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SUPPORT

PROGRAMME PLANNING

COUNTRY, INTERCOUNTRY AND GLOBAL PROGRAMMES

Reports on mid-term reviews of country, intercountry and
global programmes

Mid-term review of the third country programme for Viet Nam

Report of the Administrator

REPORT ON THE MID-TERM REVIEW OF THE THIRD COUNTRY
PROGRAMME FOR VIET NAM

INTRODUCTION

1. In accordance with standing instructions and in particular in compliance with Governing Council decision 88/17 of 1 July 1988 a mid-term review of the third country programme for Viet Nam was held during the week from 13 to 17 November 1989.
2. As over half of the overall technical co-operation provided to Viet Nam comes from United Nations agencies, of which the United Nations Development Programme (UNDP) is the lead agency providing multi-sectoral co-operation, agreement was reached among all parties concerned whereby the programmes of three other major agencies, the United Nations Children's Fund (UNICEF), the World Food Programme (WFP) and the United Nations Population Fund (UNFPA), were also reviewed during the same week as the UNDP programme. The important advantage of this approach was that it provided a better understanding of the concerns addressed through the programmes assisted by various United Nations agencies and, by observing their complementarity, to bring about improved co-ordination at the Government level. This also proved to be very convenient from the Government's point of view and saved considerable time and resources.

3. The review was conducted in three stages. First, the status of individual projects was discussed between the Government and its implementing agencies; second, the project issues identified during these discussions were reviewed between the Government and concerned United Nations agencies, based on the background papers prepared by respective agencies; and finally, a formal mid-term review meeting was organized, where the programme of each agency was discussed separately, followed by a round-up meeting to discuss and adopt the conclusions and recommendations. The final mid-term-review meeting was attended by high-level representatives of the Government, including the Prime Minister, its implementing agencies, United Nations agency field offices and representatives from the Food and Agriculture Organization of the United Nations (FAO), the United Nations Industrial Development Organization (UNIDO), the Department of Technical Co-operation for Development (DTCD), the International Civil Aviation Organization (ICAO) and the International Labour Organisation (ILO). Resident missions of major bilateral donors were also invited to attend the meeting as observers. UNDP headquarters participated in the mid-term review process by detailing a Principal Officer for about a month to help prepare the background paper in close consultation with the Government and the field offices of United Nations agencies.

4. The State Committee for Science and Technology was appointed to represent the Government at the reviews of the status of individual projects with the Government implementing agencies, the consultations with UNDP and other agencies, and to co-chair with UNDP the final mid-term review meeting. The Ministry of Foreign Affairs and the Office of the Council of Ministers were also actively involved in discussions of substantive issues and logistic arrangements for the mid-term review. The summary report that follows presents in brief the findings and decisions of the mid-term review.

I. FINANCIAL DATA

5. The third country programme for Viet Nam, covering the period 1987-1991, largely coincides with the Government's development plan for 1986-1990, as was the case for the first and second programmes. The indicative planning figure (IPF) allocation for the programme cycle was envisaged to be \$70.733 million and the carry-over from the preceding cycle was estimated at \$12.760 million. Thus, the total IPF resources available for the period were estimated at \$83.490 million. No other substantial resources were foreseen at that point in time. The project proposals included in the programme added up to \$77.96 million, of which ongoing projects would absorb \$19.86 million and new projects \$58.10 million; an unprogrammed reserve of \$5.53 million was maintained to allow for changes in economic policies and circumstances.

6. At the start of the third country programme the actual IPF carry-over from the the second country programme was \$23.737 million. The IPF allocation for the third country programme was subsequently supplemented by an additional amount of \$9.625 million. The total IPF resources for the third country programme were therefore increased to \$104.10 million, or \$20.60 million more than originally foreseen. In addition, another \$0.204 million from third-party cost-sharing and \$1.358 million from Special Programme Resources (SPR) were made available. The

annex reflects the status of the financial resources of the third country programme at the mid-term review.

7. IPF expenditures for 1987 and 1988 were respectively \$16.046 million and \$20.241 million. The expenditure for 1989 was estimated at \$22.802 million which would bring the total expenditures for the first three years of the third country programme to \$59.089 million. The unexpended balance of IPF funds committed to projects totals \$45.00 million for the remaining two years of the present programme cycle. The expenditure targets for 1990 and 1991 are respectively \$25 million and \$20.81 million, which will thus ensure a 100 per cent delivery of the third country programme IPF.

II. PROGRAMME AND PROJECT DATA

8. The final draft of the third country programme document was completed in December 1985 and approved by the Governing Council in June 1986. Since then a great number of policy changes have been adopted by the Government in an attempt to improve the economic situation of the country.

9. The Sixth Party Congress, held in December 1986 adopted a resolution to accelerate the economic reforms which had started as early as 1979. This process was further intensified in 1988 and 1989. To be highlighted among these reforms since 1988 were the abolition of practically all subsidies: the successive and rapid devaluation of the national currency (the dong), which raised the official exchange rate almost to the free market rate; the freezing of public sector salaries; the establishment of a tight monetary policy; the denial of automatic access of Government funds for state enterprises; the encouragement of foreign investment; and the promotion of the private sector. In short, the Government was bringing about radical changes in the country by adjusting a centrally controlled economy to take account of market forces. These policy changes have generally had positive effects on the national economy which include, *inter alia*, a notable reduction of the hyper-inflation of previous years and the stabilization of the dong against the dollar. These measures were expected to increase both capital and commercial hard currency inflows for investment. One of the negative effects, however, is resultant serious unemployment.

10. The third country programme has responded to these changes appropriately and with agility. Although the basic tenets and themes of the country programme continue to remain valid even in the changed context of economic reforms, the unprogrammed reserves have been utilized to help and reinforce the preparedness and ability of the country to utilize competently the opportunities offered by the inflows of hard currency. In this sense, the initiatives launched and those that continue to be undertaken have a forward catalytic thrust.

11. To be highlighted among the newly approved projects in this context were three sectoral review projects: the agricultural sector review; the forestry sector review; and the tourism master plan. Through the provision and marshalling of hard data and analysis, these reviews set the stage for rapid additional investment. Also to be mentioned are a project for a system of national accounts and one for

the use of the modality of transfer of knowledge through Expatriate Nationals (TOKTEN). Of the preparatory assistance projects, note should be taken of the Civil Aviation Master Plan and the Establishment of a Project Evaluation Unit. The hard pipeline projects included the Mekong Master Plan and the Transport Sector Review, while the soft pipeline projects included the Red River Delta Master Plan and the Sector Review of Trade Policies, Institutions and Export Promotion. More such initiatives were also being discussed and are since being developed.

12. Funds outside IPF resources were also mobilized to support initiatives in the context of the changing economic scene. Most notable among these were: a macro-economic study on the economy of Viet Nam, which presented updated, comprehensive and professional background papers to potential bilateral and multilateral partners and also served as a background document for a possible round-table meeting of donors to be organized when the overall climate is appropriate; and a project for strengthening economic management under the Management Development Programme.

13. A number of other projects which were funded from non-IPF resources and monitored by UNDP, with an estimated delivery of \$8.1 million for the period 1987-1991, have also been added to the third country programme. Three of these were financed by trust funds from bilateral donors (Australia, Finland and Sweden) and the others by assistance programme of United Nations agencies.

14. Advantage of the mid-term review was also taken to review briefly the sectoral allocation of the IPF resources in the first, second and third country programmes. It was noted that the allocation for all sectors increased in absolute terms from the first country programme to the third. The increase was more marked for the industrial sector.

15. In response to evolving needs and priorities, changes also took place in the allocation of resources by sector in the third country programme between its approval and the mid-term review. The resources for general development issues, natural resources and transport and communication increased, while those for human settlements and science and technology decreased. The changes in the allocation of resources to the major sectors, agriculture and industry, as well as to other sectors were minor.

16. The attachments to the third country programme document indicated a list of 68 project proposals, which were in nature very broad ideas, with a total estimated outlay of \$58 million, and another 66 approved projects carried over from the previous cycle. At the time of the mid-term review, 40 of these projects had been approved for a total budget of \$40.326 million and preparatory assistance approved for another 10 projects with a total commitment of \$0.815 million and a total estimated budget of \$8.145 million. Two project proposals were kept in the hard pipeline with a total outlay of \$2.083 million, one proposal in the soft pipeline with an outlay of \$2.193 million, while the remaining 15 have been deleted and replaced by new project proposals.

17. The mid-term review showed that 83 new project proposals had been initiated for inclusion in the third country programme. The status of these was as follows:

22 projects had been approved with a total budget of \$15.312 million and preparatory assistance had been approved for another 19 projects with a total commitment of \$1.132 million and a total estimated budget of \$12.681 million. Eighteen project proposals were in the hard pipeline with a total outlay of \$16.021 million; the remaining 24 project proposals were in the soft pipeline with a total outlay of \$15.762 million.

18. It can be observed from paragraphs 16 and 17 above, that at its start the third country programme had 134 projects. By the time of the mid-term review, this number had increased to 202 projects (157 approved and forty-five pipeline) with a total approved budget of \$104.245 million for 1987-1991, and a total estimated budget of \$160.644 million, excluding the amount spent before 1987 on projects carried out from the second country programme. The total commitment of funds for the period 1987-1991 was \$104.29 million, with anticipated commitments i.e., hard pipeline, of \$15.36 million, making a total of \$119.65 million. There were no uncommitted funds in the third country programme, in fact, if other project proposals in the soft pipeline and possible upward revisions for current projects are taken into account, including regular project budgets following the preparatory assistance stage, there would be over-programming, which would result in more than full delivery of resources. Many of the 66 projects carried over from the second country programme had been completed or were likely to be completed before the end of the present cycle. However, about 6 of them may be carried over to the next cycle.

III. PROGRAMME ANALYSIS

A. Country programme implementation

19. The emphasis of the third country programme is on institution-building with the aim of making the country increasingly self-reliant in designing and executing more and more complex development tasks; applying science and technology to all sectors of the national economy; and developing human resources. The third country programme focuses on five major areas: increasing food production; meeting other basic needs such as clothing, medicine, housing and urban-waste disposal services; assessing and exploring natural resources; improving the efficiency of industrial and other investments; and developing foreign trade. These were in line with the national development strategy outlined in the country's development plans for 1986-1990. The major areas for national endeavour subsequently determined by the Sixth Party Congress in December 1986 concentrated attention on food production, consumer goods and exports, which reinforced the focus of the third country programme. In this context and taking into consideration the restricted access of the country to hard currency resources, third country programme resources were prioritized for use on the improved utilization of existing investments and the transfer of technology to prepare the way for future investments.

20. The third country programme has, in general, followed its planned focus. As already noted, it has also responded appropriately and flexibly to new economic development policies ushered since 1988. There have been no deviations from the country programme, as originally planned, the goals and targets of which have remained valid and relevant. Rather, there had been additions to it in terms of a

stronger emphasis on macro-economic policy analysis and on the promotion of investment, as highlighted in paragraphs 10-12.

21. The need to use scarce resources for priority areas has also meant that a large number of projects address different needs although they do conform to the themes of the country programme. Thus, at the time of the mid-term review, there were 157 projects on the books and 45 more were under different stages of consideration. It was confirmed that all the projects, both approved and under consideration, were in accordance with the Government's goals and the objectives of the third country programme. The situation relating to allocation by those objectives of the third country programme is summarized below.

<u>Objectives</u>	<u>Planned in the third country programme (%)</u>	<u>Present status (%)</u>
Increase food production	24	30
Meet other basic needs	13	10
Assess and explore natural resources	30	23
Improve efficiency of industrial and other investments	23	33
Develop foreign trade	3	3
Other	7 a/	1
<u>Total</u>	<u>100</u>	<u>100</u>

a/ Denotes unprogrammed reserve.

22. The third country programme has not allocated all its IPF, but has rather maintained an unprogrammed reserve to have the necessary flexibility for new projects. Also, through supplementary allocations, the IPF was increased by \$9.625 million. As noted earlier, advantage was taken of this reserve to respond to emerging needs and focus attention on future developments.

23. The review meetings did not identify any critical problems experienced in the implementation of the third country programme, notwithstanding some earlier delays.

B. The country programme as a frame of reference

24. The third country programme has indeed effectively functioned as the main framework for technical co-operation programmes of all United Nations agencies, although several of these agencies also have their own programmes. All the agencies were closely involved in preparation of the third country programme and actively participated in the mid-term review exercise. The central role of the third country programme was also confirmed by the joint review of the programmes of assistance from other United Nations agencies held at the same time as the mid-term review. Given not only its size (being the fifth largest UNDP programme in the world) but also its relatively significant role in the context of scarce hard currency resources of Viet Nam, the country programme also plays a leading role among technical co-operation programmes and in facilitating other investments. In addition, it works in close collaboration with the limited programmes of bilateral assistance. It is to be noted that the amount of external assistance to Viet Nam in 1988 was estimated at only \$150 million (excluding that from the Soviet Union and other socialist countries for which full data are not available, except from the German Democratic Republic), of which the United Nations system provided \$67 million, with UNDP providing about \$21 million.

C. The continued relevance of the country programme

25. The objectives of the third country programme (see para. 19) have remained relevant to the Government's current priorities and have been closely followed during programme implementation. All the projects approved under the country programme and those under consideration are in accordance with the Government's development goals and the objectives of the third country programme which have been reinforced by the recent economic changes.

26. It was noted, however, that the main shortcoming of the programme was the lack of a mechanism for the transfer of research results to production. In this context, it was noted that more attention should be given to the restructuring and rehabilitation of industry as well as to quality control and management. Also, the programme should allocate more funds to both control of post-harvest losses and rural development.

27. Since the third country programme has been implemented according to the overall design and in agreement with the objectives of the Government and since the mid-term review process itself provided an opportunity for a close appraisal of the country programme, it was decided that an evaluation of the programme was not required.

D. Recommendations of the mid-term review

28. It was agreed that in general the programme was progressing on schedule and that the objectives were relevant. It has also responded flexibly to new development policies. The issues raised and recommendations made in the mid-term review refer, therefore, not to radical changes in the country programme, but to

the need to eliminate the existing bottlenecks in the formulation, approval and implementation process and to improve performance by all parties. The following recommendations should be highlighted:

(a) The project appraisal and approval process should be shortened by undertaking as many steps as possible on a parallel basis, including the strengthening of backstopping and technical staff at headquarters. A time-limit was suggested to be established on the technical clearance of the project document by the agency, endorsement by the Government, and approval or non-approval by UNDP headquarters;

(b) Project formulation should be further improved by building up rosters of agency experts especially trained for this purpose or by assigning qualified staff to draft project documents. Field project appraisal should ideally be held with the project formulator prior to his/her departure from the field;

(c) A project steering committee should be established upon signature of the project document to take early action before the arrival of the chief technical adviser and between the intervals of his/her split assignment. More than one candidate should be provided by the agency for each post to facilitate the selection by the Government;

(d) Agency backstopping should be improved through, *inter alia*, regular visits to Viet Nam by the respective area officer. International expertise should be supplemented by United Nations volunteers and free lance experts through TOKTEN and short-term advisory services (STAS);

(e) Co-ordination between all parties concerned and within the Government at different stages of project formulation and execution should be improved. Communications between the field office and headquarters should be improved through the establishment of a satellite link;

(f) Tripartite reviews should be empowered to decide upon budget increases of between 15 per cent to 20 per cent of the total project budget without reference to the Government, especially in cases where cost overruns were involved;

(g) In order to improve the training component, care should be taken to ensure that trainees are properly selected, that their reports are handed in promptly and technically evaluated. Alternative country itineraries should also be established well in advance in order to avoid delays in overseas training;

(h) An important policy issue addressed by the mid-term review related to whether the 50 per cent limit established by UNDP headquarters on the equipment component should refer to the overall programme and not to each individual project. It was therefore proposed that UNDP should be more flexible on future projects in allocating funds for equipment;

(i) Among the measures suggested to enable the Government to execute projects successfully, the need to train personnel on the rules and regulations of UNDP and agencies was emphasized.

E. Programme adjustments in response to changes
in the political and economic environment

29. Although programme implementation was well on track, several adjustments were proposed in response to the changes in the political and/or economic environment of the country. A process of careful scrutiny of all pipeline project proposals was initiated to further sharpen the focus of the programme.

1. Overall programme

30. During the remainder of the third country programme and during the fourth country programme, a stronger emphasis on rapid agricultural production is essential, leading to a position of agricultural surplus, rather than just food self-sufficiency.

2. Training

31. The training of project administrators, recently initiated by UNDP, was considered most important, particularly as the modality of part-time chief technical advisers and short-term consultants was increasingly utilized. The training of national project directors was also required.

3. Follow-up investment

32. The Government very much favoured follow-up investment, especially on projects which have pilot plants. It is in this context that bilateral assistance should be tied in to these projects and the consideration of donor countries for this purpose would be much welcomed.

4. Environment

33. Co-ordination between the agencies involved should be strengthened. The forthcoming seminar on environment and sustainable development, to be jointly funded by UNDP, the Swedish International Development Agency (SIDA) and the United Nations Environment Programme (UNEP) was considered important.

5. Non-governmental organizations

34. The Government very much welcomed the contribution of the NGOs and the work of UNDP in promoting this in Viet Nam. In 1988, international NGOs provided \$13.2 million dollars worth of assistance to the country.

6. Sector reviews

35. Many ministries and Government institutions benefit from sector reviews, particularly the State Planning Committee. Therefore, it was recommended that these sector reviews be executed with less delay than is currently the case.

7. Evaluation missions

36. Recommendations of evaluation missions on individual projects should be studied with care by all parties concerned, in order to decide on the adoption of their recommendations.

8. Twinning arrangements

37. Twinning arrangements would be welcome where required, since this would improve the sustainability of projects.

IV. CONSISTENCY OF THE THIRD COUNTRY PROGRAMME WITH THE STRUCTURAL ADJUSTMENT PROGRAMMES

38. Viet Nam has no ongoing structural adjustment programmes directly advised and monitored by the international financial institutions but, as already stated, has launched upon a series of major economic reforms. It does wish to enhance its relations with the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (AsDB), but these have until now been limited to visits of staff from these institutions. Although these missions have provided important advice, no funds are forthcoming, in spite of the fact that the country has urgent needs for financial resources and that its ongoing financial policies are directed at adjusting its economy. Within this context, the recent collaboration of the World Bank through the provision of consultants on various UNDP-sponsored missions and the possibility of a future role as an executing agency is welcomed by the Government. Equally, it was highlighted in the mid-term review that the involvement of the World Bank and AsDB could lead to substantial follow-up investment in the future.

39. The latest response of the UNDP programme, especially in the conduct of a macro-economic study which could lead to a round-table meeting of donors, the new focus on follow-up investment promoted under UNDP-funded projects, and the forthcoming mission from the FAO Investment Centre as well as inputs from UNCDF and investment promotion services of UNIDO, were expected to support the United Nations Capital Government in finding solutions to the current problems of Viet Nam.

V. PROPOSED ADJUSTMENTS IN THE FOURTH COUNTRY PROGRAMME

40. The occasion of the mid-term review, occurring when the preparatory work for the fourth country programme is to start, was also used to look into the future needs. In order to improve the usefulness and effectiveness of UNDP technical co-operation, several issues were proposed for consideration in the preparation of the fourth country programme. These were:

(a) Themes which should receive more attention include: economic management; traditional technical co-operation focused on technology transfer, food production, improved quality of industrial and agro-industrial products, export promotion, science and technology; attraction of concessional and commercial external finance through master plans, sectoral reviews and pre-investment studies; extension services; investment follow-up;

(b) The importance and necessity of pilot plants and pilot projects for Viet Nam was emphasized in the context of effective technology transfer;

(c) It was suggested that additional funds available for human resource development should be matched by measures to promote employment, income, social security and appropriate labour laws and policies;

(d) The issue of scattered resources was raised. Some projects had responded to specific, narrow needs leading to a scattered use of resources. It was noted that the United Nations system should help in co-ordinating reviews of broad fields of interest, and design-integrated efficient programmes to be co-ordinated closely with other external aid sources;

(e) To expedite programme delivery, the UNDP Resident Representative should have the authority to approve projects of up to \$1 million with an equipment component of up to 50 per cent of the total project budget;

(f) Each project should be allocated 5 per cent of its total budget for spare parts to improve its sustainability. These funds should be used ideally within the lifetime of the project, but there should be flexibility so that they can also be used after project termination.

VI. OVERALL CONCLUSION

41. The mid-term review of the third country programme was held at just past the mid-point of its duration. It was used both to review the past and prepare for the future. It evoked and enlisted high-level participation from different government agencies and representatives of United Nations agencies both from headquarters and the field. Other bilateral donor representatives also attended and found the sessions useful.

42. The mid-term review concluded that although there have been many sweeping economic changes in the country since the country programme was approved in 1986, its basic objectives remained valid. It was also noted that the available funds in

the country programme and other sources in UNDP have been used to respond to macro-economic changes and to facilitate the absorption of future increased external assistance from Official Development Assistance (ODA) and commercial sources. The process set in motion by the high-level and in-depth scrutiny of the country programme at the mid-term review will strengthen the programmes in the future.

Annex

FINANCIAL SUMMARY

I. RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING					
				\$	\$
A. IPF resources taken into account for programming at time of approval of country programme					83 493 000
B. IPF resources taken into account for programming at time of mid-term review					104 095 000
<u>Other resources</u>					
PDF allocations				141 831	
Programme cost-sharing				-	
Government project cost-sharing				-	
Third-party cost-sharing				204 720	
Other sources				<u>1 357 595</u>	
C. Net change in IPF resources (B-A)					<u>20 602 000</u>
II. USES OF IPF RESOURCES FOR 1987-1991					
	Start of country programme		Mid-term review		
	No.	\$	No.	\$	\$
Approved projects	66	48 110 938	157 <u>a/</u>		104 245 242
Exp. against appr. projects				59 089 739	
Unexpended balance of funds committed to projects				<u>45 155 503</u>	
Unprogrammed reserve		35 382 062			(15 509 662)
TOTAL OF ALL PROJECT PROPOSALS, INCLUDING PIPELINE					119 604 662

a/ Of which, 41 projects (\$15,977,073) not originally in country programme.

