, in this case DNEI. Working on individual, organisational and institutional capacities, requires a wider organisational approach than was envisaged in the project document (TFF). Even though CDPR has achieved commendable results, both the MTR and this final review mention the constraints of working with only one government unit, let alone stakeholders outside the government arena. During the formulation phase of future ID projects we suggest an adjusted approach:

- Spend time in discussing the implications of a capacity development project for the implementation arrangements. For purposes of clarification and mutual understanding, before the project starts there needs to be agreement about the project’s CD objectives and its organisational implications.
- When using the NEX modality, ensure that all parties understand its implications before the project is formulated. NEX is about more than financial procedures. If the NEX modality is to be differentiated from budget support, more dialogue and agreement is needed at the start about the cooperation between the two partners on project administration, financial management and project quality.
- Promote a PSC process that is interesting for its members. Firstly this would imply to select members that have a ‘stake’ in the project. The PSC is responsible for *results oriented steering*, so all members need to benefit from the results. Secondly, the PSC structure should move away from the more ‘traditional’ approach. In many cases, the PSC has insufficient time to be involved in technical steering. There could be an additional multi-stakeholder technical committee. Not to control the project director, but to provide advice to the project and PSC.
- To what extent is the PMU integrated in the local structure? This is question becoming increasingly relevant in the Vietnamese context and touches on the local absorption capacity. A parallel PMU structure as implemented in CDPR, may be suitable for a clear-cut construction project, not so much for building up organisational capacities at national and provincial level.