

**Summary note**  
**World Bank conditionality consultations**  
**Hanoi, 12-19 September**

This note summarises key points from a series of consultations held in Hanoi to seek feedback on World Bank approaches to conditionality in Vietnam. Four separate consultations took place over the period of a week. The first, with local civil society and international non-government organizations (NGOs), was hosted and chaired by NGOs. Consultations with Government officials and elected representatives were chaired by the UK Department for International Development (DFID). Consultations with the private sector took place in the World Bank office and were chaired by the World Bank. Consultations with other development partners followed a morning of discussion on the next Poverty Reduction Support Credit (PRSC) and associated analytical work. The Netherlands chaired this consultation session, in its role as chair of the Like-minded Donor Group (LMDG). In total, approximately 85 people participated in the various consultation sessions (excluding World Bank staff).

All the consultation sessions followed a similar format of presentations by the World Bank on the evolution of approaches to conditionality and on the use of policy-based lending in Vietnam. The World Bank served as rapporteur in all sessions. Attached to this note are the detailed notes from all of the consultation sessions. These notes provide records of the discussions and have been agreed between the World Bank and the session chairs. This note is not intended to be comprehensive, but aims to draw attention to the themes that were repeated most often or were discussed most intensively across the four sessions. The final notes will be posted on the webpage of the World Bank ([www.worldbank.org/conditionality](http://www.worldbank.org/conditionality)). This note follows the structure of the more detailed session reports, highlighting discussion points for each of the “good practice principles” outlined by the World Bank.

### **Ownership**

There was a striking consistency across the four consultation sessions in the assertion that ownership was the most important of the five principles and a prerequisite to making progress in the other four principles. There was also considerable support for the way in which approaches to conditionality had evolved in Vietnam. There was general agreement across the stakeholder groups that the series of PRSCs had been firmly rooted in the Government’s own reform agenda, as expressed first through the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and then the Socio-economic Development Plan (SEDP). In both the donor and NGO consultations, participants mentioned that this was “best practice”.

Most suggestions for improvement revolved around the importance of broadening ownership beyond the executive branch of government. NGOs emphasized the benefits of engaging civil society more fully. Both government and NGO participants proposed more pro-active work with the legislature (though there were a range of views on how formal this should be – from National Assembly scrutiny of proposals, to discussions with the specialized committees, to the provision of seminars on policy-based lending to improve understanding). Many comments suggested that this broadening of ownership would require more information on policy-based lending to allow all stakeholders to participate with a full understanding of the instrument and associated processes and obligations.

### **Harmonisation**

Many of the stakeholders felt that recent alignment to the CPRGS and the SEDP had helped development partners work more coherently in support of government outcomes. There was general acknowledgement that the PRSC operation was a complex one, bringing together multiple ministries and donors. Comments suggested that this had been handled relatively well. Government participants were particularly appreciative of donor efforts to coordinate assistance around the SEDP and PRSC.

Concerns generally fell into two broad categories. The first area of concern (voiced more by the donors and the NGOs) refers to the current framework for accountability, the PRSC framework being similar, but not identical, to the SEDP monitoring framework. There were some strong views that donors should resist the temptation to use independent monitoring mechanisms. Inputs from NGOs emphasized how accountability works in practice, outlining the need to engage alternative and independent viewpoints. A second broad area of comments discussed the “mechanics” of harmonization. This included concerns from the NGOs on one hand that efficient harmonization would give government less room for maneuver. Interventions from donors, however, emphasized how harmonization could be improved, suggesting a more structured approach to engagement in the PRSC process. This would enable “newcomers” to the process (which grows annually in terms of number of participants) to understand better their roles and obligations.

### **Customisation**

The general sense was of a process that had become increasingly tailored to country priorities. The government consultations were particularly clear in describing improvements in approaches to SOE reform. There was some discussion about the need to balance the desire to promote desirable reforms and the importance of keeping to country priorities, described as “the art of the possible” by one participant.

A repetitive theme refers to building the analytical capacity on the part of government, so that Government, rather than development partners, can better lead the process of determining which actions from the wider SEDP agenda should be prioritized in the agreements. Currently the prioritization and sequencing of actions and triggers was undertaken more by donors than by Government. While the Government owns the broad agenda from which the PRSC operations are derived, the customization of the PRSC operations was initiated and led largely by donors.

### **Criticality**

There was widespread acceptance that a multi-sector, multi-agency, multi-donor operation is likely to need a spread of “benchmarks” in order to keep the operation inclusive and motivating for all participants. There was one comment (in four consultations) against the large number of benchmarks and no negative comments on the choice or number of actions or triggers.

Some participants in all consultations expressed confusion about the different elements of conditionality (actions, triggers and benchmarks) and a suggestion that the World Bank could do more to clarify terms.

### **Transparency and predictability**

Participants in the four consultations suggested that both predictability and transparency had increased over recent years. The Government stated that although the World Bank inputs were predictable, they would appreciate them to be predictable at a higher overall level. There was less

predictability over the timing and level of co-financier resources that would be available. Not all donors were able to commit to financing beyond the current years and as levels of co-financing increase, this adds an element of uncertainty into the operation.

## **World Bank conditionality consultations with international and local NGOs NGO Resource Centre, 11 September 2007**

### **Introduction**

The meeting was organised by the Aid Monitoring Group (AMG)<sup>1</sup>. The meeting was co-chaired by two members of the AMG; ActionAid Vietnam (AAV) and the Center for Cooperation Human Resource Development (C&D, a local NGO). More than 30 NGOs, civil society organisations, and academia participated in the meeting. World Bank (WB) staff presented the background to the consultations and recent experience with development policy lending in Vietnam. This was followed by a presentation on behalf of the Vietnam Development Forum<sup>2</sup>. Three international NGOs made pre-prepared interventions before the floor was opened for discussion. Some of these comments reflected those organisations' institutional positions on conditionality and development policy lending. Other comments related specifically to the Vietnam context and experience. This record of the meeting consolidates all the comments into five areas, reflecting the good practice principles.

NGOs request that the WB keep them informed of both the broader consultation process and the consultation process in Vietnam. The WB agreed they would pass on all information available to them on the consultations around the world and would share reports from the other consultations taking place in Vietnam.

### **Ownership**

Participants recognized that development policy lending (especially the Poverty Reduction Support Credits or PRSCs) had become increasingly aligned to Government's own strategy, most notably the Socio-economic Development Plan 2006-2010 (SEDP). Though some agencies were opposed on principle to the inclusion of prior actions relating to economic policy, they noted that the Vietnam PRSCs included economic policy actions that had already had the Government's commitment. At the same time there is an emerging need to strengthen and enable the voice of the civil society to monitor and raise concerns regarding the economic agenda pursued by the PRSCs.

Participants noted the importance of balancing "ownership" between state and non-state actors. There were concrete proposals for enhancing the participation of civil society organizations (CSOs), including (i) the possibility of a "civil society forum"<sup>2</sup> which could feed into the Consultative Group meeting, (ii) the creation of a more supportive legislative environment for CSOs to engage in translating the development policies agendas into actions at grass-root levels, and (iii) the use of the policy dialogue to promote a more enabling environment for a vibrant, local civil society. NGO participants emphasized the need for donors to allocate resources for concrete initiatives that contribute to a more enabling space for CSOs to participate in policy making, implementation, and monitoring processes. It was also suggested that the World Bank could make more efforts to work with the media, in order to break the language and knowledge

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1 The Aid Monitoring Group (AMG) was initiated in June 2007 by a group of International and Vietnamese NGOs with the purpose of enhancing coordinated efforts of NGOs and more broadly CSO of monitoring of aid the AMG also seeks to strengthen the dialogue and interaction with donors.

2 This point was referred to the initiative of establishing the Vietnam Development Forum as an emerging network of local CSOs to undertake the responsibilities of engaging in the policy dialogue.

barriers on the issues of policy lending for development amongst Vietnamese media and citizens and to promote public ownership of the policy lending processes.

A number of comments questioned the emphasis placed on dealing with the executive branch of Government (accountable to the National Assembly) and the limited direct interaction with the National Assembly. One participant went further and proposed that lending programs should be scrutinized by the National Assembly. The WB suggested that the growing influence of the National Assembly offers opportunities for greater engagement, perhaps through the work of the specialized committees of the National Assembly.

## **Harmonisation**

Participants noted that the SEDP had been an important instrument in ensuring that development assistance was more coherent and better-coordinated across partners (though, in the view of the co-chair, there were still too many independent missions and too many parallel project management units, or PMUs). There were concerns that taking harmonization to its logical extreme would lead to a situation where one recipient Government was set against multiple donors who had joined forces. Though there was no evidence that this had happened to date, potentially it could limit the room for government to set its own agenda and so could work contrary to the ownership principle. There was also concern that a more harmonized donor community might squeeze the space for independent viewpoints by CSOs.

There were discussions about the accountability processes that come with the harmonization around development policy operations. Though there was support for the principle that donors would use the Government's own results framework (the monitoring framework for the SEDP), there was recognition that the use of budget support operations in support of these outcomes might limit the role that CSOs could play to monitor the principles of aid effectiveness. NGOs argued that limiting their participation in monitoring the implementation of the SEDP could diminish the efficiency of donor assistance and constrain accountability processes. NGOs were concerned that an ultimate side-effect of this would be to limit the role that CSOs might play in promoting democratic governance.

There was also some discussion about accountability in the context of one-year operations. One NGO was concerned that the balance between short term monitoring of actions and medium term monitoring of outcomes had left a gap, allowing some issues to drop permanently from the agenda when Government did not complete them within the annual cycle. For example the target for having both husband's and wife's names in LUC in PRSC2 was not met, but was then absent from later policy matrices. An alternative approach could assess conditions on a three-yearly basis in order to prevent this kind of slippage. Progress could still be monitored on an annual basis, but funds could not be lowered or withheld except in exceptional circumstances clearly and transparently defined from the outset.

Participants observed a need to work more diligently on promoting mutual accountability, with an emphasis on donors being more accountable to Government and civil society. Related to this, several participants asked how "independent" was this current review of conditionality and how CSOs could be sure that feedback would be used in the right spirit.

Donors tend to 'harmonise' around the Bank's framework, with some donors using PRSC conditions as the benchmarks for their own support. The PRSC 2006-2010 policy matrix does not include policy actions to create an enabling environment for CSOs. This raises the prospect that a critical issue may not be addressed by the harmonised donor funds.

## **Customisation**

Discussions about customization overlapped with the discussions on ownership. . Though it was agreed that actions were derived from a Government-owned strategy for reform and development, some raised questions about who was choosing (the donors or the Government) the policy actions from the wider agenda set out in the SEDP. A process of selection was taking place and the concern was that perhaps the Government was not playing the lead role in defining the content of the matrix. In connection with this, one participant felt that the country's own priority on the delivery of basic services was under-represented in the policy matrix. NGO's suggested that more use of participatory research (facilitated by CSOs) could improve the quality of conditions and promote greater citizen participation in planning, implementation and monitoring of impact

## **Criticality**

One intervention criticized the large number of benchmarks that were featured in the PRSC operations. In fact, the number of benchmarks for Vietnam has gone up to 41 in 2006 from 8 in 2004. Other interventions somewhat endorsed the overall approach that ODA should have some pro-poor conditions and be part of a policy dialogue on issues of women and other vulnerable groups and focused on areas that participants felt could be emphasized more strongly in the dialogue. Despite the impressive achievements in the field of addressing the poverty issues concerns were raised about the increased vulnerability and possible rise in inequalities among the marginalized groups These included actions that could tackle more aggressively the problems encountered by vulnerable "near-poor" groups (for example those living on between \$1-2 per day).

Another warned against complacency and "slipping into an easy relationship of convenience", seeing a possibility that Vietnam's outstanding progress over recent years will discourage debate on the MDG issues where there has been less traction (such as HIV/AIDS and Sanitation).

## **Transparency and Predictability**

Participants did raise concerns, however, about the transparency of government operations and expenditure that – given the fungibility of PRSC resources - are funded by development assistance. Participants described a need to insist more on independent monitoring of government operations.

Participants also raised the issue of transparency of World Bank in general, suggesting that these five principles should be used to reform the World Bank as an institution rather than reform of individual operations. Another participant questioned whether WB staff was held accountable for applying these principles in their daily work. In this spirit, one organization asked whether this consultation exercise could be taken further and whether the World Bank in Vietnam could take a longer term perspective on engagement with civil society.

**Participants in the NGO conditionality consultations**

	Name	Network or organisation
1	Vũ Thị Hương	CDC
2	Nguyễn Đức Thịnh	CCRD
3	Nguyễn Thế Chiến	CGFED
4	Lê Quốc Hùng	CSDD&CDG( include 11 VNNGOs)
5	Phan Cử Nhân	Social policy Bank
6	Nguyễn Bích Vượng	Center for Micorfinance and Development; Microfinance working group ( includes 65 INGOs and VNNGOs)
7	Nguyễn Thị Nga	Center for Legal assistant
8	Ngô Thị Lan Phương	SCODE
9	Vu Van Thanh	VACVINA
10	Vũ Ngọc Lan	RDP
11	Trần Công Dũng	CREDEP
12	Phan Thanh Ngọc	CISDOMA
13	Ninh Văn Hiệp	CISDOMA, CIPFEN network (includes 32 VNNGOs)
14	Nguyễn Thị Hồng Tháp	CESPA
15	Nguyen Phu Thai	C&D
16	Pham Thuy Anh	C&D, PPM-GTA network (includes 11 VNNGOs)
17	Hoang Phuong Thao and Saroj Dash	Action Aid International Vietnam
18	Le Kim Dung	Oxfam GB
19	Pieter de Baan	SNV
20	Eddy McCall	NGORC

**World Bank conditionality consultations  
with the Vietnamese National Assembly and Government  
Press Club, September 14, 2007**

A consultative meeting with representatives from the Vietnamese National Assembly and Government on the application of World Bank conditionality was held in Hanoi on September 14, 2007. The meeting was chaired by Mr. Donal Brown, Head of the DFID in Vietnam. The list of participants is attached. Notably, a number of participants were directly involved in the preceding policy-based lending operations financed by the Bank and the Fund, namely ESAF, PRGF and SAC.

The consultation focused on the Bank's five good practice principles of conditionality. World Bank staff presented the background to the consultations and recent experience with the Poverty Reduction Support Credits (PRSCs) in Vietnam. The general message from the Vietnamese side was positive, whereby a number of participants commented that the principles had been well applied in the six preceding PRSCs despite not being discussed explicitly during preparations. Participants also remarked that, on a higher level, the principles reflected the Bank and donors' enhanced understanding of the country circumstances and had underpinned the recent changes in their approaches to operations at the country level. One participant suggested that the Bank should extend its conditionality assessment to other policy-based programs, such as the Program 135 Support Credit series (supporting one of the principal National Targeted Programs for poverty reduction) using valid experiences from PRSC operations.

**Ownership**

A large number of participants repeatedly emphasized the ownership principle as the decisive factor to the application of other principles and to the operation outcomes. There was a high degree of consensus that ownership in PRSCs in Vietnam has been increasing overtime. Except for the first operation in 2002, PRSCs 2-6 were closely aligned with the government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and its mainstream umbrella plan - the Socio Economic Development Plan (SEDP) 2006-10. Participants agreed that there were coherent linkages between ownership, mutual trust and partnership, which were reflected in the recently adopted Country Partnership Strategy (CPS) between the Bank and the Government. In general, participants noted that the respect of international partners for the country's legal system, financial management system and for the substance of the ongoing reforms has been enhanced.

One participant recalled the viewpoint of the country's top leadership which considered ownership as a prerequisite for the country to engage in any operation. A common perception was that the level of conditionality in PRSCs is modest, whereas the participating government agencies considered the policy actions under the operations as essential for their own reform agendas. One participant noted that since PRSC 3, no disbursement conditions have been imposed. Instead, only forward-looking triggers have been applied as conditions to initiate a new operation.

Confirmation of the high level of ownership has been intensively illustrated by the evolution from the previous operations of the Bank and the Fund to the new PRSC approach. SAC and PRSCs 1-2 actions were difficult and more imposed or mechanistic in nature. Examples were provided for the previous cases of SOE reforms, banking reforms and tax policies where the government appeared unwilling to move forward to the proposed direction. This had resulted in a situation

where policy actions were occasionally implemented just to meet the conditions or even cancelled afterwards. Participants commented that improved ownership had resulted in the enhanced proactivity of the government and had contributed to the sustainability of impact of the operations and to a more mature, long-term relationship between the two sides.

Emphasis was placed on the need to strengthen the government's proactive role in proposing policy actions to the accountability framework, reversing the current situation where actions are mainly chosen by the Bank and donors. In the context of enhanced ownership, big challenges remained in the processes to realize the objectives of the country strategies and plans, especially in terms of government's overall capacity to examine the rationale, priorities and sequencing of policies and assess in advance their socio-economic impacts. To this end, policy consultancy, technical expertise and shared international experience from the donor community were highly appreciative.

### **Harmonization**

Participants noted that Vietnam had obtained good track record in terms of harmonization, with a key role for the Government in convening technical discussions and negotiation with the Bank and an increasing number of other co-financiers on the shared accountability framework. Interested donors joined the policy dialogues according to their own expertise. Progress reporting initiatives, such as the one-pagers, had served as an effective communication channel and had streamlined the regular and ad-hoc reporting workload for both sides. This has substantially reduced the transaction costs for the government.

There was concern that since closely aligning to the four pillars of the broad SEDP, the agenda has expanded to cover wider set of issues, which has created challenges in managing the accountability framework. With 26 policy sectors (compared to 5 at inception), nearly 30 participating agencies and 16 donors, there is the risk that the "newcomers" do not have sufficient understanding of the PRSC conceptual approach. In some instances even the basic terminology of policy-based lending was misunderstood. Given the one-year timeframe, these agencies have a steep learning curve. Participants strongly recommended that the Bank and the Government jointly conduct better orientation for these new line ministries and donors. In the meantime, the framework has also been deepened with actions which are cross-sectoral and/or go beyond the responsibilities of certain government agencies and fall under the National Assembly. The need to increase understanding and early engagement of the National Assembly was then pointed out.

Under such growing scope of the operation, the importance of maintaining good coordination was mentioned for several times. Since PRSC 4, the PRSC Secretariat established at the State Bank of Vietnam has effectively helped to facilitate the wider participation from both sides, supported the government to be more proactive in developing the policy matrix, and contributed to ensuring timely progress reporting and recommendations to the higher level of the government.

### **Customization**

Participants confirmed that the operations has been developed on the basis of the mainstream national and sectoral strategies and plans, thereby reflecting the country's circumstances and priorities. One participant noted that one of the added values of the operations to the government program is to help government to define policy priorities and be more aware of the urgency and sequencing of actions under the timeframe of the programmatic operations. Another participant appreciated the high level of flexibility when benchmark actions that could not be accomplished within the timeframe of one operation could be followed up in the subsequent operations,

allowing better research and preparation. Constraints referring to government's analytical and policy-making capacities to prioritize, or even to articulate the realized priorities, and to choose the right policy among a range of options were repeated for several times. There was suggestion that donors' related analytical work should be shared in advance to the Government for this purpose.

### **Criticality**

No issue was raised about the criticality of the policy lending operations in Vietnam. Participants appreciated that the process was evolving to attach greater importance to the substance and key milestone of reforms, contrasting with the earlier approach which relied on quantitative indicators. Illustration was provided that in SOE reform, the proposed triggers and policy actions now focused more on issues of market-orientation, equitization plans for ministries, provinces and General Corporations, rather than being based solely on quantitative indicators, such as the number of equitized or divested SOEs. One participant appreciated that the engagement had become more substantive, with discussions involving a number of technical dialogues on the content and progress of the actions during the process. There was no concern on the number of triggers or benchmarks and the associated policy dialogues.

### **Transparency and Predictability**

Participants agreed that under the programmatic PRSC operations, the predictability of the Bank's financial support has been good. Over the past years, other donors have constantly increased the co-financing volume. There was an expectation that Bank would raise its amount of concessional financing to the country. Concerns, however, remained in the mismatch between the Government's budget cycle and the timing of commitments made by a number of co-financiers, either directly or via the Bank's trust funds. Donors were recommended to engage in more timely and longer-term commitment of funding.

**Participants in the Government and National Assembly conditionality consultations**

	<b>Name</b>	<b>Institution</b>	<b>Position</b>
1	Nguyen Ha Thanh	National Assembly (Economics & Budget Commission)	Expert
2	Phung Van Hung	Office of the National Assembly (Center for Information, Library & Research Services)	Deputy Director of the Center
3	Bui Thi Keng	Office of the President (Legislation Dept.)	Deputy Director
4	Chu Tac Nhan	Office of the Government (International Cooperation Dept.)	Deputy Director
5	Bui Dinh Vien	Office of the Government (International Cooperation Dept.)	Deputy Director
6	Nguyen Xuan Thao	Ministry of Finance (External Finance Dept.)	Manager -Multilateral Division.
7	Duong Quynh Le	Ministry of Finance (External Finance Dept.)	Deputy Manager -Multilateral Division.
8	Nguyen Thanh Phuong	Ministry of Planning and Investment (External Economics Dept.)	Manager -International Financial Institution Division
9	Tran Ngoc Lan	Ministry of Planning and Investment (External Economics Dept.)	Expert
10	Nguyen Huu Phu	Ministry of Foreign Affairs (Legislation and International Treaties Dept.)	Expert
11	Nguyen Chi Truong	Ministry of Labor, Invalids and Social Affairs (International Cooperation Dept.)	Expert
12	Nguyen Thi Tuyet Hoa	Ministry of Agriculture and Rural Development (International Cooperation Dept.)	Deputy Director
13	Nguyen Vu Hoan	Ministry of Agriculture and Rural Development (International Cooperation Dept.)	Expert
14	Tran Trong Hung	Ministry of Education and Training (Planning and Finance Dept.)	Expert
15	Pham Khanh Toan	Ministry of Construction (International Cooperation Dept.)	Deputy Director
16	Nguyen Trong Dung	National Steering Committee on Enterprise Reform and Development	Vice Chairman
17	To Hong Anh	Ministry of Transport (Planning and Investment Dept.)	Expert
18	Tran Nhat Thanh	State Audit of Vietnam (General Affairs Dept.)	Deputy Director
19	Le Thi Thanh Thuy	State Audit of Vietnam (General Affairs Dept.)	Expert
20	Luong Van Thang	Ministry of Science and Technology (International Cooperation Dept.)	Expert

	<b>Name</b>	<b>Institution</b>	<b>Position</b>
21	Le Long	State Capital Investment Corporation (Strategy Dept.)	Expert
22	Dang Anh Mai	State Bank of Vietnam (International Cooperation Dept.)	Deputy Director
23	Nguyen Van Xuan	State Bank of Vietnam (Inspectorate)	Expert
24	Nguyen Thi Hoai Anh	State Bank of Vietnam (Inspectorate)	Expert
25	Bui Duy Hung	State Bank of Vietnam (Monetary Policy Dept.)	Expert
26	Doan Huu Tue	State Bank of Vietnam (Strategy Dept.)	Deputy Manager -Central Bank Development Strategy Division
27	Phan Manh Hung	State Bank of Vietnam (PRSC Secretariat)	Program Coordinator
28	Tran Hai Vu	State Bank of Vietnam (PRSC Secretariat)	Program Officer
29	Vu Thanh Hang	State Bank of Vietnam (PRSC Secretariat)	Program Officer
30	Pham Thi Thanh Van	State Bank of Vietnam (PRSC Secretariat)	Program Officer
31	Nguyen Hoai An	State Bank of Vietnam (PRSC Secretariat)	Program Officer
32	Martin Rama	World Bank	Lead Economist
33	Carolyn Turk	World Bank	Senior Economist
34	Lasse Melgaard	World Bank	Special Assistant to Country Director
35	Mai Thi Hong Bo	World Bank	Partnership Relations Officer
36	Quyên Hoàng Vũ	World Bank	Operations Analyst
37	Nguyen Thi Thuy Tran	World Bank	Operations Analyst
38	Ha Thu Vu	World Bank	Team Assistant

**World Bank conditionality consultations with representatives of the private sector  
World Bank Office, 14 September 2007**

## **Introduction**

A consultative meeting with private sector representatives was held at the World Bank office on Friday, September 14, 2007. The meeting was chaired by the World Bank and aimed at receiving feedback from key private sector participants. The group of participants was small, and the knowledge of World Bank lending procedures differed greatly, but the discussion was rich and brought out important concerns and opinions. The feedback below is organized along the five good practice principles.

## **Ownership**

With the alignment of the WB portfolio to the Government's own Socio-Economic Development Plans, the Bank support fit in a clear framework that was in line with the Governments own stated objectives. Overall satisfaction with the ownership process in Vietnam was considered to be good. Participants noted that good strong ownership is a precursor for the other principles. If ownership is solid, they will fall into place automatically.

Particular improvement has been seen since PRSC 3. One participant with extensive experience working with Government Ministries and the World Bank felt that GoV now expressed clearly what it wanted to do and where it wanted to go.

## **Harmonization**

Participants felt that harmonization efforts in Vietnam appeared to work well.

## **Customization**

In Vietnam, in many cases there is good capacity to formulate policies. What is lacking is the actual implementation so the World Bank should customize its framework along these lines and increase technical assistance.

## **Criticality**

In a developing country like Vietnam, it is relatively easy to identify a range of problems, but harder to articulate the best response. In general, the World Bank, through its use of consultants, is in a position to present a wider array of ideas and thoughts that those the Government can come up with on its own. As an outsider who brings analysis to the table, sits down with the Government to discuss, the World Bank can bring attention to a particular issue, which may have greater relevance than 100 other important issues. Although at times there was a desire on the part of the private sector for the World Bank to intervene, there was also recognition that at times, strategic interventions were better (e.g. providing TA to ensure WTO accession would also ensure banking reform as it would lock in a series of commitments).

The World Bank should ensure that it keeps up with emerging issues during the course of the reform process, such as economic groups, State Owned Commercial Banks equitization etc. The World Bank has not gone far enough in ensuring that the Government of Vietnam equitizes SOEs. The playing field still isn't level. We need to know that terms and conditions are the same

for all entrepreneurs. There has been progress, but still not enough. The Bank should do more to support the private sector and should focus its attention on the legal environment for business.

The Bank should raise status of trigger to be a condition. There are cases in the country, where the Bank needs to use its muscle with much greater force, for example by discouraging various groups to set up their own banking business. This is wrong and dangerous. Although using this muscle poses challenges with regards to ownership, the Bank can draw much greater attention to these issues by supporting different conferences, discussions, get the public debate going. The Bank should not just facilitate technical assistance, but also play a key role in facilitating dialogue with civil society and the media. Researchers and think tanks are also important.

From PRSC 3 and onwards, criticality has been really, really good. Before that, the conditions were tricky. Now they are more flexible. Forward looking triggers are working very well.

### **Transparency**

Information sharing is critical. At times, it can be difficult for private sector actors to know exactly what is contained in various WB initiatives. We need more details on what the World Bank Group is doing to support the private sector. WB has many innovative plans to help GoV. Almost all at macro level.

Analytical work produced by the World Bank needed to be published well in advance of a requirement for decision on the part of Government to enable decision makers to fully digest its finding.

### **Present:**

Mr. Quang A. Nguyen, Vice-Chairman, Hanoi Union of Industry and Commerce

Ms. Huu Nghi Doan, Chairwoman, Hanoi Women's Entrepreneurs

Mr. Nhu Trung Tran, Head of Project Consultancy Department, TECOS

Mr. Martin Rama, Lead Economist, World Bank Vietnam (Chairperson)

Ms. Quyen Hoang Vu, Operations Analyst, PREM, World Bank Vietnam

Mr. Lasse Melgaard, Special Assistant, World Bank Vietnam (rapporteur)

**World Bank conditionality consultations with international donors  
Press Club, 19 September 2007**

**Introduction**

The meeting was chaired by Mr. Bengt van Loosdrecht, Development Counsellor of the Embassy of Netherlands. Mr. van Loosdrecht chaired the event in his capacity as chair of the Like Minded Donor Group<sup>3</sup>. The consultations took place immediately after a refresher session on the PRSC process in Vietnam, and were succeeded by the official signing of the PRSC between the World Bank and the State Bank of Vietnam. World Bank staff presented the background to the consultations and recent experience with development policy lending in Vietnam focusing specifically on the evolution of the PRSC series in the country. The floor was then opened for discussion. This record of the meeting groups the comments into five areas, reflecting the good practice principles.

**Ownership**

Donors were generally positive about the practice of the Bank in conditionality in Vietnam, reflected well in the evolution of the PRSC process from a more traditional instrument with conditions in 2001 to a participatory tool aligned to overall national strategy in 2007. One donor stated that the Banks practice of conditionality in Vietnam stood out as a global role mode. Since policy actions (and the World Banks Country Partnership Strategy) were based on the Government of Vietnam's (GoV) own Socio-Economic Development Plan 2006 – 2010 (SEDP), there were no conditionalities in World Bank policy lending that fell outside the Government's own stated priorities. As a result, the donor was positive towards the continued channeling of considerable resources through the PRSC.

That said, there was still concern of remaining gaps in the understanding of the PRSC instrument in some branches of GoV and among partners. In order to achieve full ownership, full understanding was a prerequisite, and would improve the process.

Another donor noted that the GoV took a comprehensive approach to reform across a wide range of sectors, but that the World Bank's Progress Report said there was scope to trim policy matrices and reduce benchmarks in some countries including Vietnam. Given the strong GoV ownership, she questioned whether the GoV might react negatively to a reduction in the depth and breadth of the policy actions, as that could limit the visibility of important reform priorities. .

A participant (from the Office of Government – although a separate consultation with GoV had been held a week earlier, this participant chose to stay behind after the PRSSC orientation) felt that ownership in Vietnam was strong. He also cautioned there was an important balance to strike in ensuring a GoV owned process, while also taking into account suggestions and advice from donors.

One donor observed that it was important to distinguish between ex ante and ex post ownership. Ensure ownership at the highest level of GoV from the very beginning might not always be necessary. At times, useful and substantive discussions on the way forward took place at the

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<sup>3</sup> The Like Minded Donor Group consists of Australia, Belgium, Canada, Denmark, Finland, Germany, the Netherlands, Ireland, New Zealand, Norway, Sweden, Switzerland and the United Kingdom.

working level, and were then taken to the decision making level for endorsement at a later stage. Many good ideas were fostered in this manner, and this should continue.

There was also discussion on whether the national assembly should be more involved in the PRSC process and whether analytical work was available early enough to allow adequate time for thorough review by policy makers. The group of donors was generally not in favor of working with the legislative branch of government directly, but instead encouraging the executive to consult with parliament on its policies. In order for this process to be truly useful, analytical work should be completed well in advance of critical decisions in order to be fully digested by relevant officials.

It was also noted that AAA work conducted by the World Bank is highly valued by the government and is quoted in various GoV documents to a greater extent than elsewhere in the world. Other donors had to follow this example and strengthen their own efforts with analytical work. In some areas, there is not enough analysis on the table to support policy decisions and choices and donor should play a key role in this.

### **Harmonization**

The results agenda featured prominently in this part of the discussion. One donor questioned the process leading from actions and outcome indicators to an overall strategic framework. What was the final intention of the PRSC and the Vietnam Development Report (VDR)? The donor viewed it as an integrated part of the common assessment in order to have conditionality, but remarked that the existing matrix does not give an instrument of regular progress review.

While ownership and the monitoring framework in the VDR had clear targets there was concern that the tool is underutilized and not sufficiently integrated in common performance assessment framework. The outcome indicator framework remains outside tools for decision making in the World Bank. The seeming solution for this would be to go for a harmonized solution where each donor would have key targets.

Another participant felt it was important to have a sector monitoring tool to complement the existing framework. It would have to be elaborated in close cooperation with GoV, and it was understood that it would not be to go into great depth in all the sectors. It was not felt that the restricted number of actions provided an adequate picture of progress in the sector as a whole. A solution might be to take select actions and examine their impact on the specific sectors, which would provide a better set of data with which to base decisions on further sector development. A partner emphasized the need for improved interaction between thematic working groups under PRSC and government led sector partnership groups. The partner also called for an agreed accountability framework to measure progress under PRSC. Articulating Terms of Reference for the various thematic working groups would be a first step in this direction. While it might at first glance seem like this would increase the transaction cost, this would not be the case as the working groups would have a clear understanding of their precise roles from the beginning. The ToR did not have to be elaborate, but could be simple one page documents setting out the rules of the game.

Another partner suggested that with the SEDP as the common platform for GoV and donors, and country strategies aligned accordingly, partners had to resist the temptation to create additional monitoring systems outside GoV own systems. A strong feature of SEDP is that it has become a results based document with results indicators. By calling for separate monitoring tools or additional data, there was a risk that it would detract from fully supporting the SEDP monitoring

tool. As such, the partner disagreed with some of the previous comments. A monitoring tool with too many indicators risked making it difficult for policy makers to come up with their assessment. Focus should instead be on taking the best out of existing GoV policies such as the SEDP, and more could still be done in this area. GoV has now elaborated a results based SEDP and the PRSC has achieved a great deal so far. The key is how to use the tool to push harmonization forward to further reduce transaction cost.

The discussion was closed with one donor acknowledging the effort made by the World Bank in strengthening harmonization. As such, the discussion was not about improving a system that was not working, but about making an already good process even better.

### **Customization**

The chair opened this part of the discussion by questioning whether policy actions really match the requirements of the Government, prompting one donor to point out an inherent contradiction in the question. The Mokoro report underscored that there were areas where the PRSC has not been effective, but attributed this to the lack of emphasis by the Government in these particular areas. Pushing ahead in these areas would therefore have compromised ownership.

A different donor pointed out that the selection of PRSC policy actions is about the art of the possible. In areas like SOE reform, there has been shift over time from PRSC 1 and 2 where donors initially observed the imposition of actions that were high on the global World Bank agenda to a focus on what was possible in a Vietnamese context. The process had been characterized by step by step approach with less pressure on doing things quickly, and an adaptation to the pace of reform that recognized Vietnamese ownership to pace. This provided a good illustration of customization in Vietnam.

There was also brief discussion on whether the PRSC is the best instrument to get leverage to achieve the desired results or if sector support would be better.

The discussion on customization was closed by participant noting that in evaluating the principle of customization, the operations of the World Bank in Vietnam were exemplary. The 2007 provided good basis for choosing which actions will be the basis for the future and we will continue going back to the VDR for the next five years.

### **Criticality**

The discussion was opened with a participant noting that results in particular in the second pillar (social issues) of the SEDP have to be monitored carefully. These were closely connected to the MDGs and while there has been good progress, much work remained. Part of the population, like ethnic minorities, is still not participating in the country's success story. The future social divide is one of the big threats to the country, and it is not entirely certain that this sector is slated to receive the necessary support over time.

Another participant emphasized that at the policy matrix level, criticality makes little difference. Triggers have already been completed by the time a PRSC goes to the Board, and this is when it leads to the decision and determines how much you might give for next operation. The role of the technical working groups was also the subject of discussion. Since the role of the working groups is to feed input into the PRSC negotiations with GoV, it would be important to try to agree to mobilize input prior to the November meeting. This was an area that could be improved.

The past VDR discussions were structured around 15 policy areas. Often, discussion would center on the selection of an action where the GoV would simply pass a specific law, but inadequate attention was paid to the content and quality of the specific law. This remained an important discussion for the various technical working groups, and in this sense they can contribute to upping the bar and ensuring quality.

One donor reminded the group that in the context of criticality, it is important to clarify whether it refers to single tranche operations. Ultimately, it comes back to how many triggers can be set in preparation for the next round of the exercise. The donors also cautioned that the PRSC process has been widening and it is therefore natural for triggers to spread wider. In this context, criticality becomes even more important. There has to be balance.

### **Transparency and predictability**

Predictability was an area where there was still room for improvement. One participant noted that multi annual planning and forecasting remains important as is connecting conditionality and fixed tranche transfers.

Another participant seconded the EC statement by saying that while predictability had been good but could be better around role of thematic WG by making them more forward looking. Thus far, they have been backward looking but should also look forward and articulate triggers for future cycles.

### Participants in the donor conditionality consultations

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1	Ms. Le Kim Dung, Advocacy Coordinator	Oxfam GB
2	Mr. Nguyen Danh Hao, Senior Operations Officer	IMF
3	Mr. Kerry Groves, Counsellor	Australian Agency for International Development
4	Ms. Susan McKeag, First Secretary	Australian Agency for International Development
5	Ms. Nguyen Mai Chi, Program Manager, Governance	Australian Agency for International Development
6	Ms. Duong Hong Loan, PFM Specialist	Australian Agency for International Development
7	Mr. John Egan, Manager	New Zealand Aid
8	Ms. Snoefrid Byrloekken Emterud, First Secretary	Embassy of Norway
9	Mr. Keith Mackiggan	DFID
10	Ms. Tove Degnboel, Charges d'affaires	Embassy of Denmark
11	Ms. Ngo Kieu Anh	Embassy of Denmark
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13	Mr. Carlos Dominguez Aguilero, Deputy Head, Economic and Commercial office	Embassy of Spain
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15	Ms. Sandra Belder	Embassy of the Netherlands
16	Ms. Lynne Racine, Development Counsellor	Embassy of Canada
17	Ms. Jackie De Lima Baril	Embassy of Canada
18	Mr. Patrick De Bouck, Head of Cooperation	Embassy of Belgium
19	Mr. Willy Vandenberghe, Head of International Cooperation	European Community
20	Mr. Leo Faber, Charges d'affaires	Embassy of Grand-Duchy of Luxembourg
21	Mr. Ayumi Konishi, Country Director	Asian Development Bank