

National Implementing Partner: Ministry of Finance

Project Owner: Ministry of Finance

**IMPACT ASSESSMENT REPORT ON PROJECT “SUPPORT
FOR PUBLIC FINANCIAL POLICY ANALYSIS - 00061137”
OUTCOMES ON THE POLICY ANALYSIS AND
FORMULATION OF THE MOF
REPORT PERIOD: 4/2008-12/2011**

Ha Noi, December 2011

1. The Project's objectives:

The Ministry of Finance (MOF) established the Policy Advisory Group (PAG) to provide high-quality and independent policy advice directly to the Minister of Finance and other senior leaders of the ministry. The PAG is responsible for establishing the basic infrastructure for policy analysis within the ministry, and to develop policy analysis and capacity within other departments and affiliated agencies of MOF.

The project "Support for public financial policy analysis - 00061137" of the Government of Vietnam, funded by the United Nations Development Program and implemented by the Ministry of Finance of Vietnam will support the implementation of the PAG work plan as approved by the Minister of Finance, focusing on priority areas outlined in the Socio-Economic Development Plan 2006-2010. The *main components* of the project are:

- Support to the PAG in its efforts to provide timely policy advice and recommendations on urgent policy issues to the Minister and other senior leaders of MOF;
- Support to PAG studies of major strategic policy topics relating to the public finance system;
- Support for public policy round table discussions to improve transparency and public participation;
- Support for training courses for MOF policy makers and policy makers from other relevant government agencies. The project will also support public awareness activities and stakeholder consultations to ensure that policies are responsive to the public and consistent across Government agencies.

2. The Project's outputs Impact assessment

The Project, through the PAG's operation, has implemented many activities, which are focusing on 04 major topics: (1) Frequent and timely consultancy to the Leaders of the Ministry of Finance; (2) Research on major policy topics; (3) Promotion of the effectiveness, transparency and accountability in the formulation and implementation of MOF's policies and decisions, and (4) the establishment of a network of experts, set-up analyzing and forecasting models and capacity building for policy analysis for the MOF.

The first activity, frequent consultancy made by the PAG were highly appreciated by the MOF and UNDP. All research reports and policy papers on prioritized topics within the scope of the Project Workplan were reported to the MOF leaders and delivered to related agencies on timely basis and have contributed greatly to the analysis and formulation of MOF policies. As a result,

the MOF's strategic planning and financial policy analysis were greatly promoted with lots of objective and independent views. The Project has played an important role to promote the role of public financial system in the economy and to ensure the social fairness.

Specific assessment for each output:

2.1 To support the PAG and independent consultants in performing many research activities to contribute into the MOF policy formulation process.

Frequent and timely consultancy activities:

- The PAG frequently attends meetings with the MOF leaders (weekly and monthly) and received direct order from the MOF leaders to carry out research and prepare reports on new and changing policy issues, which depends on the changing socio-economic conditions.

- The PAG actively monitors, analyzes, consolidates and reports to the Leaders of the MOF on current important policy issues, which have great impacts on public financial system.

- The Project and the PAG organizes in-depth research on recently occurred issues, including: global economic and financial recession in 2008 – 2009 and its impacts to the economy of Vietnam; The progress of the reform and the reorganization of State owned enterprises; assessments on the policies towards foreign invested enterprises; assessments on financial policies to ensure social security; research on the relationship between the collaboration of public fiscal and monetary policies and inflation and growth of the economy, etc.

- Many workshops and seminars were organized to facilitate policy dialogues between the PAG, the policy makers from the MOF and independent experts.

Research on major policy topics:

On the annual workplan approved by the MOF and UNDP, the Project and the PAG cooperate with related agencies and individuals to implement many major policy topics, focusing on diversified subjects, such as: (i) Macro impacts of the reform of public finance in Vietnam, (ii) The reform of state budget revenue collection, (iii) The reform of financial policy and mechanism of State owned enterprises sector, (iv) The financial reform of social security system, etc... Based on the outputs of such activities, the Project and the PAG report to the Leaders of the MOF on the directives and solutions to overallly reform public financial system.

The Project has implemented all assigned activities in the Project's workplan, as the following:

+ *Macro economic, finance and forecasting:* The PAG prepares monthly report on macro economic condition and forecasting. In addition, there are many in-depth research on the impacts of macro economic and financial policies, foreign exchange regimes...; research and establishment of state revenue collection mechanism; the PAG has collaborated with the Institute of Finance to organize many seminars and workshops to discuss important strategic policies, such as policies on restructuring the national economic structure, infrastructural development, etc. The results and outputs are reported to the Leaders of the MOF on timely basis.

In 2011, the PAG in coordination with the Institute of Strategic and Policies for Finance, Vietnam to carry on the research on "Master strategic financial roadmap of Vietnam during 2011-2020". The PAG and the Institute of Finance are assigned by the MOF to design the framework for the strategic financial policies and holds responsibility to be the leaders of the research to consolidate all comments and recommendations from other related agencies on the strategic master plan. The Project also supports the Institute to organize series of workshops and seminars to discuss and promote policy dialogues.

+ *The reform of taxation system:*

The PAG has taken part in the formulation process of the strategic taxation reform which will be implemented in the upcoming period of time. Series of research on Property and Land taxation policies, non-agricultural usage taxation policies have been carried out. In addition, many research on the impacts of personal income tax has contributed to the formulation and completion of new Personal income tax Law.

+ In addition, research on the assessment of the implementation of Value-added taxation policies, Importing and Exporting tax during 2001 – 2010. The PAG has supported the Taxation Department of the MOF during the process of amending current regulations and legal documents and preparing new related laws and regulations.

+ *Social security financial reform:*

The PAG in collaboration with international consultants and other related agencies within and out of the MOF to organize research, workshops, seminars and study visit on the topics of "Health insurance system reform in Vietnam", to assess many aspects of financial policies towards social security such as financial allocation to ensure social security during 2008 – 2010 and up to 2015 in accordance to the master strategic plan on social security assigned by the

Government. In addition, another topic is the assessment of social insurance fund and the proposed proposal to reallocate funds from state budget to social insurance fund.

Regarding the issues of national reserves from the social security perspective, The Project supported the General Department of National Reserves to carry out research on the effectiveness of current rescue mechanism from natural disasters and technical study on the modernization of food storage system of Vietnam.

These research and studies are the basis and providing inputs for the formulation of policies on social security, such as: amendment of related guidelines and regulations in Social security law, Health Insurance law, Decision 49/QD-Ttg on the construction of national reserve storage system. These outputs will also contribute into policies adjustment in the next period of time.

+ *Topic on the framework of the collaboration between fiscal and monetary policies for inflation management and macro-economic stabilization:*

The PAG has prepared many reports for the Leaders of the MOF on the issues of macro-economics, fiscal and monetary policies. These reports are contributing into the establishment of the MOF plan to implement Decision 11/CP on macro-economic stabilization in 2011.

+ *Topic on the equalization process of State owned enterprises:*

During 2009 – 2011, the PAG has carried out a series of research and studies on the reform of state own enterprises (SOEs) regarding the aspects on financial mechanism and management policies of SOEs. Wide range of topics includes: Assessment on state management policies on SOEs before and after equalization; mechanism and policies on the reallocation and renewal of state management model towards SOEs; assessment on the operational and managerial model of Debt and Assets Trading Corporation (DATC) and State Capital Investment Corporation (SCIC). These studies have effectively contributed into the MOF's policies adjustment and formulation. Outputs from these studies, through many workshops, seminars, local field trips and reports are used in the amendment of many policies which are related to the equalization of the SOEs, such as: Decree 59/2001/ND-CP on the equalization of 100% state owned enterprises, Proposal on reform of structural model of SCIC, Renewal of DATC's operational charter, etc.

+ *Financial policies on specific objects:*

The PAG has collaborated with many independent consultants and other related government agencies to carry out in-depth policy research which focus

on some specific subjects, such as: Assessment on financial policies and mechanism of Special economic zones in Vietnam; Assessment on financial policies and mechanism for Vietnam corporations to invest abroad; Assessment on financial management policies for FDI corporations.

+ *Topic on financial management policies for public agencies and the socialization process of education.*

The PAG in collaboration with independent consultants and various government agencies to carry out assessment on the issue of self-funding of state higher education entities (according to Decree 43/2006/ND-CP), local study visit on the topic of socialization on education (Decree 69/2009/ND-CP). These studies will provide inputs for the Leaders of the MOF when drafting new regulations and policies to perform the Decision 37 of the Central Party.

+ *Studies on financial market and insurance market:*

The Project's outputs have contributed greatly to the formulation of many new regulations and policies: Insurance Law, Agricultural insurance Law, Decree on micro insurance, Set of criteria for financial market supervision for insurance companies, Decree 01/2011/ND-CP on Government bond issuance and bond market development, Vietnam financial market development strategic roadmap to 2020, Circular 132/2010/TT-BTC on bond issuance, Circular 90/2011/TT-BTC on corporate bond issuance.

The Project has actually consulted with the Leaders of the MOF and various agencies within the MOF to assess the quality of Project outputs and to what extents these outputs have contributed into the formulation process of new policies. In fact, almost all the Project outputs have realized in actual amended or new public financial policies which were formulated and brought into effect during 2008-2011. These new policies, in turn, have strong impacts on the process of promoting public services of the Government.

2.2. Capacity building on policy analysis and research for MOF officials and staff

The Project has greatly contributed to capacity building on policy analysis and research for MOF staff and establish basic framework for policy analysis activity such as: database and analyzing and forecasting models.

Establishment of policy analyzing model and initiation of financial analysis and forecasting model for the MOF

The PAG has collaborated with local and international consultants to research and design policy analysis and forecasting models, including: Computable general equilibrium (CGE) model, Macro-econometric model;

Analysis and short-term forecasting based on economic cycle model, State budget revenue collection forecasting model. All of these models, including CGE, have been technically transferred to appropriate agencies within and out of the MOF to be used.

Capacity building for policy analysis for MOF staff

The Project and the PAG have organized training workshops and seminars to help build up capacity in policy analyzing and forecasting for the staff from the MOF and the Institute of Finance. These include training workshops on technical transfer of models to those agency. These activities' outputs have an important role to play in the development of a sophisticated analyzing and forecasting system for the MOF.

The Project has organized many training programs for policy-makers from agencies within and out of the MOF on the scope of macro-economic policies, fiscal and monetary policies, property tax reform and state budget classification, state budget management system reform, corporate financial management reform, financial policies for social security.

The Project has assisted MOF staff to attend many training programs locally and internationally, such as: training program on public financial policies in Japan, on taxation policies at Georgia University in the USA, on State budget management at Harvard Kennedy School in the USA. Furthermore, the Project supports the MOF to organize many training programs in Hanoi, on several topics like: human resource management, macro economics and forecasting, which contributed to the capacity building of MOF staff.

Support the MOF to organize local and international study visits:

The Project in collaboration with the PAG and other MOF's department organized many local field trips on Taxation policies, corporate financial management policies, insurance policies, financial policies for state agencies, health and social insurance policies and other social security policies. These local field trips provide MOF staffs with actual and practical experiences so that they could better understand the current effectiveness of the implementation of policies at municipal level. This activity plays an important role to help them design and issue more practical and appropriate policies.

In addition, the Project has supported the MOF to organize international study visits, such as: to Australia on national budget management, to Korea on financial policies to ensure social security, to Sweden and the UK on financial market management and supervision policies, to Japan on human resource management, to the United States of America on macro-economic policies

during the post-crisis period. These study visits were led by the Leaders of the MOF and highly appreciated by the MOF.

The Project has also worked with various agencies, to which the Project has provided supports during 2008 – now, to assess the effectiveness and impacts of the Project outputs toward the formulation of new policies of those agencies. The results are very positive:

- 100% departments and agencies agree that all training programs, workshops and study visits have greatly impacts on the capacity building in terms of policy planning for MOF staff. For example: the visit to Australia has helped the State Treasury greatly in designing and establishing the current state budget management model; the visit to Sweden and the UK has helped the Banking and Financial Institutions Department greatly in issuing new Decree on Government bond issuance and a series of related Circulars.
- Almost all departments have expressed and agreed that there is a need to organize workshops and seminars when drafting new policies or amending current regulations and legal documents.
- All departments highly appreciated the supports from the Project in organizing local field trips to municipalities, enterprises, public services providers and surveys to get comments from individuals and experts.

2.3 Other activities to promote the information disclosure and dialogues during the policy planning process

During 2008 – 2011, the Project in collaboration with the PAG and various MOF departments has held many seminars on focused topics: Macroeconomic stabilization policies and forecast, specific taxation policies, financial policies to ensure social security, corporate financial policies, financial policies for public service providers, capital market development policies and insurance market management policies, etc.

These workshops have provided opportunities for open discussion between the policy makers and wide range of market participants and other related entities and individuals, which in turn contributed to the promotion of information disclosure and attracted comments from diversified audiences. This is also a condition for the promotion of transparency and accountability of new policies.

2.4 Establishment of network of experts and consultants

The Project and the PAG has been establishing a diversified network of information, including local and international consultants, reputable research institutes and universities in the world (in the USA, Japan, Korea, Australia, China, etc.). This network will be a valuable channel for the MOF to further utilize in the future to foster information exchanges and experience sharing.

To establish an independent agency to provide policy research and consultancy

The Project activities in policy research and analysis are highly appreciated by the MOF. In 2011, the MOF has decided to establish the Institute of Strategy and Policy for Finance, which will act as an independent agency within the MOF, to provide the policy advisory services to the MOF and to carry out strategic policy research assigned by the MOF. The Institute could be seen as an institutionalized body of the Policy Advisory Group with broader scope of work and higher level of managerial structure. 02 members of the PAG were promoted to hold important positions at the Institute: 01 deputy director general and 01 director.