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**MEMORANDUM OF THE PRESIDENT
OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
THE INTERNATIONAL FINANCE CORPORATION
TO THE
EXECUTIVE DIRECTORS
ON A
COUNTRY ASSISTANCE STRATEGY
OF THE WORLD BANK GROUP
FOR THE SOCIALIST REPUBLIC OF
VIETNAM**

September 16, 2002

**Vietnam Country Management Unit
East Asia and the Pacific Region**

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
CAE	Country Assistance Evaluation
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
EFA	Education for All
GMS	Greater Mekong Sub-region
GSO	Government Statistics Office
HCMC	Ho Chi Minh City
HIPC	Highly-Indebted Poor Country
JBIC	Japan Bank for International Cooperation
JGDGF	Joint-Government Donor Gender Framework
LNA	Legal Needs Assessment
NCAFAW	National Commission for the Advancement of Women
MARD	Ministry of Agriculture and Rural Development
MDGs	Millennium Development Goals
MOLISA	Ministry of Labor, Invalids and Social Affairs
MPDF	Mekong Project Development Facility
MPI	Ministry of Planning and Investment
MTEF	Medium-term Expenditure Framework
M&E	Monitoring and Evaluation
ODA	Official Development Assistance
OED	Operations Evaluation Department
PAR	Public Administration Reform
PER	Public Expenditure Review
PHRD	Policy and Human Resource Development
PPA	Participatory Poverty Assessment
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSTF	Poverty Reduction Strategies Trust Fund
QAG	Quality Assurance Group
SEDS	Socio-Economic Development Strategy
SOE	State Owned Enterprise
SME	Small and Medium Enterprise
SWAp	Sector Wide Approach
VDIC	Vietnam Development Information Center
VLSS	Vietnam Living Standards Surveys
WBI	World Bank Institute

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VIETNAM: COUNTRY ASSISTANCE STRATEGY

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VIETNAM
COUNTRY ASSISTANCE STRATEGY

Executive Summary

- i. **Social, Economic and Political Context.** Vietnam's economy doubled in size during the 1990s, and the rate of poverty was halved from around 70 percent to 35 percent. Across a broad front there were widespread and visible improvements in the lives of Vietnamese citizens. The East Asian crisis threatened this progress towards the end of the decade, and exposed a number of serious structural weaknesses in the economy. The Authorities responded by carefully managing the macro-economy, and beginning a lengthy and deliberate process to design and build political consensus for a major structural reform program. While the impacts of the accelerated reform momentum are only beginning, signs are encouraging, especially in the private sector, where the number and employment of registered domestic enterprises has doubled since early 2000.
- ii. The period of the last CAS (FY99-02) has therefore been challenging but productive. Growth has been maintained at reasonable levels (among the highest in the region), and poverty has continued to decline, albeit at more modest rates, even during the crisis period. While implementation of the reform program is now well underway, it will take at least another three-to-five years of implementation before Vietnam's policy and institutional environment catches up with that of the highest-performing IDA countries.
- iii. The Ninth Party Congress, held in March 2001, endorsed a ten-year Socio-Economic Development Strategy for 2001-2010. This lays out a path of transition towards a "market economy with socialist orientation". It commits Vietnam to full openness to the global economy over the coming decade, and the creation of a level playing field between state and private sectors. It emphasizes that the transition should be "pro-poor", and notes that this will require heavier investment in rural and lagging regions, and a more gradual reform implementation than is often recommended by international advisors. It gives strong emphasis to poverty reduction and social equity, and to a more modern system of governance.
- iv. **Vietnam's CPRGS -- and World Bank Group Support.** The Government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS, as the PRSP in Vietnam is called), translates the vision laid out in Vietnam's Ten-Year Strategy into concrete public actions. It uses localized Millennium Development Goals to develop a system of indicators to monitor and evaluate progress in attaining its goals and targets. The CPRGS sets out three broad objectives, which in turn are the organizing principles of the CAS:
 - (i) High growth through a transition to a market economy;
 - (ii) An equitable, socially inclusive, and sustainable pattern of growth; and
 - (iii) Adoption of a modern public administration, legal and governance system.
- v. The Bank Group will bring to bear all of its instruments of assistance to support these themes, including analytical and advisory activities, IDA project support, IFC, Mekong Project

Development Facility (MPDF) and MIGA activities, a series of annual Poverty Reduction Support Credits (PRSCs), and partnerships and ODA coordination. In each of the areas in which the Bank Group plans support, agreements have been reached with Government and other donors to ensure that duplication is avoided, synergy maximized and selectivity maintained. It is expected that annual CPRGS monitoring reports would help guide discussions at Consultative Group meetings, and would also provide an essential input to CAS Progress reports to the Bank's Executive Board.

vi. **Support for Theme 1: Vietnam's transition to a market-economy.** Support for this theme will continue to be a central focus of the Bank Group's activities, with a shift in focus from "design" to "implementation" of the policy reform agenda. The planned work will focus on financial sector development; state enterprise reform; support for the emerging domestic private sector; corporate governance; and private participation in infrastructure. IFC, MPDF and MIGA will expand their work to improve the climate for foreign and domestic investment. Virtually all IDA credits will support policy, institutional and infrastructure support for Vietnam's ongoing transition, with annual PRSCs playing an especially important role.

vii. **Support for Theme 2: Enhancing Equitable, Inclusive and Sustainable Development.** The CPRGS lays out a six-fold agenda to address future challenges, and this will be supported by the Bank Group. Priorities are: (i) narrowing the development gap of disadvantaged and lagging areas; (ii) raising the living standards of ethnic minorities; (iii) realizing gender equality and the advancement of women; (iv) making basic social services accessible and affordable for the poor; (v) mitigating the impact of natural disasters and other shocks; and (vi) enhancing environmental sustainability. These concerns will be thrust throughout the Bank Group portfolio. In addition, some targeted activities – such as a major Natural Disaster Management project – will be initiated.

viii. **Support for Theme 3: Promoting Good Governance.** Within this broad field, the Bank Group will give focus its support to improving public financial management, information and transparency, and to legal development. Major technical assistance will be provided in each of these areas, and IDA projects will be provided in Public Financial Management, e-Governance, and, if requested, Legal Development. Partnerships are key to making progress in the area of governance. For example, in public administration and civil service reform, the Bank would expect to support the coordinated effort of ADB, UNDP, and a number of bilateral donors, while in public financial management the Bank would play the leading role among donors. The Bank Group will continue to expand its efforts to help address corruption in Vietnam, directly within the Bank Group's own portfolio, and through support to the Government for addressing the issue systematically.

ix. **Partnerships and a New Way of Doing Business.** Since Vietnam began the Comprehensive Development Framework (CDF) pilot program in 1999, the Bank Group has sought to model a new way of doing business. A number of independent assessments are finding highly positive results, although of course there have also been start-up costs, and the real gains are only beginning. There is now a systematic dialog underway between the government, donors, and (increasingly) NGOs in many sectors, as well as the "umbrella" framework provided by the CPRGS. This enables more coherence of programs, better use of resources, and mutual assistance in supporting Vietnam's goals. The Consultative Group, which the Bank co-chairs with the Government, plays an important role in this regard, and efforts will be maintained to ensure that it

remains relevant and useful. The Bank is also currently working with other major lending institutions (ADB and JBIC) and the Government to harmonize procedures.

x. **The Scale of Bank Group Activities in Vietnam.** The overall lending program is presented below. The scale of the program is differentiated according to the pace of progress on the Government's policy and institutional agenda, and on progress in project preparation and implementation. The IDA program ranges from less than \$300 million in the Low case to about \$760 million in the High case, with a Base case of \$580 million per year. The IFC and MIGA programs are also expected to grow significantly in the coming years in support of, and in response to, the improving investment climate.

Size of Overall Bank Program and Lending Scenarios

Lending Scenarios	Proposed Annual IDA Lending (\$m)				Average Lending (\$m)
	FY03	FY04	FY05	FY06	FY03-06
Low case: Limited implementation of the CPRGS; no progress on portfolio management.	270	370	250	280	293
Base case: Steady (rather than rapid) implementation of the CPRGS; modest progress on project preparation and implementation	625	570	550	580	581
High case: Firm implementation of the CPRGS; good progress on project preparation and implementation.	775	740	750	780	761

xi. In FY01 and 02, lending levels to Vietnam, at \$620 million and \$593 million, respectively, were only slightly above the Base case levels, despite the fact that the policy environment had improved to the High case. This is because the Government and the Bank agreed that high standards should be demanded of each project, and there was inadequate progress (on both sides) in preparing high quality projects according to a tight schedule.

xii. **The Bank Portfolio.** IDA lending resumed in FY94, and today Vietnam has become the largest IDA-only borrower. Portfolio performance has been highly satisfactory on outcomes, but less so on elapsed time and disbursement. Portfolio management over the next few years will focus on improving the pace of implementation while retaining sound portfolio quality. The recently completed Public Expenditure Review (PER), Country Financial Accountability Assessment (CFAA) and the Country Procurement Assessment Review (CPAR), have led to important initiatives for change.

xiii. **Managing Risks.** Inadequate progress on governance issues, and inadequate fiduciary controls – especially for decentralized projects -- are key risks which the Bank will monitor and address.

xiv. Suggested Items for Board Discussion.

- (i) Does the CAS adequately support the Government's CPRGS?
- (ii) Is the planned series of annual PRSCs appropriate?
- (iii) Is the Bank's planned engagement in governance issues appropriate?

**Memorandum of the President of the
International Development Association and
The International Finance Corporation
To the Executive Directors
On a Country Assistance Strategy
For the Socialist Republic of Vietnam**

1. Vietnam's last full Country Assistance Strategy, covering FY99-02, was discussed at the Board in September 1998. Progress reports were discussed by the Board in May 2000 and October 2001. A full CAS was planned for Board discussion in the last quarter of CY2001, but held back to await the completion of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS, as the PRSP is called in Vietnam), in order to enable alignment of the Bank Group program to Vietnam's poverty reduction strategy. The CPRGS was discussed at the Board on July 2, 2002 (Report Number 24271), and this CAS document incorporates guidance provided by the Board on that occasion.

I. SOCIAL, ECONOMIC AND POLITICAL CONTEXT

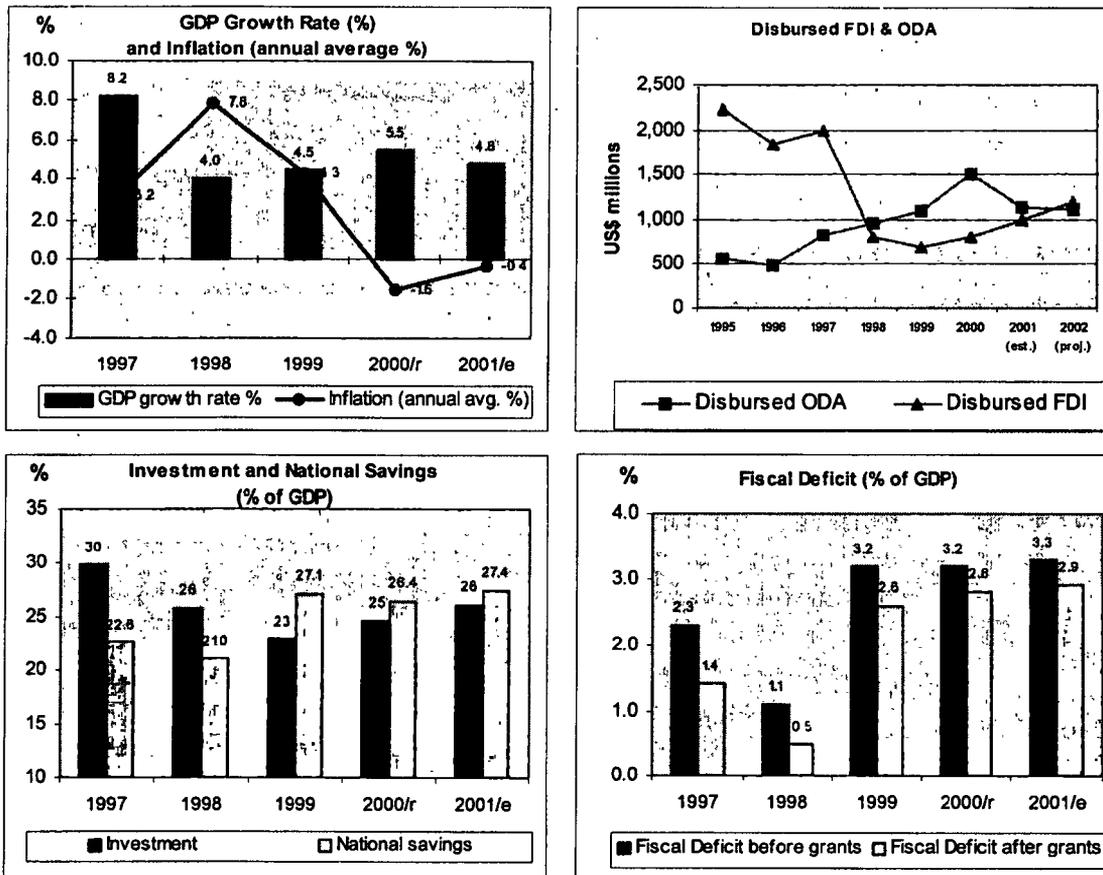
A. Social and Economic Developments

2. **Vietnam's successes in the 1990s are well known.** The real economy doubled in size during the decade, while the rate of poverty was halved from 70 percent to around 35 percent. Savings rates rose six-fold to around 25 percent of GDP, exports rose by an average of 25 percent per year, and Vietnam moved from a food deficit nation to become the second largest exporter of rice. Social indicators improved markedly and across a broad front there were widespread and visible improvements in the lives of Vietnamese citizens.

3. **The period of the last CAS has been difficult but productive.** While not enjoying the spectacular success of the previous years, Vietnam managed its economy prudently, achieved solid growth and poverty reduction even during the worst impacts of the East Asian recession, and began to take crucial steps to address structural impediments to long term high quality growth.

4. **Vietnam was highly vulnerable to the crisis in East Asia,** since more than two-thirds of foreign investment inflows and export earnings come from the region. Foreign direct investment fell from its (unsustainably) high levels of over \$2 billion each year (equivalent to 10 percent of GDP) in 1995-1997 to \$800 million each year in 1998-2000. Export growth fell from 25 percent per year in 1990-1997 to 2 percent in 1998, (before rebounding to 23% and 25% in 1999 and 2000 respectively). Government reacted to this challenge by adopting a highly cautious macroeconomic policy to avoid the possibility of a crisis. As this risk diminished, a more expansionary stance in 1999 and 2000 helped restore demand, especially in rural areas. Figure 1 shows the evolution of key macroeconomic indicators during this period.

Figure 1: Macroeconomic Indicators

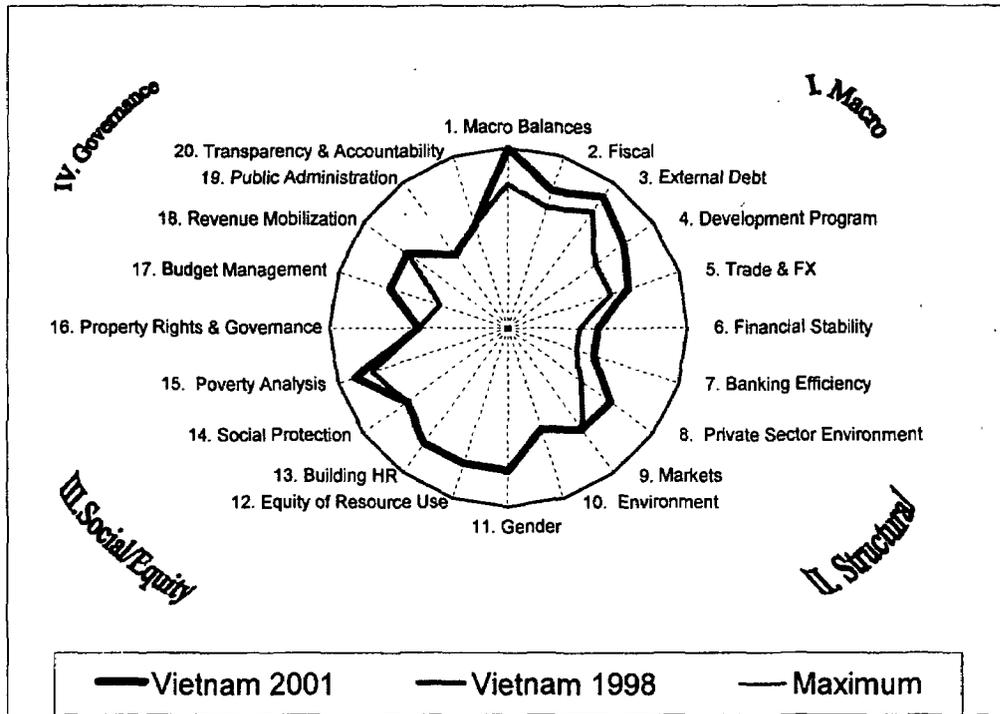


5. **The slowdown revealed weaknesses, and prompted policy reform.** As the crisis shed light on deep-seated distortions and inefficiencies in the economy, the Authorities began a lengthy and deliberate process to design and build political consensus for a major structural reform program. The period 1999-2001 witnessed an energetic (albeit, behind-the-scenes) process of analytical work, detailed design and broad consultation of reform programs covering banking and state enterprise reform, trade liberalization, public expenditure management, and policies for private sector development. This in turn has led to a series of new policy announcements over the past 18 months, supported by the Bank and the IMF, through a PRSC and a PRGF respectively. While this agreement took longer to reach than had been hoped, the extra time taken enabled a degree of ownership and consensus that would not have been possible had it been prepared more rapidly. Annex A6 provides a detailed chronology of policy changes in each of the major areas of structural reform over the past four years.

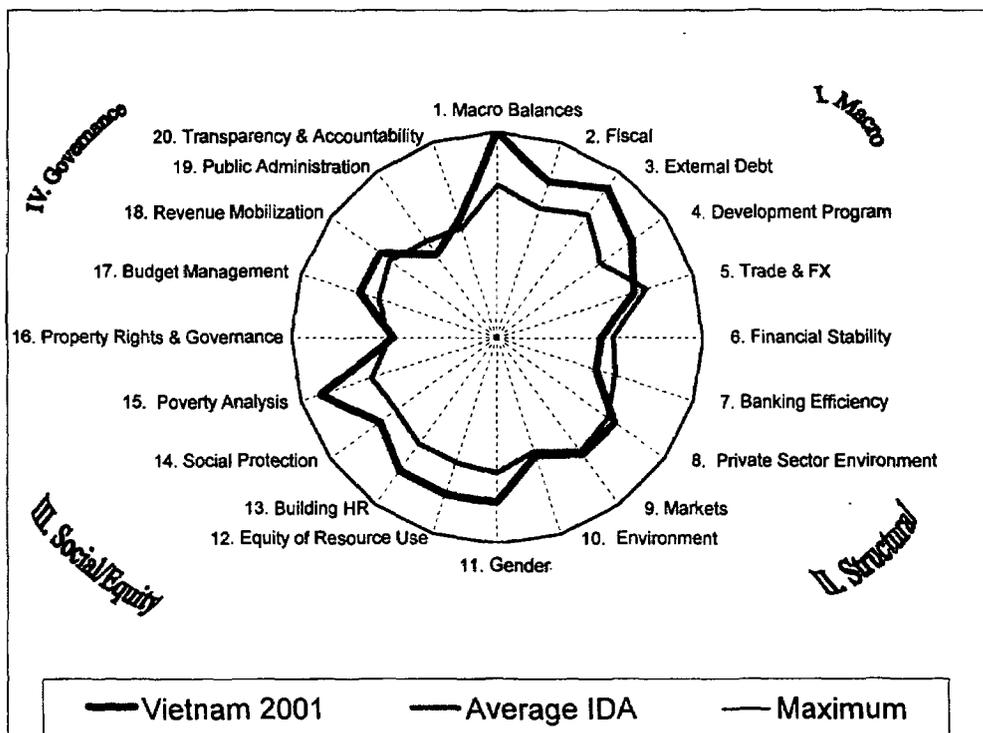
6. **The policy and institutional environment has begun to improve significantly...** Figure 2, based upon Country Policy and Institutional Assessment (CPIA) ratings, shows in

Figure 2: Vietnam's Policy and Institutional Indicators

A. Improvements in Policy Stance, 1998-2002



B. Comparison with Average IDA Countries



stylized form policy progress over the 1998-2002 period, as well as a comparison with the average for IDA countries. The figures show strong macro management throughout the period. Structural policies have improved, but because most reforms are only now beginning to be implemented, Vietnam still scores only average, and has a very large unfinished implementation agenda. Policies for social inclusion are relatively strong, but the capacity to implement these good policies remains variable. Finally, governance indicators remain rather weak, and have only recently received a priority position on the Government's agenda.

7. ...Prompting a surge in domestic private sector activity. While the impacts of the accelerated reform momentum are only beginning, there are already some encouraging signs, especially in the response of the private sector. Since the new Enterprise Law came into effect in January 2000, the number of domestic enterprises has more than doubled – from less than 30,000 to more than 60,000. Employment in formal-sector SMEs also appears to have doubled, domestic private investment has risen by 3 percent of GDP, and the share of formal credit going to the non-state sector has risen to an all-time high of over 60 percent. The response of the foreign private sector has been slower, but inflows in 2002 are expected to be well over \$1 billion, and may exceed ODA inflows for the first time since 1997 (Figure 1 above).

8. Improvements in living standards continued – even during the recession. New data – derived from the participatory consultations with poor communities associated with the CPRGS preparation – show a continuation of the improvements in living standards during the 1998-2002 period, contrary to earlier expectations. This is encouraging since it implies that even the much lower growth rates of 4 to 5 percent are reaching the poor. An exception was found in some inner city areas, where unregistered migrants reported greater difficulties than in 1998. A new nationwide household survey is being conducted in 2002 which will provide quantitative estimates of the gains in poverty reduction of the last three years.

B. Political Developments

9. A New Vision for 2010. The Ninth Party Congress, held in March 2001, endorsed a ten-year Socio-Economic Development Strategy covering the 2001-2010 period. This lays out a path of transition towards a “market economy with socialist orientation”. It commits Vietnam to full openness to the global economy over the coming decade, and the creation of a level playing field between state and private sectors. It emphasizes that the transition should be “pro-poor”, and notes that this will require heavier investment in rural and lagging regions, and a more gradual reform implementation than is often recommended by the international community. It gives strong emphasis to poverty reduction and social equity, and a more modern system of governance.

10. New Political Leadership. The Congress also elected new leadership. An indication of the thinking of the new leadership was given at a special meeting of the Central Committee of the Party in March 2002 on the future role of the private sector. The communiqué endorsed the private sector more fully than ever before, noting that attitudes towards private enterprise and profit need to be changed, SMEs need to be proactively given access to credit, land, information and other services, and noting the role of the Government in promoting a more pro-private sector environment. In Vietnam's political cycle, National Assembly elections occur a year after the

Congress and these were held on May 19, 2002. A number of important changes in the cabinet are being made in the summer of 2002, and the new leadership continues to be committed to reform across a broad front in the coming years.

C. Medium-term Economic Outlook

11. **The economic outlook for Vietnam continues to improve.** The adoption and implementation of a phased program of specific reform measures in early 2001--comprising trade liberalization, private sector development, banking and enterprise reform, and public expenditure management, together with the Government's announcement of a master-plan on Public Administration Reform for 2001-2005 and a comprehensive Legal Needs Assessment-- has improved business sentiment and put Vietnam on a healthier medium-term growth trajectory.

12. **The recent slowdown in key trading partners has posed short term difficulties.** Exports grew by only 4 percent in 2001 and have not yet recovered in 2002. While agricultural export volumes rose by 18 percent in 2001, agricultural export prices fell by 23 percent. The challenge is to continue implementing the ambitious reform agenda expeditiously to sustain investor confidence and promote faster growth and poverty reduction. From 2003 onwards, Vietnam is expected to reap the full benefits of the reforms that are being implemented, with annual growth expected to reach or exceed 7 percent, supported by annual export growth rates of 10-15 percent.

13. **Fiscal policy is expected to remain prudent,** with a modest fiscal deficit of around 2.5 percent before on-lending. This will permit a modest increase budgetary spending to enable firm progress on the structural reform agenda, and a good supply response. Under the IMF supported program, monetary policy is expected to remain sound to keep inflation in check. The current account is expected to move from a small surplus to a slight deficit, as imports of capital goods increase, reflecting stronger investment growth. This deficit will be largely financed by inflows of FDI and concessional funds. This scenario is, of course, contingent on continued firm implementation of the three-year reform agenda laid out in the CPRGS.

D. External Debt Sustainability

14. **Debt management continues to improve.** In 1998, a Brady-style debt reduction agreement with its commercial bank creditors was completed, and in 2000, Vietnam completed a rescheduling of its debt to the Russian Federation within the framework of the Paris Club -- the last in a series of agreements designed to make the external debt sustainable. Accordingly, Vietnam is no longer a HIPC country. It is current in all its debt service obligations, and the projected debt service burden is sustainable. In 2001, debt service was equal to around 11 percent of exports of goods and services, and 7 percent of GDP, and could fall in the medium-term depending on developments in commercial borrowing. Sensitivity analysis suggests that even a significant drop in the projected export growth rate will not create major debt servicing difficulties. Vietnam's stock of outstanding external debt totaled US\$ 14.4 billion in 2001, equivalent to 45 percent of GDP and 94 percent of export earnings. About four-fifths of this debt is on concessional terms. Most of the remaining debt consists of those loans that accompany foreign investment flows into the country.

15. Vietnam's sovereign risk ratings continue to improve. Assessments provided by sources such as International Country Risk Guide, Euromoney, Moody's Investor Services, and the Country Risk Classification of the OECD have shown systematic improvement over the past three years. In the past few months new ratings have been assigned by Moody's, Standard & Poors, and Fitch. Vietnam now stands in the same category as countries such as Brazil, Bulgaria, Peru, and Russia. The ratings of Vietnam by various foreign rating agencies confirm an improved perception of the investment climate.

II. VIETNAM'S COMPREHENSIVE POVERTY REDUCTION AND GROWTH STRATEGY

16. The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) seeks to translate the vision laid out in Vietnam's ten-year Socio-Economic Development Strategy (SEDS) into concrete measures and programs. The preparation of the CPRGS began in June 2001, with the Ministry of Planning and Investment taking the lead in coordinating the inputs from a 56 member team from 18 different line ministries. It has been prepared in a highly participatory way, based on consultations with poor people, with local government officials from all 61 provinces, mass organizations, NGOs, and the donor community.

17. The starting point of the CPRGS is the recognition that, despite the gains of the last decade, poverty remains widespread and deep. Almost thirty million people (around a third of the population) still live in poverty, and Vietnam's per capita income (estimated at \$410 in 2001) remains very low. Currently, around 25 million people, accounting for 60 percent of the labor force, are underemployed in rural areas. And each year in the coming decade over a million people will be added to the workforce. Further, many of the gains of the last decade remain fragile, with millions still vulnerable to falling back into poverty. Sickness, death of a family member, and natural calamities (flooding, loss of crop or livestock) remain ever present threats. Ethnic minorities, women and unregistered migrants to urban areas remain especially disadvantaged. Poverty continued to be largely a rural phenomenon, and the concern is that the driving forces of the gains to date—increases in agricultural productivity and the growth of the small services sector—cannot be expected to continue to deliver such impressive gains in the future. Rapid growth of off-farm employment in rural and urban areas is essential.

18. Three themes underpin the CPRGS and CAS. The CPRGS sets out three broad objectives to drive the poverty strategy. And these in turn are the themes that will guide the CAS.

1. High growth through a transition to a market economy. This requires the firm implementation of the structural reform agenda laid out by the Government.
2. An equitable, socially inclusive, and sustainable pattern of growth. This requires implementing appropriate sectoral and social policies and programs.
3. Adoption a modern public administration, legal and governance system. This in turn will facilitate the design and implementation of the policies and programs necessary for attaining the first two goals.

19. **Assessment of the CPRGS.** The CPRGS was the centerpiece of the mid-year Consultative Group Meeting in May 2002. Donors, the private sector and NGOs all warmly welcomed the Strategy as a major step forward, praising both its content and the process involved in its preparation. Many donors stated their intention to align their own programs to the CPRGS. The CPRGS was discussed at the Board of the World Bank on July 2, 2002 together with the Joint Bank-Fund Staff Assessment (JSA). Box 1 lays out both the impressive strengths of the CPRGS, and the constraints that Vietnam will need to overcome in its implementation. The program laid out in the CAS, especially the advisory and technical assistance components, are designed to assist in addressing these constraints. Many others donors have also indicated a strong willingness to invest in capacity building to facilitate implementation. As an example, a multi-donor Poverty Reduction Trust Fund will be used for building the capacity of the CPRGS team and NGO involvement in implementation and monitoring and evaluation. And Denmark will support the inter-ministerial working unit and the CPRGS secretariat.

Box 1: Strengths of the CPRGS and Challenges Facing its Implementation

The CPRGS has several strengths, both in substance and in the process guiding its preparation. Important strengths include: (i) the active participation by a wide range of stakeholders in the drafting process; (ii) a robust and comprehensive analysis of poverty which makes balanced use of quantitative and qualitative evidence; (iii) the articulation of a growth-based strategy for poverty reduction with policies covering macroeconomic, structural, and sectoral areas; (iv) the attention given to improving governance; (v) the identification of outcome targets addressing the national challenges and the government's international commitments to the Millennium Development Goals (MDG); and (vi) an attempt to prioritize public actions and to assess their resource implications.

The implementation of the CPRGS presents several challenges. First, the proposed establishment of the inter-ministerial working unit and CPRGS secretariat is urgently needed to provide a strong coordination function. Second, attention must be given to involving all stakeholders in the implementation, monitoring, and evaluation of the strategy, including greater public access to data. Third, there is a need to develop concrete action plans detailing the timing and costs of activities; this is particularly pressing for some of the proposed measures to improve governance. Fourth, sectoral programs need to be more sharply prioritized and set within resource constraints and a well-defined medium-term expenditure framework. Fifth, aligning resource allocation decisions at the national and provincial levels to the desired outcomes will be important to place the proposed interventions in the budget framework. Sixth, more work is needed to fully assess the poverty and social impact of the reform strategy and the adequacy of safety nets.

Source: Joint Staff Assessment of the CPRGS (page 3).

20. **Localized Millennium Development Goals (MDGs).** An important feature of the CPRGS has been the use of localized MDGs to develop a system of indicators to monitor and evaluate progress in implementation of the Strategy (Table 1). The Bank Group will work in partnership with the Government and with donors and NGOs to help Vietnam attain these goals and targets.

Table 1: Vietnam Development Goals in the CPRGS

Vietnam Development Goals directly based on the MDGs	
Goal 1: Reduce the percentage of poor and hungry households	<p>Target 1: Reduce by 40% the proportion of people living below the international poverty line between 2001 and 2010</p> <p>Target 2: Reduce by 75% the number of people living under the international food poverty line by 2010</p>
Goal 2: Universalize education and improve education quality	<p>Target 1: Increase the net enrolment in primary school to 97% in 2005 and to 99% in 2010</p> <p>Target 2: Increase net enrolment rate in junior secondary school to 80% in 2005 and 90% by 2010</p> <p>Target 3: Eliminate the gender gap in primary and secondary education by 2005, and the gap with ethnic minorities in 2010</p> <p>Target 4: Increase literacy to 95% of under-40-year-old women by 2005 and 100% by 2010</p> <p>Target 5: By 2010 have improved the quality of education and increase full-day schooling at primary level (exact target depends on funding).</p>
Goal 3: Ensure gender equality and women empowerment	<p>Target 1: Increase the number of women in elective bodies at all levels</p> <p>Target 2: Increase the participation of women in agencies and sectors [includes ministries, central agencies and enterprises] at all levels by 3-5% in the next 10 years</p> <p>Target 3: Ensure that the names of both husband and wife appears on the land-use right certificates by 2005</p> <p>Target 4: Reduce the vulnerability of women to domestic violence</p>
Goal 4: Reduce child mortality, child malnutrition and reduce the birth rate	<p>Target 1: Reduce the infant mortality rate to 30 per 1000 live births by 2005 and 25 by 2010 and at a more rapid rate in disadvantaged regions (see below)</p> <p>Target 2: Reduce the under-5 mortality rate to 36 per 1000 live births by 2005 and 32 by 2010</p> <p>Target 3: Reduce under five malnutrition to 25% by 2005 and 20% by 2010</p>
Goal 5: Improve maternal health	<p>Target 1: Reduce the maternal mortality rate to 80 per 100,000 live births by 2005 and 70 by 2010 with particular attention to disadvantaged areas</p>
Goal 6: Reduce HIV/AIDS infection and eradicate other major diseases	<p>Target 1: Slow the increase in the spread of HIV/AIDs by 2005 and halve the rate of increase by 2010</p>
Goal 7: Ensure environmental sustainability	<p>Target 1: Extend forest cover to 43% by 2010 (from 33% in 1999)</p> <p>Target 2: Ensure that 60% of urban population has access to clean and safe water by 2005 and 85% in 2010. This should be the case for 80% of urban people in 2005</p> <p>Target 3: Ensure there are no slums and temporary houses in all towns and cities by 2010</p> <p>Target 4: Ensure that all waste-water in towns and cities is treated by 2010</p> <p>Target 5: Ensure that all solid waste is collected and disposed of safely in all towns and cities by 2010</p> <p>Target 6: Air and water pollution must attain national standards by 2005</p>
Vietnam Development Goals and Targets not directly based on MDGs	
Goal 8: Reducing vulnerability	<p>Target 1: Increase the average income of the lowest expenditure quintile to 140% of that in 2000 and 190% of that in 2010</p> <p>Target 2: Reduce by half the rate of poor people falling back into poverty due to natural disasters and other risks by 2010</p>
Goal 9: Improving governance for poverty reduction	<p>Target 1: Effectively implement the Grass-roots Democracy Decree</p> <p>Target 2: Ensure budget transparency</p> <p>Target 3: Implement legal reform agenda</p>
Goal 10: Reducing ethnic inequality	<p>Target 1: Preserve and develop the reading and writing ability of ethnic languages</p> <p>Target 2: Ensure entitlement of individual and collective land-use rights in ethnic minority and mountainous areas</p> <p>Target 3: Increase the proportion of ethnic minority people in authority bodies at various levels</p>
Goal 11: Ensuring pro-poor infrastructure development	<p>Target 1: Provide basic infrastructure to 80% of poor communes by 2005 and 100% by 2010</p> <p>Target 2: Expand the national transmission grid to 900 poor commune centres by 2005</p>

Source: Govt of Vietnam (2002). *Comprehensive Poverty Reduction & Growth Strategy*

III. IMPLEMENTATION OF THE LAST CAS

21. **Broadly satisfactory implementation of the last CAS.** The last CAS, prepared when the East Asian crisis was seriously threatening Vietnam, was built around the two themes of restoring growth, and improving its quality. Good progress has been achieved on both counts, although the pace of reform might have been quicker. Vietnam was decisive in restoring macroeconomic stability during the crisis, and deliberate, rather than decisive, in addressing the structural problems in the economy. The CAS also laid out a number of new directions for the Bank, including a greater emphasis on poverty reduction and rural development. These have been successfully achieved with, for example, the share of Bank resources allocated to rural development rising from 27% in FY94-FY98 to 45% in FY99-FY02.

A. What Worked Well

- ***The Comprehensive Development Framework (CDF).*** The CDF pilot has significantly changed the way the Bank Group is doing business in Vietnam. Most other donors and the Government have been part of this move, and a number of independent assessments are finding positive results. For example, 97% of respondents in a recent OED survey said there had been significant improvement in the effectiveness of development partner relationships. The participatory preparation of the CPRGS has marked an important culmination of the first phase of the CDF pilot.
- ***Broad Commitment to the Reform Agenda.*** Vietnam has followed a reform strategy different from some other countries during the Asian crisis. Rather than move quickly to the announcement of a package of measures, it adopted a more gradual strategy of inclusion of many stakeholders in the diagnosis and design of new policies. This approach, while delaying the start of implementation, had the advantage of building a broad and strong constituency for the task ahead. There is already evidence that this is paying off in the implementation phase. The Bank and the IMF, which have enjoyed very productive “enhanced collaboration” during this period, provided analytical and advisory support to this process.
- ***Deeper focus on Poverty and Social Issues.*** The understanding of poverty in Vietnam has improved remarkably over the past four years, and has changed from a targeted approach to one where growth and structural reforms lie at the heart of the solution. Diagnostic work has been undertaken drawing on quantitative information from the Vietnam Living Standards Surveys (VLSS) and qualitative data from participatory poverty assessments (PPAs) undertaken in partnership with several international and local NGOs. This diagnostic work formed the basis for Vietnam’s I-PRSP and its CPRGS.
- ***Introduction of Community-driven Development.*** Two new community-based projects (Northern Mountains Poverty Reduction (FY02) and Community Based Rural Infrastructure (FY01)) have been initiated that are using participatory techniques to decide on the use of funds and are introducing transparency and accountability at local levels to support initiatives, such as the Grassroots Democracy Decree, that aim to improve local governance. A review of this approach will be undertaken in FY03, and this move towards

decentralization will be continued through several projects currently under preparation -- including Urban Upgrading (FY04), Rural Energy II (FY04), Rural Water and Sanitation (FY05), and Poor Communes Infrastructure and Livelihoods (FY06). This will be complemented by work to improve financial management and address fiduciary risks at the local level.

B. What Worked Less Well

- *Pace of Policy Reforms.* While the slow and deliberate consensus approach to decision-making in Vietnam has the advantage of creating a home-grown, fully-owned agenda for reforms, it has implied delay in the pace of reforms. The Bank Group underestimated how long it would take the Government to build consensus around a medium-term program of reforms. As a result, for the first two years of the last CAS (FY99-00), the Bank provided below Base-case lending (with new commitments of around \$300 million each year), and the IFC conducted relatively little new business. It was only in the last two years of the CAS (FY01-02) that the policy environment improved enough to justify policy-based lending.
- *Pace of Governance Reforms.* The Government has also been slow to prepare and adopt a program of reforms for good governance. Here again, as in structural policy reforms, there is a tradeoff between pace and ownership. The Government has now prepared a comprehensive Legal Needs Assessment (LNA) and has adopted a Master Program for Public Administration Reform (PAR) for 2001-2010. In some areas, such as improved transparency and management of public finances, real progress has already been made, but in other areas -- such as civil service reform and anti-corruption -- plans still need to be acted upon.
- *Affordability of Basic Social Services.* Despite very good progress in poverty reduction and social development, the poor still have inadequate access to key social services, due to high cost recovery. During the consultations of the CPRGS with poor communities, the cost of primary education and of curative health care were found to be particularly burdensome for the poor. The Government has now made a strong commitment in the CPRGS to address this issue and to find alternative ways of financing these services, including through better targeting of exemptions to the poor, that will reduce the burden on the poor. This is a priority for the Bank in the coming CAS period.
- *Preparation and Implementation of Projects.* The capacity to prepare and implement projects in Vietnam was overestimated in the last CAS. As a result, even though the improved policy environment now warrants "High case" support, it has proved difficult to prepare adequate high quality credits on a tight time-schedule, so lending has remained between the Base and High cases. A joint World Bank/ADB/IBRD review of the reasons for the delays has been completed and an action plan is now under implementation.

C. OED and QAG Reviews

22. **Satisfactory Project Outcomes.** The Operations Evaluation Department (OED) has evaluated the outcome of five of the eight projects that have closed since the Bank resumed lending to Vietnam in FY94. The development outcomes for all these projects have been rated

satisfactory, and the recipient's and the Bank's performance have all been rated satisfactory or above. In addition, the Quality Assurance Group (QAG) has reviewed the quality of 17 of the Bank's products in Vietnam and has rated all of them as satisfactory or above.

23. **A Country Assistance Evaluation (CAE) by OED** assessed IDA's assistance to Vietnam from FY88 to FY01 and concluded that the Bank's overall assistance had been very beneficial.¹ It noted in particular the strong emphasis on poverty reduction and on partnerships:

"In many respects, the Bank's program in Vietnam follows corporate objectives closely. In particular, the assistance strategy has from the outset focused consistently on poverty alleviation. The early sector work analyzing poverty fed into the selection of projects as well as their design. In this sense, the assistance program has unusually strong synergies between lending and non-lending. In addition, partnerships and wide collaboration have been strong elements of the Bank's assistance, particularly in non-lending services."
(Box 4.1, page 23)

24. **Successes have been most prominent in addressing infrastructure and poverty issues**, the last being partly due to the high quality of Analytic and Advisory Activities. OED also found that joint Bank and IFC effort has helped improve the dialogue among the local and foreign business communities, the Government and donors, including through the IFC-facilitated Business Forum in the Consultative Group (CG) process. The CAE also recommended that more attention be paid to the following:

- Reaching agreement with the Government on criteria to be used for targeting the poor in infrastructure and rural projects;
- focusing more on strengthening maintenance capacity of investments in transport infrastructure;
- being more selective and focused in investments in rural development; and
- continuing the recent progress being made on institutional and structural reforms.

25. **The Bank agrees with these recommendations** and has adopted them in the design of this CAS. For example, considerable AAA work is planned that will help build capacity in the Government to improve their targeting mechanisms using data from the VLSS and the Household Census. The Bank believes that the subject of operations and maintenance of roads is critical and this will be addressed in the Road Network Improvement Project (FY03) which, inter alia, will help set up a national road maintenance fund. On the rural sector, the Bank will focus its rural support as strategically as possible, but this may not necessarily mean that the number of sub-sectors will shrink. Rural development is still a high priority issue and the active portfolio addresses urgent challenges in the fields of water resources, rural infrastructure, rural finance, and forest management.

D. OEG's IFC Country Impact Review

26. **In parallel with the CAE, the Operations Evaluation Group (OEG) of the IFC** undertook a Country Impact Review of the IFC's program and made a range of

¹ See, *Vietnam Country Assistance Evaluation*, November, 2001, Report Number 23288.

recommendations.² In particular, regarding IFC's role in poor business environments, the Review suggested that a balance be struck between reducing IFC's potential losses and the need to retain an active country presence to facilitate re-entry when the climate improves. The Review identified the importance of incorporating the impact of financial sector distortions resulting, inter alia, from the dominance of state-owned banks into project design and structuring. With respect to advisory/TA work, it argued for ensuring strong client demand/political will for advisory efforts. In terms of lessons for investment operations, the study recommended avoiding SOE involvement and investments in heavily distorted sectors.

27. The IFC team agrees with these recommendations, and the proposed program and strategic priorities reflect the lessons of experience outlined in the Review. In particular, IFC is maintaining a level of presence that is allowing a quick response to changes in Vietnam's private sector development needs. Financial sector development, including reducing the dominance of state-owned financial institutions, by supporting private financial sector entities has become an important priority for IFC. In the area of advisory services, the test of Government commitment at all levels is being applied rigorously: IFC has closed its privatization projects in Haiphong and Dak Lak provinces as Government commitment was not fully forthcoming.

IV. WORLD BANK GROUP PROGRAM

28. **Bank Group Instruments.** In preparing the CAS, the Bank Group is seeking to exploit maximum synergies from the different instruments at its disposal. These include:

- Partnerships and Donor Coordination (Section A below; details in Annex C2);
- Analytical and Advisory Activities (AAA) (details in Annex C1);
- IDA Credits for Investment Projects;
- A series of four annual Poverty Reduction Support Credits (PRSCs);
- Sector Wide Approaches (SWAs) in two sectors;
- Management of Trust Funds (see Annex C3);
- IFC, MPDF and MIGA Program (see Section E below);

A. Partnerships and Donor Coordination

29. **A New Way of Doing Business.** Over the past four years the Government and international community have sought to model a new way of doing business in Vietnam (see above para 21). While we already regard this as successful, most of the benefits still lie ahead. The CPRGS provides an important framework for operating together, and the 20 Government-Donor-NGO working groups will continue to support the design and implementation of the Government's plans in each sector. The emphasis on partnerships has implications for the Bank Group's work program. While the benefits of the new approach greatly outweigh the costs, the new approach needs to be managed thoughtfully, so that this continues to be the case:

- *Joint Analytical and Advisory Work.* Most of the Bank's Analytical and Advisory Activities (AAA) is now done in partnership with Government, other donors and NGOs. This had led to impressive "ownership" and impact. Examples include: 'Attacking

² See, *Vietnam – IFC Country Impact Review*, October 5, 2001, CODE 2001/0089.

Poverty' (Poverty Working Group, 1999); the 2001 Vietnam Development Report (World Bank, ADB and UNDP, 2001); and 'Growing Healthy: A Report on the Health Sector' (World Bank, Sweden, Australia, Netherlands and Ministry of Health, 2001). The Bank will continue to do most major reports in partnership with others.

- ***Trust Funds.*** Bilateral donors are increasingly seeking to place trust funds under the Bank Group's management, and to second staff. This has deeply enriched effectiveness in work on poverty reduction, public expenditure management, state enterprise reform, banking reform, and other areas. The Bank Group will continue to work in partnership in this manner, while at the same time ensuring that focus and selectivity are maintained. (For details, see the Trust Funds Table in Annex C3).
- ***Selective Engagement.*** Under the CDF approach, partners seek to allocate tasks based upon a commonly agreed framework, and comparative advantage. This is allowing increased impact and focus within each sector. As examples: in education, the Bank focuses on primary and tertiary education, while ADB takes the lead in secondary education and vocational training; in the financial sector, the Bank focuses on banking reform, while ADB takes the lead on the non-bank financial sector; on governance issues, the Bank focuses on public financial management and (in partnership with UNDP) legal reform, while in public administration reform the Bank looks to UNDP and ADB to play a coordinating role.
- ***In-Country Consultative Group Meetings.*** Over the past four years, the Bank, as co-chair with the Government, has sought to improve the effectiveness of the Consultative Group process. Changes have included moving the location to Vietnam, introduction of informal "mid-year" stocktaking meetings outside of Hanoi, establishment of associated events, such as the Vietnam Business Forum, expanding participation of private sector and civil society, more dialogue, fewer prepared statements etc. The new approach has been generally very positively assessed by both Government and donors. It is important that the effectiveness of the CG process be continually assessed so that it continues to provide real value added in a rapidly changing environment.

30. **Harmonization.** The Bank is currently piloting a new initiative to harmonize procedures with Government and donors. In May 2002, the World Bank agreed with the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC) to identify harmonization opportunities in procurement, financial management, environmental and social safeguards, and portfolio management. The three institutions will report on progress at the next CG meeting. The harmonization work is being undertaken with the strong support of the Government, and in close cooperation with a group of bilateral donors who are working towards harmonization of procedures and terminologies among grant providers. The Bank will continue to ensure that cross-learning takes place and that the two harmonization strands are woven together to constitute a comprehensive program of action that is most appropriate for the needs of Vietnam.

B. Bank Group Activities

31. **Analytical and Advisory Activities (AAA) and Knowledge Sharing.** The recent CAE by OED concluded that in Vietnam, the Bank Group's program of AAA and knowledge sharing had particularly high returns. For the coming CAS, an expanded program is planned, in partnerships with others on several cross-sectoral and sectoral themes, as described in Section C below. This will provide the analytical underpinning for the Bank's policy advisory services and lending program.

32. **The Vietnam Development Information Center (VDIC).** Established in 2000, and co-financed by Australia, Canada, Denmark, Japan, UNDP, and the World Bank, the VDIC provides a one-stop shop for current development information on Vietnam. Since the opening of the VDIC, 3500 people have participated in distance learning events—many of them offered in partnership with the World Bank Institute (WBI)—on topics as diverse as *SME Capacity Building* (in partnership with JBIC), *Insurance Supervision* (WBI), and *Prevention of Mother-Child Transmission of HIV* (in partnership with UNAIDS). The Bank will also continue to invest in translating all Vietnam reports, and a good number of Regional and global Bank publications into Vietnamese. Reports that have been translated and disseminated widely in Vietnamese include all World Development Reports since 1998; *Engendering Development*, *Greening Industry*, *Curbing Corruption*, *Confronting AIDS*, and many others.

33. **Capacity Building and the World Bank Institute Program.** During this CAS period, the Bank's AAA activities will involve working closely with WBI to build capacity and share knowledge in key areas of emphasis. For example, under the "Attacking Poverty" Program of the WBI, several distance learning events—jointly with the Global Distance Learning Network (GDLN)—as well as face-to-face training programs are being planned to facilitate a sharing of knowledge on the design, implementation, and monitoring and evaluation of PRSPs within the East Asian Countries. WBI would also support capacity building and curricula development at the Ho Chi Minh Political Academy, which provides training to senior officials and policymakers from the Government and the Party.

34. **Core Diagnostic Analyses.** The Bank has recently completed the set of core diagnostic economic and sector work, and will complete another cycle during this CAS (Table 2). A Household Survey is being undertaken in FY03, which is likely to produce high quality data, and a new Poverty Assessment is planned for FY04 based on this data. Annual Vietnam Development Reports are planned on topics such as pro-poor growth, regional growth strategies, and employment and labor policies (FY03, FY05 and FY06); and a Public Financial Management and Fiduciary Review (FY04) will be undertaken that will combine elements of a PER, CFAA, and CPAR. In addition, a Financial Sector Assessment and a Private Sector Assessment are planned for FY03.

Table 2: Core Diagnostic Economic and Sector Work

Type	Most Recent Completion Date	Next Planned Completion Date
Poverty Assessment (PA)	FY00	FY04
Country Economic Memorandum (CEM)	FY02	FY03
Public Expenditure Review (PER)	FY01	FY04
Country Procurement Assessment Report (CPAR)	FY02	FY04
Country Financial Accountability Assessment (CFAA)	FY02	FY04

35. **Lending Program.** Vietnam's Base case IDA allocation is SDR 1.37 billion for the FY03-05 period, the second largest in the world, after India's SDR 2.0 billion. (Third is Ethiopia with SDR 1.22 billion, and fourth is Bangladesh with SDR 1.19 billion). The proposed High case is around 30 percent above the Base case. This translates into annual lending of \$575 million in the Base case, and would make Vietnam eligible to receive up to \$760 million in the High case.

36. The planned lending program (Table 3) supports the priorities laid out in the CPRGS. It has been designed after extensive consultations with the Government, donors and NGOs. A three-day retreat to design the CAS was held in April 2002 to which key partners from the Government, donors (including ADB, UNDP, Japan and several other bilateral donors) and NGOs were invited. In addition, sector-by-sector consultations were held, led by the Government, to clarify the roles and responsibilities of the Bank and the ADB. In addition to the traditional investment projects, the CAS envisages non-project support in the form of annual PRSCs and, in the outer years, in the form of SWAPs for rural transport and education (see below).

37. **Poverty Reduction Support Credits.** Annual PRSC lending is planned throughout the CAS period. This would enable the Bank to formally support the implementation of Vietnam's agenda of policy and institutional reforms laid out in the CPRGS. The series would build upon the experience of the first PRSC -- a two-tranche \$250 million credit that supports implementation of reforms in trade, banking, state-enterprises, private sector and public expenditure management. The first tranche of \$100 million was disbursed in October 2001 and the second tranche is expected to be disbursed in the last quarter of CY2002. This PRSC was co-financed by the UK, Netherlands, Denmark and Sweden, and is complemented by the IMF's PRGF and ADB's Enterprise Reform loan. Future PRSCs would be single-tranche operations of around \$100-200 million a year, with the size of the credit linked to the pace of implementation of the program agreed upon in advance. It is expected that under Base case performance, the size would be around \$100 million, and \$200 million under High case performance. Under the High case, therefore, PRSCs would account for around 25% of IDA commitments. The content of the PRSCs would be guided by the CPRGS. The second PRSC is expected to support further progress in the structural issues covered by PRSC1, while also supporting reform in public administration and the legal system, and in improved targeting of social programs for the poor. Future PRSCs would also support policy reforms associated with human development, land policy, agricultural policy, and energy.

**Table 3: IDA Lending Program
(FY03-FY06)***

Fiscal Year	Project	Amount (US\$ million)
FY03	Primary Education for Disadvantaged Children Project	150
FY03	Water Resources Assistance Project	120
	Sub-Total (Low case scenario)	270
FY03	Road Network Improvement Project	180
FY03	Phu My II Power Project (IDA Partial Risk Guarantee)	75
FY03	PRSC II	100
	Sub-Total (Base case scenario)	625
FY03	Public Finance Management Project	50
FY03	PRSC II (total of \$200m)	100
	Total (High case scenario) excl. Guarantee incl. Guarantee	700 775
FY04	Urban Upgrading Project	150
FY04	Rural Energy II Project	220
	Sub-Total (Low case scenario)	370
FY04	Urban Water Supply Development Project	100
FY04	PRSC III	100
	Sub-Total (Base case scenario)	570
FY04	Forest Sector Development Project	70
FY04	PRSC III (total of \$200m)	100
	Total (High case scenario)	740
FY05	Rural Water and Sanitation Infrastructure and Health Improvement Project (FY04 Standby)	100
FY05	Natural Disaster Mitigation Project (FY04 Standby)	150
	Sub-Total (Low case scenario)	250
FY05	Higher Education II - Teaching and Research Innovation Project	100
FY05	Curative Care for the Poor Project	100
FY05	PRSC IV	100
	Sub-Total (Base case scenario)	550
FY05	Rural Transport III Project (SWAp)	100
FY05	PRSC IV (total of \$200m)	100
	Total (High case scenario)	750
FY06	Poor Communes Infrastructure and Livelihoods Project (FY05 Standby)	200
FY06	E-Government Systems Development and Capacity Building Project (FY05 Standby)	80
	Sub-Total (Low case scenario)	280
FY06	Mekong Region Infrastructure Development Project	200
FY06	PRSC V	100
	Sub-Total (Base case scenario)	580
FY06	"Education for All" Project (SWAp)	100
FY06	PRSC V (total of \$200m)	100
	Total (High case scenario)	780

* The FY06 IDA program is indicative only, and may alternatively include support for Early Childhood Development, and a Rural Finance III project.

38. **Toward Sector-Wide Approaches (SWAps).** The CAS proposes that two projects – Rural Roads III (FY05), and Education for All (FY06) – take the form of sectoral budget support. This will require significant progress in the preparation of Medium Term Expenditure programs in those sectors. It will also require improved transparency and financial management. The work program to move in this direction is currently under discussion with the Government.

C. Thematic Presentation of the Program

39. The Bank Group plans to support the three themes of the CPRGS as described in Section Ii. While some activities would support the three themes directly--such as the Bank's TA support for banking, SOE and legal reform, and the series of PRSCs --others would support the three themes through sectoral AAA, projects, and other instruments. In addition, the Bank Group program would also aim to address the key sectoral issues laid out in Section D below.

Theme 1: Supporting the Transition Towards a Market-oriented Economy

40. **From Design to Implementation.** During this CAS period, the Bank Group will continue to support Vietnam's transition to a market-economy, with a shift in focus from "design" to "implementation" of the reform agenda. There are five strands to the planned work:

- Financial sector development;
- State enterprise reform;
- Support for the domestic private sector;
- Corporate governance and corporate social responsibility;
- Promoting open trade.

41. **Financial Sector Development.** The establishment of a sound market-based financial intermediation system in Vietnam remains perhaps the most difficult technical challenge facing Vietnam's policymakers, and an important part of the Bank Group's activities. These include:

- Banking reform would continue to be a high priority. Trust Funds for technical assistance (ASEM, PHRD, Danish, Dutch) amounting to \$3.5 million are currently being managed by IDA, and another \$4 million is expected in the near future. These would cover auditing and restructuring of the state-owned commercial and joint stock banks, as well as the introduction of modern regulatory and supervisory systems. An international advisor on banking reform is expected to be seconded to the Hanoi office.
- Capacity-building for lending to the emerging private sector will be provided by the Mekong Project Development Facility's (MPDF's) Bank Training Center, which will be working in close partnership with the recent \$200 million Rural Finance II Project (FY02) financed by the Bank.
- IFC's medium-term priorities in support of Vietnam's financial sector development will be: (i) diversification of the financial system, through introduction of new types of institutions and instruments; and (ii) transformation of existing financial institutions, to better meet the challenges of a more open and competitive financial system. IFC's

activities will support the existing private banking sector through direct financing of one or two non-state banks and provision of technical assistance in conjunction with MPDF's training to local banks and securities companies.

- IFC also plans to support the leasing and insurance sector. A recently approved investment in a merchant bank and associated fund – Dragon Capital/VEIL – will provide essential corporate finance services and invest equity in growth companies. To respond to the growing needs in local currency financing, IFC is exploring the opportunities of providing credit enhancement to local corporates to facilitate their access to such funds.
- Bank support to the financial sector will be coordinated closely with ADB. A Financial Sector Assessment will be completed jointly with ADB in FY03. ADB is supporting the non-bank financial sector, and the Bank will thus focus on banking. On micro-finance, ADB is currently assisting the State Bank of Vietnam on a legal framework for viable micro-finance institutions. The Bank will wait until this work is completed before examining whether further support is needed.

42. **State Enterprise Reform.** The Bank will provide support for both systemic policy and regulatory issues affecting all SOEs, and more specific assistance to certain sectors. A full-time SOE specialist (financed by DFID) is based in the Hanoi office for the next three years. Planned activities include:

- The Bank will continue the technical support, associated with the current PRSC, for accelerating equitization, liquidation and outright sale of SOEs, amending the legal framework to improve effectiveness and transparency of equitizations, making reliable information on SOE performance available annually, carrying out diagnostic audits, and expanding social safety nets for SOE workers displaced by reform.
- For a selected number of large SOEs, including the “General Corporations”, the Bank will provide more hands-on support for restructuring (financed by trust funds).
- For public utilities (especially power and water), the Bank will provide support to those companies willing and able to move towards modern market-based approaches. As an example, the planned Urban Water Supply project (FY04) would establish competitive funds for high-performing water companies and for those willing to contract out management to the private sector. In power, the Bank will be supporting equitization, and the formation of local-level joint stock companies.
- In key sectors, where the lack of reform has incurred high development costs, the Bank will engage selectively. As an example, under the High case scenario, Vietnam would be eligible to receive support through the Forest Sector Development Project (FY04) for the reform of State Forest Enterprises, covering 6 million hectares. The Bank may also offer some technical assistance (financed by Trust Funds) to the Railway sector and the Coal industry but only if prospects for reform improve.

- IFC remains willing to support, through finance and advice, SOEs undergoing privatization.

43. **Support for the Domestic Private Sector.** In Vietnam, the domestic formal private sector is essentially the Small and Medium Enterprise (SME) sector. Its performance over the coming decade--during which time employment in these enterprises will need to rise from 1 million to over 5 million--will be the critical success factor for Vietnam. With recent improvements in the policy environment, rapid growth in SMEs can be expected. The Bank Group will seek to help its healthy growth, and seek to improve the overall business environment.

- ***The Mekong Project Development Facility (MPDF)*** leads the Bank Group's work in SME development. Through its direct TA support to individual companies, and its growing support for the enabling environment (through its business education, bank training center, work with business associations etc), it is the most significant source of direct support from any ODA source. Operational links between MPDF and IFC are being strengthened, especially in the financial sector.
- ***Loan and Equity Funds for SMEs*** will be provided through venture capital funds and other financial institutions supported through IFC and MPDF, and through IDA's Rural Finance project (FY02). IFC established Vietnam's first leasing company in 1997, which has since provided over \$35 million of financing to about 250 SMEs. Indirect financial support to SMEs is continuing through intermediaries such as Dragon Capital/VEIL and through investments in private banks. IFC could explore opportunities to support microfinance institutions, but this would depend on an improved regulatory framework.
- ***Procurement under Bank credits*** will play an important role in fostering SME development. Examples include power, rural roads, community-based infrastructure and water, where the size of contracts is being designed so as to enable smaller companies to bid, and the award of contracts is being monitored. In the water and construction sectors, the Bank plans to have a formal partnership with MPDF, whereby the latter will provide specific capacity-building programs to assist eligible bidders.
- ***Analytical support and dialog on private sector issues*** will be a major ongoing part of the Bank Group's activities. A Private Sector Assessment, being undertaken jointly by the Bank, IFC and MPDF, will be completed in FY03, and ongoing support to the Vietnam Business Forum, and its associated working groups, will be continued.

44. **Corporate Governance.** Vietnam's transition calls for more modern forms of corporate governance. To date, this has not received a coherent program of support from the international community, but this is expected to change in the coming months. Building upon the findings of the recently completed Country Financial Accountability Assessment (CFAA) and other work, planned Bank Group activities include support for accounting and auditing standards (through IDF and other sources), and capacity building to business associations through MPDF. A joint Bank Group work program in corporate governance is planned to begin in FY04, when a major "Fiduciary Review" will be completed. In addition, IFC is planning to provide TA in the areas

of corporate governance practices of securities companies and institutional investors, regulatory capacity to supervise institutional investors, and training for company directors. This work will complement and build on work done by the ADB.

45. **Corporate Social Responsibility.** The Bank Group is initiating work in this area that will aim to improve companies' economic, social and environmental practices in ways that are good for both business and society. The work will initially focus on the issue of labor standards before broadening to other areas of corporate responsibility. It will involve pilot demonstration projects; a symposium on corporate responsibility with businesses, government, and donors; and the documentation of best practices in Vietnam. On labor standards, the project would provide assistance to and highlight companies that have adopted sound labor policies, consistent with Vietnam's labor law and core labor standards (Box 2), and as a result are able to raise market access and profitability.

Box 2: Core Labor Standards in Vietnam

The Government of Vietnam has ratified three of the eight core ILO conventions: C100 on equal pay for men and women; C111 on non-discrimination in employment; and C182 prohibiting the worst forms of child labor. Ratification of C138 establishing minimum age for employment is expected imminently. The ILO is currently working with the Government on the forced labor conventions as well. The Government of Vietnam has ratified an additional 12 ILO Conventions covering issues such as labor inspection, occupational safety and health, and a number of industry specific labor provisions. There is also interest in Conventions on tripartite dialogue; maternity protection; occupational safety and health in agriculture; and labor administration.

The legal infrastructure for the core labor standards is quite strong in Vietnam. Due to the constraints in terms of training, organization, and funding, however, enforcement of the Labor Law is still limited. The Trade Union movement should be further strengthened in order to give better protection to workers' rights. Several donors, including USAID, are now working with the Government to provide TA in this area.

46. **Promoting Open Trade.** Vietnam's recent decisions to integrate with the world economy and to join the WTO in the coming five years have been supported by a good deal of TA work from the Bank. Other donors--notably the EU, the US and Switzerland--have now provided generous programs to address the detailed legal and regulatory next steps. The Bank, therefore, expects to focus its work more on issues such as the social and economic impacts of alternative globalization paths.

Theme 2: Enhancing Equitable, Socially Inclusive and Sustainable Development

47. **Implementing Good Policies.** Vietnam already has a policy framework that is more favorable to social inclusion and equity than most countries. But implementation remains a problem, and there are serious challenges ahead. Over the past years, there has been an impressive change in the willingness of the Authorities to discuss and confront issues that were

considered sensitive. This is reflected in the CPRGS which lays out a six-fold agenda that will be supported by the Bank Group:

48. (i) **Narrowing the development gap of disadvantaged and lagging areas.** Around 85 percent of the poor live in rural areas, where per capita consumption is half that in urban areas, and the rural-urban gap is widening. This has been of concern to the Government, and led to a significant redirection of IDA resources under the last CAS. The planned program will reinforce this shift in direction, with the bulk of Bank Group resources being targeted to rural and disadvantaged areas.

- ***Understanding the Nature and Causes of Poverty.*** The AAA program will seek to deepen understanding poverty in different regions of Vietnam. This will include support for poverty strategies in the seven geographic regions of Vietnam, a major new Poverty Assessment in FY04, and an update in FY06. These activities, together with the ongoing support for the implementation of the first CPRGS, and preparation of the second would be undertaken in partnership with the Poverty Task Force, a coalition of Government-donors-NGOs working together to find solutions to poverty in Vietnam.
- ***Services for Lagging Regions.*** The Bank will continue to invest heavily to improve access to markets and social services for lagging areas, focusing on three regions: the Northern Mountains (the poorest region), the Mekong Delta (the least successful region over the past decade), and the North Central Coast. The Road Network Improvement Project (FY03) will improve the national road system in the northern region, while the Mekong Region Infrastructure Project (FY06) would provide multi-modal transport infrastructure in the southern-most region, and would be prepared in partnership with JBIC and AUSAID. Expanding access to energy in rural areas underpins the Rural Energy II Project (FY04). This operation will create new, decentralized institutional models to rehabilitate about 900-1000 rural commune distribution systems. In addition, under the High case Scenario, the Rural Transport III Project would adopt a Sector Wide Approach (SWAp) (FY05) to support the Government's program of increasing access of the rural communities in underprivileged provinces.
- ***Community Based Infrastructure and Livelihood Projects.*** The two new community-based projects (Northern Mountains Poverty Reduction (FY02) and Community Based Rural Infrastructure (FY01)) are introducing a new approach in Vietnam, and will be supervised intensively. A follow-up Poor Communes Infrastructure and Livelihoods Project (FY06) will continue to provide targeted assistance to the poorest communes. A study will be undertaken in FY03 to review the experience of such decentralized, participatory community-based projects in Vietnam. During FY03, TA will be provided, financed by New Zealand and DFID-UK, to the Ministry of Planning and Investment (MPI), the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Labor, Invalids and Social Affairs (MOLISA) on how to improve the targeting mechanisms used to identify poor communes in Vietnam.
- ***Addressing the Needs of the Urban Poor.*** While the most dramatic inequities are between urban and rural areas, within cities there are also pockets of deep poverty,

especially associated with migrants and unregistered residents. The Urban Upgrading project (FY04) will introduce, for the first time at a significant scale, a community driven approach to urban slum areas, in four important cities (HCMC, Haiphong, Can Tho, and Nam Dinh). Basic services will be provided to all poor people, including unregistered migrants. AAA will focus on labor polices, and in particular at labor migration and household registration polices, to ensure that poor people have labor mobility and are able to move to better-paying jobs.

49. **(ii) Raising the living standards of ethnic minorities.** Poverty among ethnic minorities remains very high, and is falling less rapidly than among the majority Kinh population. The Bank will provide assistance in the effort to address this issue through projects and advisory services. Two community-based projects that seek to help address the imbalance in two of the poorest regions will be implemented during this CAS period. And several other projects will also have significant impacts on the lives of ethnic minorities. The Primary Education for Disadvantaged Children Project (FY03) will provide assistance to more than one million ethnic minority children in disadvantaged areas, while the Education for All Project (FY06) could provide support for pre-primary education for ethnic minorities to improve their learning attainment. Also, in the High case, the Forest Sector Development Project (FY04) will improve re-forestation and land management in upland areas which are inhabited largely by ethnic minorities and will help improve their livelihoods.

50. **(iii) Realizing gender equality and the advancement of women.** Vietnam's Prime Minister has recently approved the 10 Year Strategy for the Advancement of Women for the period 2001-2010, and the National Commission for the Advancement of Women (NCFAW) has prepared a Five Year Plan of Action for 2001-2005 (Box 3). These exercises have been supported by the Bank and other donors, and will form the basis of the Bank's "Country Gender Assessment" (FY03) in line with the new strategy for strategic mainstreaming of gender issues in a country program. A follow up CGA will be prepared in FY05 when Vietnam prepares its next five year plan for the advancement of women.

51. On the lending side, the Bank will identify priority projects that are likely to have a high impact on gender equality to receive both special attention and special support through a "Gender Mainstreaming Fund" (FY03-06) through which funds will be provided annually. For example, in the proposed pipeline for FY03-04, three projects--Primary Education for Disadvantaged Children, Urban Upgrading, and PRSC II--are considered to be projects deserving special focus and resources for mainstreaming gender issues.

52. **(iv) Making basic social services accessible and affordable for the poor.** Vietnam's policy of "socialization" in which all citizens pay in part for services received, has unintentionally severely restricted access of the poor. The CPRGS recognizes this as a problem, and a series of Bank activities will seek to help the Government in its poverty targeting.

53. **Education.** The Bank has so far supported primary education and tertiary education, while ADB has provided assistance for secondary education and vocational training and this division of labor is expected to continue. The Primary Education for Disadvantaged Children Project (FY03) will reduce the number of educationally disadvantaged children by providing

assistance to disabled children, ethnic minority children, poor and street children, and other vulnerable children such as drop-outs and non-attendees. Vietnam is committed to putting every child in school and is one of 18 countries that is eligible for financial support from the Education for All (EFA) Fast Track Initiative, which stems from the Dakar Conference on EFA. Under the High case, Vietnam would be eligible for support through an Education for All Project (SWAp) (FY06), which would provide broad programmatic lending in support of the Government's EFA goals, with specific focus on disadvantaged children. This support could be used to fund several different programs, including a move to full day schooling and other measures to improve the quality of education; pre-school readiness, especially for ethnic minority children; and scholarships and other targeted measures to reduce the burden of primary education on the poor. In education, IFC has recently approved an investment in RMIT International University Vietnam in Ho Chi Minh City, with ADB as a co-financier. IFC will continue to explore opportunities to promote the development of private education in Vietnam.

Box 3: Vietnam's Country Gender Assessment and World Bank interventions

Vietnam has strong institutions—including the National Committee for the Advancement of Women (NCAFAW) and the Women's Union—to promote gender equality. It also has a significant body of recent work on the gender profile of the country, the institutional and policy context, and suggested policy and institutional interventions. These are contained within four documents, all of which are entirely country owned:

- The Situation Analysis and Policy Recommendations to promote the Advancement of Women and Gender Equality in Vietnam;
- The National Strategy for the Advancement of Women in Vietnam by the Year 2010;
- The second National Plan of Action for the Advancement of Women 2001-2005 (POA2);
- The Comprehensive Poverty Reduction and Growth Strategy (CPRGS – the PRSP);

In addition, the Joint-Government Donor Gender Framework (JGDGF) is the product of a partnership between Government and donors and provides the framework for how donors' programs can help towards the attainment of the goals and targets for gender equality laid out in Government documents.

Rather than duplicate work that is already existing and which has a high degree of country ownership, these documents form the core of the **Country Gender Assessment**. Gender will continue to be an important focus of the Bank in Vietnam. Recent and planned interventions include:

- Jointly with other donors, assistance to NCAFAW in conducting the situation analysis and preparing the 10 Year Strategy and the 5 Year POA2;
- Jointly with other donors, assistance to NCAFAW in drafting the JGDGF;
- Assistance to NCAFAW to establish a task force for providing inputs to the CPRGS;
- Organized conference to bring together the gender machinery of 6 PRSP countries of East Asia to strategize on mainstreaming gender into the PRSP;
- Research on gender-based violence (1999) and on Equality of Opportunity under Vietnamese law and its implementation (2001/02);
- Pilot on changing land-use rights certificates to show names of both husband and wife (2002);
- Detailed gender assessment of rural portfolio (2001);
- Training of provincial authorities on mainstreaming gender in the CPRGS at local levels (FY03);
- Fund to mainstream gender in to the Bank's program (FY03);
- Tackling gender issues in future PRSCs (FY03-05).

54. **Health.** Several cross-sectoral initiatives are planned to help Vietnam attain its healthcare goals. The Curative Care for the Poor Project (FY05) would finance the significant expansion of public expenditure for health services provided at the provincial level to enable these provinces to provide better curative health care services to the poor. A study examining options for improving health care for the poor (FY03) would provide input into the design of the project. In addition, the Urban Water Supply Project (FY04) and the Rural Water and Health Improvement Project (FY05) would improve the health status, productivity, and quality of life of poor communities in under-served urban and rural areas. This project is being prepared with a view to scaling up in the future. An Early Childhood Development (ECD) study is planned in FY04, which could be followed by a project in the future, to better understand the nature, causes and solutions to the problem of malnutrition highlighted in the CPRGS. While Vietnam is a positive outlier on most social indicators, on malnutrition rates it performs worse than comparator countries. In this area, the Bank will work closely with Save the Children Fund (SCF) Alliance that has piloted many interesting approaches to ECD, especially in the area of malnutrition, in Vietnam. In the area of HIV/AIDS, the Bank will continue to work in partnership with other donors and NGOs to help the Government find an appropriate solution for dealing with the growing AIDS problem in Vietnam. IFC has recently approved its first health sector project in Vietnam—a modern 199 bed tertiary hospital in Ho Chi Minh City. This facility will be an important model for the development of private hospitals in Vietnam, as there are very few private (local and foreign-owned) hospitals in the country at present. ADB is a co-financier in this project.

55. **(v) Mitigating the impacts of natural disasters and other shocks.** Vietnam is systematically and severely impacted by natural disasters (mainly in the form of typhoons and flooding), and these are a major cause of families falling back into poverty. A project for Natural Disaster Mitigation (FY05) would help Vietnam put in place an effective capacity to deal with natural disasters—with their prevention and mitigation—and to build a response mechanism that would provide financial support for rehabilitation and restoration of livelihoods of disaster victims. Health shocks and the high cost of curative health care for the poor are another factor that push people into poverty or make escape from poverty difficult. The Curative Care for the Poor Project (FY05) would address the issue of the affordability of curative health care for the poor. Finally, given the high and growing rates of traffic accidents and the consequent high disability and fatality rates in Vietnam, the Bank is planning to undertake a major piece of ESW on road safety issues (FY03), and to include a major component to promote road safety in the Road Network Improvement Project (FY03).

56. **(vi) Enhancing environmental sustainability.** The Bank's support for the environment will include a broad range of initiatives, usually in partnership with other donors and NGOs. First, it will support improvements in natural resource management through the Water Resources Assistance Project (FY03) and through a series of GEF grants. Under the High case, Vietnam would also be eligible for support through the Forest Sector Development Project (FY04). Second, the Bank will aim to help the Government attain the Vietnam Development Goals laid out in Table 1 for improved Urban Water Supply (FY04) and Rural Water and Sanitation (FY05) and for better services to poor urban areas through the Urban Upgrading Project (FY04). Third, the Bank will work with the Government to increase environmental information and awareness (which is part of a broader theme of "transparency"). Specifically, the Vietnam Environment

Monitor Series launched in 2002 will be continued annually, jointly with the Government. Fourth, the Bank will provide financial support through an IDF for capacity building for environment management.

Theme 3: Promoting Good Governance

57. As discussed earlier, Vietnam is still catching up in the area of modern governance (Figure 2). In the coming CAS period, the Bank will make a concerted effort to support the Government's agenda for good governance, as laid out in the CPRGS, in five broad areas:

58. **Improving information, transparency, and public financial management.** This remains a very high priority for the Government and the Bank Group. The recent completion of the PER (FY01), CFAA (FY02), and CPAR (FY02) are feeding into the preparation of a Public Finance Management Project (FY03). A new Public Financial Management and Fiduciary Review (FY04) will be undertaken jointly with the Government and other donors. Analytical and technical assistance work for public financial management is also being funded by a multi-donor Trust Fund, supported by DFID (UK), Sweden, Netherlands, Norway and Denmark. A Medium-term Expenditure Framework (MTEF) will also be prepared in the education and health sectors in FY03 and in the agricultural and transport sectors in FY04. These exercises will be valuable inputs in the preparation of sector-wide assistance, and in the preparation of the next CPRGS (FY05/06).

59. **Legal System Development.** In view of the growing recognition that Vietnam's legal system does not meet the needs of a modernizing economy, the Government has just completed a comprehensive Legal Needs Assessment (LNA), with strong support from the international community. The Bank will continue providing assistance to the Government--jointly with UNDP and other donors—in the legal area during this CAS period. Initial support for the systemic reform of the legal system will take the form of providing advice and funding (including through an IDF) in connection with the implementation of the LNA, including management and donor coordination. In addition to substantial non-lending services, the Bank has informed the Government that it would be willing to provide a Legal Development project should there be interest in borrowing for this purpose. In addition, as in the past, the Bank will continue to be active in providing technical assistance and advice in the design of key laws required to move Vietnam towards a more efficient and market-driven economy. Recently, for example, the Bank has provided TA and advice on the Electricity Law, the Gas Law, the Mining Law, the Land Law, the Water Law, the Statistical Law, and the NGO Law.

60. **Public Administration Reform.** In September 2001, the Prime Minister approved a new Public Administration Reform (PAR) Master Program for 2001-2010. The Program is built around: (i) organizational restructuring; (ii) human resources reform, including personnel management and salary reform; (iii) institutional development, including modernization of the public administration system; and (iv) public financial management reform. The Bank will continue to focus on the fourth pillar, while being actively engaged with the other donors (ADB, UNDP and several bilaterals) who are more heavily engaged in the other three. A PAR specialist has been recruited to the Hanoi Office, and an active program of mainstreaming administration reform throughout the Bank portfolio. Most of the projects in the proposed program--in

education, health, transport, energy--would support PAR in the sectors in which they operate. In addition, a special focus will be given to building capacity for decentralized project design and implementation in both rural and urban areas.

61. **ICT and e-Government.** The Government has requested the Bank to provide analytical and advisory support for its Information, Communication and Technology (ICT) strategy, and a report will be completed shortly. This is expected to be followed by an “e-Government” project in FY05 or FY06. This would help to modernize the regulatory environment for e-commerce and e-procurement and would lead to improved transparency and accountability in the functioning of government systems. In the meantime, analytical work will also be undertaken on e-education to feed into the Higher Education II Project (FY05). IFC will complement Bank activities in this area with support to private projects in ICT-related services. IFC has recently approved an investment in a Vietnam-based software firm, primarily focused on providing outsourcing services to the global semi-conductor industry.

62. **Fighting Corruption.** Vietnam rates poorly on international surveys of perceived corrupt practices. Progress in each of the governance areas discussed above will help create a less corrupt environment, as will the recent reduction in the number of licenses required for private activity. However, because of the lack of a clear strategy for tackling corruption more specifically, donor assistance for a more targeted approach has been limited. The Government recognizes the need for a more explicit strategy and, with the support of Sweden, is now planning to undertake diagnostic work on the nature and causes of corruption in Vietnam, using the WBI methodology. This will lay the groundwork for further support for designing and implementing an anti-corruption strategy. The problem of corruption is now discussed regularly at Consultative Group meetings by both donors and Government, and the Bank Group is seeking to engage the Vietnam Business Forum in efforts to find solutions. In the meantime, the Bank will continue to take active measures to improve the financial management of its own portfolio (see Section F below).

D. Sectoral Issues in the Program

63. While organized around the three cross sectoral themes described above, the Bank Group program will continue to operate at the sectoral level, and will continue to promote rural and urban development, and investment in human resources and physical infrastructure. Box 4 describes the key issues to be addressed in each of these areas.

E. Role of IFC and MIGA

64. **IFC.** Since 1992, IFC has approved 30 investments, totaling \$605 million in direct and syndicated financing, which in turn have supported projects worth \$1.6 billion in private investment. IFC has undertaken 26 formal advisory projects totaling \$3.2 million in technical assistance funding, and established the Mekong Project Development Facility (MPDF), a \$25 million donor-funded initiative supporting SMEs, managed by IFC.

Box 4: Key Sectoral Issues for the CAS

Rural Development: This CAS will continue the shift started by the Bank towards putting more investments into rural areas and continuing the transformation of Vietnam's rural economy. Currently, 85% of the poor live in rural areas and about 80% of the poor work in agriculture. Vietnam made huge progress in rural poverty reduction in the 1990s as a result of de-collectivization of land, market liberalization and an initial round of SOE reform, but how to continue progress in rural poverty reduction? The Bank is supporting the Government's five pillar strategy for the continuing transformation of the rural economy: (i) intensifying agricultural production; (ii) diversifying agricultural production; (iii) expanding off-farm employment in rural and urban areas; (iv) ensuring that the benefits of rural growth are shared equitably; and (v) improving the sustainable management of natural resources.

Urban Development: The urban population is projected to increase from about a quarter to a third of the population by 2010 (i.e. from 19 million to 30 million). This growth stems not just from the increase in the existing urban population but from the rural-urban migration that is likely to happen as people move to better-paying jobs in urban areas. The Government's urban development policy seeks to address this phenomenon. The urban development strategy, however, has a serious deficiency in that it does not articulate a clear human settlements policy to indicate how it would prefer to accommodate the additional 11 million urban inhabitants expected to arrive within a decade. Proposals range from relocating people in new economic zones, small cities, new cities, or satellite towns to holding them in rural towns through aggressive rural industrialization. Meanwhile, in the absence of any agreed policy, the big cities continue to grow. The program laid out in the CAS will aim to assist the Government to deal with the deficiencies in basic service provision that already exist. At the same time, for the longer term, the Bank will also aim to help the Government plan for the coming urban expansion.

Infrastructure: Investment in infrastructure still has a very high return in Vietnam, as inadequate service levels and bottlenecks remain a serious constraint on development and competitiveness. Despite abundant natural resources in gas, hydro and coal, per capita commercial energy consumption (144 kgoe) remains one of the lowest in the world. The transport system—despite substantial improvements in the last five years—is overstretched, adding to costs and preventing many upland and rural areas from sharing in the benefits of Vietnam's growth. And water supply and sanitation facilities will require huge investments to keep up with the accelerating urban population growth and industrial demand. As in the last CAS, the Bank Group's involvement in support for infrastructure will be guided by three concerns. First, there will be additional emphasis on improving access to services among poor communities and in rural and remote areas. Second, in view of the huge investment needs, high priority will be given to mobilizing private sector involvement. Third, strong emphasis will be given to ensuring improved management and maintenance of investments. There is considerable potential for an increased scope of IFC's activities in all of the infrastructure sectors, based on the country's large infrastructure needs, the still limited private sector participation, and IFC's considerable global experience with private participation in infrastructure (PPI) projects. However, for this to happen, the regulatory environment for PPI will have to improve.

Human Development: In the past, Vietnam has made significant progress towards attaining the MDGs in health and education due to generally favorable conditions in the socio-economic, institutional, demographic, public finance and political governance context. The future, however, is expected to face the following cross-cutting challenges in health and education: (i) rapid decentralization in public provision of health and education, leading to greater inequalities in service delivery across provinces; (ii) low levels of public financing for health and education, leading to greater burdens being placed on poor people for the financing of basic social services; and (iii) increased pressure on health and education provider networks to modernize due to globalization and a market-oriented economy, and a greater role for the private sector. The Bank Group aims to use the various instruments at its disposal to help Vietnam face these challenges.

65. Progress in addressing constraints to private investment was slow during the early period of the last CAS, and as a result IFC was unable to approve any investments during FY99, and approved only \$8 million in FY00 and \$7.5 million in FY01. In lieu of investments, IFC focused more on advisory activities--on development of the private sector through the former Private Sector Forum (now the Vietnam Business Forum), and through MPDF. MPDF has financed 72 SME projects raising about \$50 million in financing and has undertaken 15 technical assistance projects. MPDF has also been active in diagnostic work on the business environment for private enterprises in Vietnam and in the areas of training for local banks and managers, and building local consulting capacity.

66. In addition to trends in the business environment, the following factors have influenced the choice of IFC's strategic priorities: (i) **Synergies with the Bank**--IFC's strategic priorities will support the Bank Group CAS objectives by leveraging on IFC's transaction expertise and experience; (ii) **IFC's comparative advantages** vis a vis donor agencies and private financiers. In the current improving--but still largely untested--business environment in Vietnam, IFC is uniquely positioned to mitigate regulatory risks in sectors that are being opened to private investment, where the regulatory framework is still evolving, and where public ownership is likely to remain significant for some time in the future. Investment sponsors and partners value IFC for the value-added of its appraisals, its honest broker role and its problem solving abilities in this still difficult, complex and high-risk business environment. IFC-led private sector initiatives, such as the MPDF and the Business Forum, have enhanced IFC's credibility regarding private sector development in Vietnam and have provided a framework for coordinating donors' efforts in this area. IFC will continue to actively pursue opportunities to work together with donor agencies and private partners to leverage its resources and build on their respective strengths and expertise in Vietnam; and (iii) **Lessons of experience**--IFC's strategic priorities reflect the lessons of experience as outlined in OEG's IFC Country Impact Review.

67. As discussed above, IFC's priorities in this CAS are aimed at assisting the transition to a more market based economy, and include: (i) improvements in the environment for private businesses, primarily through the Vietnam Business Forum; (ii) growth of SMEs, through MPDF, support to financial intermediaries focusing on SMEs, and some direct interventions; (iii) development of the financial sector, including diversification of the financial system, through introduction of new types of institutions and instruments, and transformation of existing financial institutions; and (iv) improved productivity in sectors where Vietnam has a comparative advantage, through provision of support to private projects in sectors such as labor-intensive manufacturing, agribusiness, and ICT-related services. In addition, there is the potential for an increased scope of IFC's activities in all of the infrastructure sectors, based on the country's large infrastructure needs, the still limited private sector participation, and IFC's considerable global experience with private participation in infrastructure (PPI) projects. Effective demand for IFC's services in this area, however, remains limited as regulatory, market, and ownership reforms to support private participation in infrastructure have been slow. Certain sectors are closed to private activities, such as railways and telecoms, while others are dominated by state monopolies. In the absence of immediate investment opportunities, there would be a role for IFC to continue to advise on improving the regulatory environment in key social and physical infrastructure. IFC's strategy will be executed through a mix of investment and advisory

products; the speed of implementation will be aligned to progress on the structural and public management/institutional reform agenda as well as the supply response from the domestic and foreign private sector.

68. **MIGA** has provided support on issues related to the involvement and potential role of the private sector in the power and transmission sectors, and on the development of investment promotion capacity. MIGA has also delivered an overview of best practices in FDI promotion to the Government, and designed and carried out a TA program for Vietnam's investment promotion. MIGA is presently exploring collaboration with ASEAN to support tailored investment promotion capacity building programs for the newest ASEAN countries (including Vietnam) to help narrow the development gap between them and the other ASEAN members.

69. As of February 28, 2002, MIGA's gross exposure for Vietnam was \$20 million (see Annex B4). This is for two projects -- one guaranteed in FY01 (a telecoms project), and another guaranteed in FY99 (in the power sector). MIGA also expects to underwrite a power project (up to US\$100 million) in FY03.

F. Portfolio Management and Fiduciary Issues

70. **The Growing IDA Portfolio.** IDA resumed lending to Vietnam in FY94, and today Vietnam has become the largest IDA-only borrower. As of end FY02, a total of 35 credits, amounting to US\$3.8 billion have been approved.³ The active portfolio comprises 27 credits amounting to US\$ 2.8 billion, with an undisbursed balance of US\$ 2.1 billion (Table 4). The portfolio is still in its growth phase with the active portfolio expected to stabilize around 32 projects by FY04-05.

71. **Satisfactory Outcomes, but Slow.** Portfolio performance has been satisfactory on outcomes, but less so on elapsed time and disbursement. All of the eight projects² closed so far were rated satisfactory at exit, all projects reviewed by the Operations Evaluation Department have also been rated fully satisfactory, and QAG ratings have generally been sound. However, the pace at which projects are prepared, and the pace of implementation has been below expectations. An important effort to address these problems is now underway -- with some early positive signs emerging -- and lessons from past implementation experience are being incorporated in the new generation of projects.

72. **Improving Portfolio Performance.** Portfolio management over the next few years will focus on improving the pace of implementation while retaining sound portfolio quality. An analysis of the on-going portfolio shows that a slow start (i.e., effectiveness delay) is one of the principal causes for a late finish. In addition, poor monitoring, weak project management and prolonged procurement processes add to the delays. A program to address many of these concerns is now underway. Based upon earlier diagnostic work (especially the first IDA/ADB/JBIC joint portfolio review in FY00), the Government has recently revised ODA

³ This does not include an Irrigation project for \$60 million approved in 1979.

procedures⁴, and strengthened Project Management Units' (PMUs) management guidelines, and is introducing an M&E system.

Table 4: Bank Portfolio Indicators
(Amounts are in US\$ Million)

	FY98	FY99	FY00	FY01	FY02
Active Portfolio					
No of Projects	18	21	22	25	27
Net Commitments	1,836	2,110	2,119	2,583	2,814
Undisbursed Balance ⁵	1,197	1,306	1,416	1,776	2,130
Portfolio Riskiness					
No of Projects at risk	5	1	-	2	3
% of total projects (by number)	28%	5%	-	8%	11%
Commitments at risk	694	49	-	140	96
% of total Commitments	38%	2%	-	5%	3%
Development Impact					
No. of closed projects	1	1	2	-	3
No. with satisfactory outcome	1	1	2	n.a.	3
% with satisfactory outcome	100%	100%	100%	-	100%
Disbursement Performance					
Total Disbursed (million US\$)	238	207	156	160	331
Of which Adjustment lending	35	-	-	-	101
Disbursement rate (Investment lending)	19%	17%	12%	12%	15%
Disbursement rate, incl. adjustment lending	22%	17%	12%	12%	19%

73. **Portfolio Action Plan.** Specific to the Bank portfolio, there is an agreed action plan that would focus on fixing the current stock of 27 projects. This would entail: (i) restructuring stalled older projects; (ii) reviewing and rescheduling 2-3 year old projects with excessively slow start-up periods; and (iii) monitoring progress closely in on-going remedial action plans. The Bank is also seeking to reach agreement with the Government on harmonizing steps in Bank processing with the Government's steps under the new Decree 17. In addition to the project specific issues, concerted actions which benefit the entire portfolio are also beginning to yield results. Measures include intensified portfolio monitoring and reporting, and increased realism which could provide early warning so corrective measures can be taken quickly. Sustaining these gains and moving to a higher level of performance will require some structural issues relating to SOE reform, construction industry development, and Public Administration Reform to be addressed.

⁴ Some examples include: Decree 17 (Management and Use of ODA funds), Decree 52 (Public Investment Procedures), Decree 88 (Public Procurement Procedures), Decree 22 (Resettlement).

⁵ Includes adjustment lending.

74. **Fiduciary Issues.** The recently-completed PER, CFAA and CPAR, have each led to important initiatives for change (including the upcoming FY03 Public Financial Management project, the IDF for accounting and auditing development, and an action plan for public procurement development). But while Vietnam has come a long way in a brief time, the journey towards international standards has only begun, and the Bank Group is making dialog and capacity building in these areas an important part of its work. Corruption is a significant and growing problem in Vietnam, and poses risks for the Bank and for Vietnam's development. Coupled with the move away from the traditional large infrastructure projects to projects in social sectors operating in decentralized environments, this could significantly increase fiduciary risks. The Bank proposes to address these issues by analyzing the associated risks in the existing portfolio, new projects, and in the overall environment for implementation of ODA projects.

75. *On-going Portfolio.* The trend away from procurement of large ICB transactions to several small transactions that are not subject to prior review has increased the Bank's reliance on ex-post reviews. The Bank has recently completed a procurement ex-post review of selected projects, and will conduct this exercise annually. An Independent Procurement Review will also be conducted in FY03, as will a "Quality Review" of the private sector audit firms in Vietnam (to assess and certify their ability to conduct audits of Bank-financed projects).

76. *New Projects.* Based on the findings of the CPPR completed in November 2001, the Bank has developed a "readiness filter", which also includes an increased focus on the implementation arrangements and the fiduciary functions. Thus, all new projects are now subject to strengthened criteria which not only help improve the quality at entry but also help reduce some of the elements of fiduciary risk. From now on, projects are expected to have accounting and reporting systems (and PMU staff) in place prior to Board approval. The Bank will also be paying close attention to the fiduciary arrangements for the future SWAPs that are planned in this CAS.

77. *The Overall Implementation Environment.* The implementation of the recommendations of the recent CPAR and the CFAA is expected to improve the overall environment over the next few years. However, limited capacity, which is further strained by the decentralized implementation environment, is a major issue. The Government has recently initiated a systematic dialog with donors, PMUs, and other stakeholders to discuss training needs, delivery mechanisms and financing arrangements. Linked to this is the initiative on harmonization, which, as discussed above, will aim to harmonize the policies and procedures of the ADB, JBIC and the Bank.

G. Core Monitoring and Evaluation

78. **Measuring Development Effectiveness.** The work program in this CAS has been designed to help Vietnam attain the localized MDGs against which progress will be measured in the CPRGS (Table 1). The success of the Government's poverty strategy as well as the effectiveness of the Bank Group support for that strategy can thus be judged ultimately by Vietnam's progress towards achieving the localized MDGs. Progress in attaining the goals, targets, and annual indicators laid out in the CPRGS will be monitored carefully by the Government, with the assistance of donors and NGOs, and reported in annual CPRGS Progress

Reports that will become the main framework for discussion between the Government and donors.

79. **Measuring the Impact of the CAS.** Bank Group instruments have been aligned to the CPRGS and reflect comparative advantage and agreement with Government and other donors (see Program matrix in Annex D1). Out of the 11 Vietnam Development Goals (VDGs) and 32 Targets laid out in Table 1, the Bank's instruments are aligned most closely to the 5 VDGs and the 10 Targets presented in Table 5, and these will therefore be monitored most closely. The Bank's contribution to the attainment of these goals and targets will be measured through the successful implementation of its own instruments and through its successful engagement in partnerships with other donors to help attain these goals and targets.

Table 5: Core CAS Monitoring Benchmarks

CPRGS/CAS Goal	CPRGS Target/CAS Progress Benchmark
1. Reduce the percentage of poor and hungry households	<ul style="list-style-type: none"> • Proportion of people living below the international poverty line • Proportion of people living below the food poverty line
2. Universalize education and improve education quality	<ul style="list-style-type: none"> • Net primary school enrollment rate • Gender gap and ethnicity gap in net primary enrollment rates • Proportion of children in full-day schooling at primary level
3. Ensure environmental sustainability	<ul style="list-style-type: none"> • Proportion of rural and urban population with access to clean water and sanitation
4. Improving governance for poverty reduction	<ul style="list-style-type: none"> • Increased budget transparency at all levels • Implementation of the legal reform agenda
5. Ensuring pro-poor infrastructure development	<ul style="list-style-type: none"> • Proportion of communes with basic infrastructure • Number of communes connected to the national electricity transmission grid

80. **Monitoring and Evaluation (M&E) of the CPRGS.** The Bank is actively supporting the design of a M&E system for measuring progress. As part of this effort, the Government has just initiated a biannual Vietnam Household Living Standards Survey (VHLSS), starting in 2002, so that disaggregated statistics on poverty and social indicators can be collected and disseminated on a regular basis. The Bank, jointly with UNDP, DFID-UK, and Sweden, has been providing technical and financial assistance to the Government Statistics Office (GSO) for almost a decade now on how to collect quality household survey data. It is expected that the VHLSS will produce timely and high quality statistics that will enable the Government to monitor progress in poverty reduction and on a number of the indicators presented in Table 1 and Table 5. This will be supplemented with participatory and other research to monitor non-quantifiable dimensions of poverty and welfare, such as issues of voice and empowerment, and improved governance.

H. Lending Scenarios and Triggers.

81. **Size of the Lending Program.** The overall Bank program is presented in Table 6. The scale of the program is differentiated according to the pace of progress on the policy and institutional agenda, and on project preparation and implementation. The program ranges from less than \$290 million in the Low case to about \$760 million in the High case, with a Base case

of \$580 million per year, consistent with the present IDA allocation. Higher levels of resources are appropriate in the presence of improvements in policies and institutional development for two reasons. First, some of the Government's planned reforms – banking and enterprise restructuring, trade opening, public administration reform, legal development etc – will have costs associated with them. Second, some of the proposed investments – including those supporting investment in water, energy, rural and urban development -- will be truly effective only in the presence of the policy and institutional changes proposed by the Government. More generally, there is strong evidence that the value and effectiveness of ODA rises sharply as the kinds of policy and institutional changes proposed in the CPRGS are implemented.

Table 6: Size of Overall Bank Program and Lending Scenarios

Lending Scenarios	Proposed Annual IDA Lending (\$m)				Average Lending (\$m)
	FY03	FY04	FY05	FY06	FY03-06
Low Case: Limited implementation of the CPRGS; no progress on portfolio management.	270	370	250	280	293
Base case: Steady (rather than rapid) implementation of the CPRGS; modest progress on project preparation and implementation	625	570	550	580	581
High case: Firm implementation of the CPRGS; good progress on project preparation and implementation.	775	740	750	780	761

82. High levels of support will also require practical improvements in project preparation. In FY01 and FY02, lending levels to Vietnam, at \$620 million and \$593 million, respectively, were only slightly above the Base case levels, despite the fact that the policy environment had improved to the High case. This is because the Government and the Bank agreed that high standards should be demanded of each project, and there was inadequate progress (on both sides) in preparing high quality projects according to a tight schedule.

83. **Support under the Base and Low Cases.** Vietnam remains eligible for Base case lending levels if it continues its satisfactory macroeconomic performance, as evidenced, for example, by an IMF PRGF Program, and implements the policy and institutional reform agenda laid out in the CPRGS at a steady (rather than rapid) pace. The pace of progress would be monitored in each of the areas laid out in Table 7 below. Base case lending also requires some progress on project preparation and implementation. It is expected that Low case lending would likely be caused less by policy reversal, which the Bank Group regards as unlikely, but more by administrative constraints in preparing and implementing high quality projects. Under current Vietnamese patterns of decision-making, projects still take longer than average to prepare and are less certain to be delivered on time than in other countries in the Region. Thus the Base and High cases include projects that because of policy or institutional requirements may take longer to bring to the Board than is currently expected.

Table 7: “Triggers” for High Case Lending

Policy and Institutional Progress	Monitoring Mechanisms and Indicators
Transition to a Market Economy	
<ul style="list-style-type: none"> Improved investment climate through firm implementation of the 3 year program (2002-2004) of structural reform (in the five areas of trade liberalization, private sector development, banking reform, state enterprise reform, and public expenditure management) laid out in the Letter of Development Policy (attached to PRSC I); 	--Monitoring of pace of implementation of reform program through annual JSA of CPRGS Progress Report and annual CAS Progress Report
Equitable, Socially Inclusive and Sustainable Development	
<ul style="list-style-type: none"> Design and implement programs to increase access of urban residents, including unregistered migrants, to public services; Design and implement changes to reduce burden on the poor of out-of-pocket expenses for primary education and health care 	--Specific benchmarks to be developed in the context of annual PRSCs which will be presented to the Board for approval
Good Governance	
<ul style="list-style-type: none"> Greater alignment of public expenditures (recurrent and investment) and budgetary processes to the priorities laid out in the CPRGS Increased transparency of the budget and “off-budget” accounts; and increased public access to audit reports 	--Preparation and adoption of annual budgets aligned to CPRGS and Medium-term Expenditure Frameworks (MTEFs) for the overall budget as well as for individual sectors --Preparation of a sound Public Investment Program (PIP) --Public access to audit reports by State Audit of Vietnam
Portfolio Management	
<ul style="list-style-type: none"> Continued strong indicators of project quality to ensure they meet development objectives Reduced project preparation time and increased pace of implementation of projects 	--Commitments at risk --Time elapsed between appraisal and Board --Disbursements

84. **Support under the High Case.** In the preparation of the CAS, detailed discussions have been held with the Authorities as to the policy and portfolio indicators that would warrant High case support. These are presented in Table 7. Indicators have been chosen so as to be monitorable, and indicative of the measures that will be required to help Vietnam reach its development targets laid out in Table 5. Vietnam would therefore remain at Base case lending levels until the triggers laid out in Table 7 have been met.

85. For some of the triggers in Table 7, a timed action plan has already been agreed with the Government, as laid out, for example, in the Letter of Development Policy for PRSC1, which

presents a matrix of agreed actions through 2004. This covers structural reforms in banking and SOE reform, private sector development, trade policy, and public expenditure management. In other areas, the Government has laid out the principles and the direction of reform in the CPRGS, but has not yet specified the timing. The triggers reflect the desired direction of reform and it is proposed that specific, time-bound, benchmarks in these areas will be developed through on-going policy dialogue and AAA in the context of annual PRSCs, which would support a medium-term program of reform in these (and other) areas. The size of the annual PRSC support (\$100-200 million) would provide an indication of the pace of progress in these areas. Progress in most of the areas listed in Table 7 can be measured through trends in annual budgetary allocations and bi-annual households surveys, and would be reported in annual CPRGS Progress Reports as well as CAS Progress Reports.

V. MANAGING RISKS

86. There are four sets of risks that the Bank Group needs to monitor and seek to manage:
- **Reform Slippage:** The first risk is that the emerging success of the domestic private sector may lead to income disparities over the coming years that in turn cause a rethinking of the development path, and a halt to the implementation of the reform program. While there are real possibilities of a slowdown in implementation, the Bank regards the prospects of a halt or reversal to be small. Vietnam now has obligations to open its economy according to a strict timetable, which locks itself into full integration into the world economy in the coming six years. The proposed Bank Group program is calibrated so that any slowdown in reform would be associated with a smaller Base or Low case program.
 - **Failure to Address Governance Issues:** More serious in the Bank's judgment is the risk that the required reforms in public administration, legal development and corporate governance would not take place. Thus, as the private sector grows in the coming years, uncompetitive and corrupt entanglement between private enterprises and Government officials could develop. This "Indonesia-style" risk, whereby a decade from now unhealthy patterns of behavior could have become entrenched, and future development threatened, is the most serious risk facing Vietnam. The Bank has placed this risk frontally on the agenda in Consultative Group meetings, and in its own dialog with the Government and the Party. Together with other key multilateral agencies – the UNDP and ADB – the Bank is also helping to catalyze international support for governance issues.
 - **Decentralized Project Implementation and Inadequate Fiduciary Controls:** A growing share of Bank lending is being implemented by local levels of government and by communities. The average size of contracts is declining as the Bank seeks to promote opportunities for domestic private firms to win contracts. This runs the risk of inadequate financial oversight and the possibility of malfeasance. The Bank is building up its financial and procurement management capacity in the Hanoi office, and seeking to draw from best practice experiences from other countries that have supported decentralized and

community-based projects. Next year, the Bank will be conducting a major review of decentralized projects in Vietnam, with a special focus on financial controls.

- **Ethnic Minority Issues:** Disputes in the Central Highlands and elsewhere are causing concern that not enough is being done to protect the rights of some ethnic minorities. The Bank will ensure that all social guidelines are applied in IDA-funded projects, and will assist the Government in strengthening its own safeguards. As co-Chair of the Consultative Group process, the Bank also regularly reminds the Government that such issues could undermine Vietnam's highly positive reputation for poverty reduction, and could potentially impact development assistance flows.

James D. Wolfensohn
President

By:
Shengman Zhang

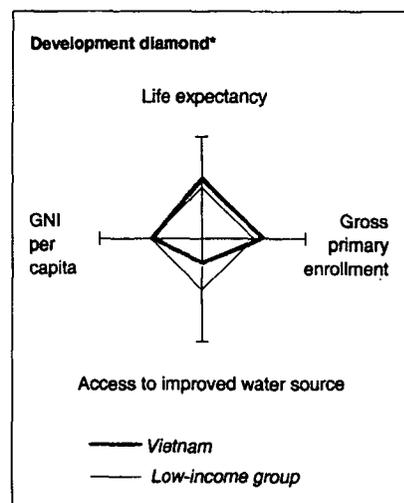
Peter Woicke

Washington, DC
September 16, 2002

Vietnam at a glance

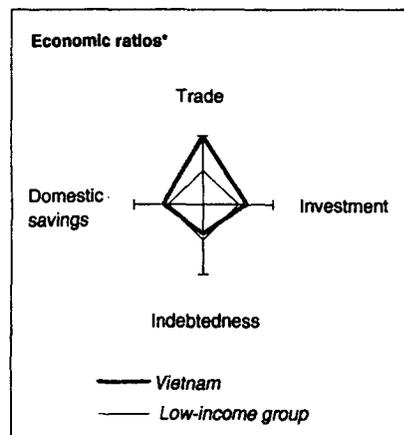
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POVERTY and SOCIAL	East Asia & Pacific		
	Vietnam	East Asia & Pacific	Low-Income
2001			
Population, mid-year (millions)	79.5	1,853	2,459
GNI per capita (Atlas method, US\$)	410	1,060	420
GNI (Atlas method, US\$ billions)	32.6	1,964	1,030
Average annual growth, 1995-01			
Population (%)	1.4	1.1	1.9
Labor force (%)	1.7	1.4	2.4
Most recent estimate (latest year available, 1995-01)			
Poverty (% of population below national poverty line)	37	..	..
Urban population (% of total population)	23	35	32
Life expectancy at birth (years)	69	69	59
Infant mortality (per 1,000 live births)	25	35	77
Child malnutrition (% of children under 5)	34	13	..
Access to an improved water source (% of population)	36	75	76
Illiteracy (% of population age 15+)	7	14	38
Gross primary enrollment (% of school-age population)	114	119	96
Male	116	121	102
Female	110	121	86



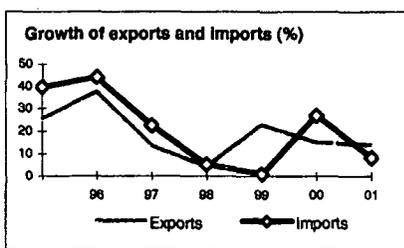
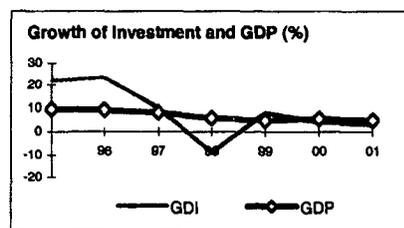
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1981	1991	2000	2001	
GDP (US\$ billions)	..	9.6	31.3	..	
Gross domestic investment/GDP	..	15.0	24.7	26.1	
Exports of goods and services/GDP	..	32.6	50.3	52.3	
Gross domestic savings/GDP	..	16.5	23.1	24.0	
Gross national savings/GDP	..	16.9	26.2	27.6	
Current account balance/GDP	..	-2.0	1.5	1.5	
Interest payments/GDP	..	0.3	0.9	0.9	
Total debt/GDP	..	243.4	48.4	50.0	
Total debt service/exports	..	6.4	6.2	6.9	
Present value of debt/GDP	
Present value of debt/exports	
	1981-91	1991-01	2000	2001	2001-05
(average annual growth)					
GDP	4.9	7.6	5.5	4.8	6.2
GDP per capita	2.5	5.9	8.2	1.1	3.5
Exports of goods and services	..	22.8	14.8	13.8	11.5



STRUCTURE of the ECONOMY

	1981	1991	2000	2001
(% of GDP)				
Agriculture	..	39.5	24.3	24.0
Industry	..	23.8	36.6	36.7
Manufacturing	..	19.8	..	..
Services	..	36.7	39.1	39.3
Private consumption	..	77.1	68.5	..
General government consumption	..	6.3	6.4	..
Imports of goods and services	..	31.1	49.0	50.5
	1981-91	1991-01	2000	2001
(average annual growth)				
Agriculture	4.3	4.8	4.0	3.5
Industry	..	12.1	10.1	8.4
Manufacturing
Services	..	7.6	2.9	3.5
Private consumption	..	11.9	..	..
General government consumption	..	13.2	..	..
Gross domestic investment	..	19.0	4.1	2.8
Imports of goods and services	..	30.8	26.9	8.3



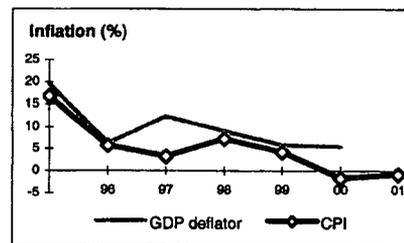
Note: 2001 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Vietnam

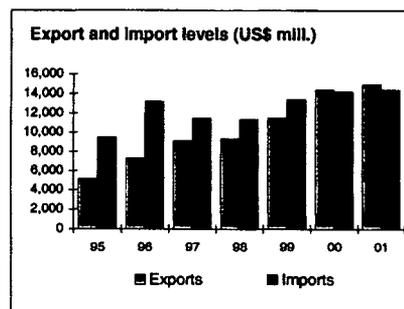
PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
Domestic prices				
<i>(% change)</i>				
Consumer prices	..	82.7	-1.7	-0.8
Implicit GDP deflator	..	72.5	5.3	..
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	13.5	21.1	21.7
Current budget balance	..	0.0	4.8	4.3
Overall surplus/deficit	-2.8	-3.5



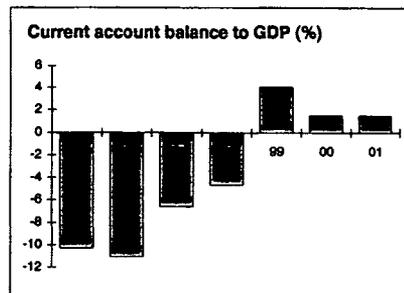
TRADE

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total exports (fob)	..	2,042	14,448	15,000
Rice	..	225	667	..
Fuel	..	581	3,548	..
Manufactures
Total imports (cif)	..	2,377	14,259	14,500
Food	..	82	..	..
Fuel and energy	..	485	..	..
Capital goods	..	714	..	..
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



BALANCE of PAYMENTS

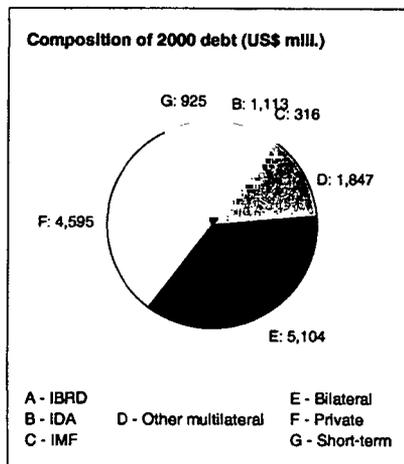
	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Exports of goods and services	..	2,491	17,098	17,682
Imports of goods and services	..	2,377	17,418	17,863
Resource balance	-720	114	-237	-180
Net income	-72	-339	-597	-764
Net current transfers	17	35	1,341	1,368
Current account balance	-775	-190	573	563
Financing items (net)	534	472	-478	325
Changes in net reserves	241	-282	-95	-888

**Memo:**

Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC, local/US\$)	0.6	7,979.2	14,170.0	14,793.0

EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	26	23,395	13,900	14,400
IBRD	0	0	0	0
IDA	19	58	1,113	1,762
Total debt service	0	161	1,784	1,989
IBRD	0	0	0	0
IDA	0	1	9	9
Composition of net resource flows				
Official grants	..	126	120	120
Official creditors	19	-44	973	..
Private creditors	0	50	-717	..
Foreign direct investment	..	..	800	1,000
Portfolio equity	..	10	..	..
World Bank program				
Commitments	0	0	260	649
Disbursements	17	0	174	230
Principal repayments	0	1	2	2
Net flows	17	-1	173	228
Interest payments	0	0	8	9
Net transfers	17	-1	165	219



Vietnam

Key Economic & Program Indicators - Change from Last CAS

Economy (CY)	Forecast in Last CAS				Act.		Est.		Current CAS Forecast			
	1998	1999	2000	2001	1998	1999	2000	2001	2002	2003	2004	2005
Growth rates (real %)												
GDP	4.5	4.0	4.0	5.0	4.0	4.5	5.5	4.8	5.2	7.0	7.0	7.0
Exports	7.0	5.8	5.5	6.1	2.4	23.2	25.2	4.0	5.0	10.0	15.0	15.0
Imports	4.8	4.6	4.4	5.2	-1.1	1.1	34.7	3.2	8.0	15.0	20.0	20.0
Inflation (annual average rate -- %)	8.0	6.0	6.0	5.0	7.8	4.3	-1.6	-0.4	4.0	4.0	4.0	4.0
National accounts (% GDP)												
Current account balance *	-6.6	-6.6	-6.1	-6.3	-4.9	4.1	1.5	1.5	-1.5	-3.1	-3.6	-3.7
Gross investment	23.6	22.0	22.0	23.0	25.8	23.0	24.7	26.1	26.6	28.4	28.7	29.3
Public finance (% GDP)												
Fiscal balance	-0.6	-1.5	-1.9	-1.5	-0.5	-2.6	-2.8	-2.9	-3.2	-2.5	-2.5	-2.3
International reserves (as weeks of imports)	10.5	10.5	9.8	9.5	6.8	9.1	9.1	11.0	11.2	11.3	11.4	11.4
Program (Bank's FY) **												
Lending (\$ million)	403	650	630	640	395	308	286	629	594	625	570	550
Gross disbursements (\$ million)	215	195	215	245	238	207	156	160	331	371	412	457

Note: * excluding grants.

** Figures refer to the base case.

Source: Vietnam authorities and World Bank Staff estimates.

VIETNAM: KEY ECONOMIC INDICATORS, 1997-2005

	Act.			Rev.	Est.	Projected			
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Growth Rates (%)									
Real GDP	8.2	4.0	4.5	5.5	4.8	5.2	7.0	7.0	7.0
Real GDY	9.8	6.3	2.1	10.3	0.8	3.8	6.2	7.7	6.7
Real GDP per capita	7.8	4.3	0.2	8.2	1.1	1.9	4.3	5.7	4.7
Consumer price index (annual avg.)	3.2	7.3	4.1	-1.7	-0.8	4.0	4.0	4.0	4.0
Consumer price index (Dec. to Dec.)	3.6	9.2	0.1	-1.0	0.5	..	..	..	..
Debt Service									
Debt service (US\$ million)	1341	1647	1936	1784	1989	1946	1858	1920	2087
Debt service/XGS (%)	11.5	13.8	13.8	10.4	11.2	10.5	9.1	8.1	7.4
Debt service/GDP (%)	5.4	6.4	7.1	6.2	6.9	6.3	5.5	5.2	5.2
Ratios to GDP (current prices) (%)									
Investment	29.8	25.8	23.0	24.7	26.1	26.6	28.4	28.7	29.3
National savings	22.6	21.0	27.1	26.4	27.4	25.1	25.3	25.1	25.7
Domestic savings	21.5	13.8	21.9	23.1	24.0	23.2	23.3	22.6	23.2
Public investment	6.2	5.7	6.7	7.6	8.2	7.7	7.0	7.0	7.0
Private investment	23.6	20.1	16.3	17.1	17.9	18.9	21.4	21.7	22.3
Ratio of public/private investment	0.26	0.58	0.36	0.37	0.34	0.38	0.34	0.34	0.34
Government revenues (inc. grants) (%)	20.8	20.2	19.8	21.1	21.7	20.8	21.0	21.0	21.2
Government expenditures (inc. int.)	22.2	20.7	22.4	23.9	24.6	24.0	23.5	23.5	23.5
Overall deficit (cash basis) (%)	-1.4	-0.5	-2.6	-2.8	-2.9	-3.2	-2.5	-2.5	-2.3
Other Items									
Export growth rates (nominal) (%)	24.8	2.4	23.2	25.2	4.0	5.0	10.0	15.0	15.0
Exports/GDP (%)	36.7	36.2	42.2	50.3	52.3	51.3	51.7	54.6	57.8
Export growth rates (real) (%)	13.3	4.3	22.6	14.8	13.8	4.1	9.1	14.4	16.0
Import growth rates (nominal) (%)	4.1	-0.9	1.1	34.7	3.1	8.0	15.0	20.0	20.0
Imports/GDP (%)	41.9	40.0	38.3	49.0	50.5	50.9	53.8	59.3	65.3
Import growth rates (real) (%)	5.3	5.3	1.0	26.9	8.3	6.8	11.2	16.1	15.1
Current account balance (US\$ million)									
- before official transfers	-1,798	-1,255	1,153	432	423	-458	-1,043	-1,315	-1,493
* percent of GDP (%)	-7.2	-4.6	4.1	1.5	1.5	-1.5	-3.1	-3.6	-3.7
- after official transfers	-1,623	-1,057	1,283	572	563	-318	-898	-1,170	-1,348
* percent of GDP (%)	-6.5	-4.1	4.7	2.0	2.0	-1.0	-2.7	-3.2	-3.4
Gross reserves in weeks of imports	7.9	6.8	9.1	9.1	11.0	11.2	11.3	11.4	11.4

Note: Figures are rounded.

Source:

Actual data: Vietnamese authorities and Bank and Fund staff estimates. Estimates and projections: World Bank.

VIETNAM: BALANCE OF PAYMENTS, 1997-2005
(US\$ Billion)

	Act.		Rev	Prel.	Est	Projected			
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Exports (fob)	9.1	9.4	11.5	14.4	15.0	15.8	17.4	20.0	23.0
Imports (fob)	10.4	10.3	10.5	14.1	14.5	15.7	18.1	21.7	26.0
Trade Balance	-1.3	-1.0	1.1	0.4	0.5	0.1	-0.7	-1.7	-3.0
Non-Factor Services	-0.6	-0.5	-0.5	-0.7	-0.7	-1.0	-0.9	-0.3	0.7
Services (Net)	-0.6	-0.7	-0.4	-0.6	-0.8	-0.9	-0.9	-0.7	-0.7
of which:									
- Interest	0.5	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Transfers (Net)	0.9	1.1	1.2	1.5	1.5	1.5	1.6	1.6	1.7
of which:									
- Official Transfers	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
- Private Transfers (net)	0.7	1.0	1.1	1.3	1.4	1.4	1.4	1.5	1.5
Current Account Balance (exc. Grants)	-1.8	-1.3	1.2	0.4	0.4	-0.5	-1.0	-1.3	-1.5
Capital Account	1.7	0.6	-0.3	-0.7	0.3	1.1	1.6	1.8	2.0
Medium and Long-Term	0.2	0.1	-0.4	0.2	0.2	0.3	0.5	0.5	0.4
- Disbursements	1.0	1.1	0.9	1.4	1.5	1.6	1.8	1.8	1.8
of which:									
* IDA	0.2	0.3	0.2	0.2	0.2	0.4	0.3	0.3	0.3
* Existing and New ODA	0.4	0.5	0.8	1.2	1.2	1.2	1.3	1.3	1.3
- Amortizations/Principals	0.8	1.1	1.4	1.2	1.3	1.3	1.3	1.3	1.4
Short-Term	-0.5	-0.3	-0.6	-1.7	-0.9	-0.8	-0.5	-0.2	0.0
Direct Investment	2.0	0.8	0.7	0.8	1.0	1.7	1.5	1.5	1.7
Errors and Omissions	-0.1	0.0	-0.2	0.3	0.0	0.0	0.0	0.0	0.0
Overall Balance	0.0	-0.5	0.8	0.1	0.8	0.8	0.7	0.6	0.7
Financing	0.0	0.5	-0.8	-0.1	-0.8	-0.8	-0.7	-0.6	-0.7
Change in Foreign Reserves	-0.3	0.1	-1.3	-0.1	-0.9	-0.9	-0.7	-0.6	-0.7
IMF (Net)	-0.1	-0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Arrears	0.3	0.1	0.5	-9.7	0.0	0.0	0.0	0.0	0.0
Rescheduling	-0.0	0.4	0.0	9.7	0.0	0.0	0.0	0.0	0.0

Note: Figures are rounded.

Source:

Actual data: Vietnamese authorities and Bank and Fund staff estimates. Estimates and projections: World Bank.

VIETNAM: KEY EXPOSURE INDICATORS, 1997-2005

(US\$ Billion) a/

	1997	Act. 1998	1999	Prel. 2000	Est. 2001	2002	Projected 2003	c/ 2004	2005
	b/	b/	b/						
Total debt outstanding and disbursed (TDOD) (US\$ billion)	10.1	10.8	11.1	13.9	14.4	14.9	16.1	16.9	18.8
Public	6.6	7.3	7.8	10.8	11.5	12.2	13.5	14.3	16.1
Multilateral	1.3	2.0	2.3	2.6	2.9	3.3	3.7	4.1	4.6
Bilateral	5.3	5.3	5.5	8.2	8.6	9.0	9.8	10.2	11.5
Concessional c/	3.3	3.7	4.0	6.7	7.5	8.2	9.2	9.8	11.2
Non-concessional d/	1.9	1.7	1.5	1.5	1.1	0.7	0.6	0.4	0.3
Foreign direct investment	3.5	3.5	3.4	3.1	2.9	2.7	2.6	2.6	2.7
Key Debt Service Indicators (%)									
Debt service/XGNFS	11.5	13.8	13.8	10.4	11.2	10.5	9.1	8.1	7.4
Debt service/GDP	5.4	6.4	7.0	6.2	6.9	6.3	5.5	5.2	5.2

Note: Figures are rounded..

a. Includes future disbursements.

b. Convertible debt only.

c. For 2000 onwards, includes the rescheduled of non-convertible Russian debt.

d. Suppliers credit, financial institutions, export credits, and other private creditors.

Source: World Bank staff estimates, based on information provided by the Government.

Vietnam Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1994-00	East Asia & Pacific	Low-income
POPULATION					
Total population, mid-year (millions)	48.0	58.9	78.5	1,855.2	2,459.8
Growth rate (% annual average for period)	2.3	1.8	1.5	1.1	2.0
Urban population (% of population)	18.8	19.6	24.0	35.2	31.9
Total fertility rate (births per woman)	5.7	4.2	2.2	2.1	3.6
POVERTY					
<i>(% of population)</i>					
National headcount index
Urban headcount index
Rural headcount index
INCOME					
GNI per capita (US\$)	390	1,060	410
Consumer price index (1995=100)	120	135	140
Food price index (1995=100)
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	36.1	..	..
Lowest quintile (% of income or consumption)	8.0	..	..
Highest quintile (% of income or consumption)	44.5	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	0.8	2.0	1.2
Education (% of GDP)	2.8	2.9	3.4
Social security and welfare (% of GDP)
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	95	97	91	..
Male	100	91	..
Female	95	91	..
Access to an improved water source					
<i>(% of population)</i>					
Total	56	75	76
Urban	81	93	88
Rural	50	66	70
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	19	93	85	57
DPT	..	42	93	85	57
Child malnutrition (% under 5 years)	..	52	37	10	..

Life expectancy at birth

(years)

Total	56	63	69	69	59
Male	54	61	67	67	58
Female	58	65	72	71	60

Mortality

Infant (per 1,000 live births)	73	49	27	35	76
Under 5 (per 1,000 live births)	157	105	34	45	115
Adult (15-59)					
Male (per 1,000 population)	320	262	206	183	294
Female (per 1,000 population)	256	204	141	132	261
Maternal (per 100,000 live births)	..	..	95	..	..
Births attended by skilled health staff (%)	..	100	77	..	..

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data.

A Chronology of Structural Reform, 1998-2002

Box 1: Integrating into the World Economy, 1998 – June 2002

1998

- Lowered the maximum import tariff to 50 percent (exceptions remain for six groups) and reducing the number of tariff-rates to 15;
- Liberalized trading rights of domestic firms by allowing them to export and import goods directly, without a license, though residual restrictions remain for importers;
- Allowed private firms to import fertilizer;

1999

- Allocated rice export quotas to non-state firms for the first time (by listing 5 private firms and 4 joint-ventures among the 47 authorized primary rice exporters) and allowed foreign firms to buy rice directly from farmers for export purposes;
- Auctioned 20 percent of garment export quotas;
- Encouraged trading activities by reducing the foreign exchange surrender requirement from 80 percent to 50 percent of foreign exchange earnings;

2000

- Removed quantitative import restrictions on 8 out of remaining 19 groups of products i.e. including fertilizer, liquid soda, ceramic goods, plastic packaging, DOP plasticizer, ceramic sanitary ware, electric fans, and bicycle;
- Signed a bilateral trade agreement with the US in July paving the way for MFN access of Vietnamese exports to the US market, gradual opening up of Vietnam's economy, for goods and services as well as investments;
- Approved a roadmap for AFTA tariff reduction during 2001-2006 wherein most tariff lines will have their tariff reduced to 20% by early 2003 and to 5% by early 2006;

2001

- Enhanced the scope for long-term planning among traders by drawing up export and import plans for the period 2001-2005, instead of the hitherto one year schemes;
- Removed QRs multilaterally on all tariff lines of the following groups of products: liquor, clinker, paper, floor tiles, construction glass, some types of steel, and vegetable oil;
- Reduced the foreign exchange surrender requirement from 50 to 40 percent;
- Abolished the quota allocation for rice exports and fertilizer imports;
- Moved 713 tariff lines from the Temporary Exclusion List (TEL) to the Inclusion List (IL);
- Permitted all legal entities (companies and individuals) to export most goods without having to acquire a special license by revising the implementing decree of the Trade law;
- Established an export support credit sourced from the State Development Assistance Fund, to promote exports;
- Reduced the number of items that FIEs have to export from 24 to 14, including such items as tiles, ceramics, footwear, electric fans, plastic products, and common paints;
- Permitted FIEs to engage in exports of coffee, minerals, certain wood products, and certain textiles and garments;

2002

- Detailed a list of goods and tax rates for implementing the Agreement on the Common Effect Preferential Tariffs (CEPT) Scheme of ASEAN countries for the year 2002. Based on the schedule, 481 items were moved in to Inclusion list with tariff lower than 20%. To date there are 5558 lines in the Inclusion List, 770 in the Temporary Exclusion List, 53 in the Sensitive Agricultural List and 139 in General Exclusion List;
- A Government negotiation team has started working sessions on WTO accession in Geneva (April 2002)

Box 2: Improving the Climate for Enterprise, 1998 – June 2002

1998

- Issued a new Decree on foreign investment providing additional incentives to foreign investors;
- Initiated the private sector donor dialogue under the auspices of the Consultative Group of donors in order to better understand the constraints faced by the private sector, especially foreign investors;
- Amended the Law on Promotion of Domestic Investment, allowing domestic and foreign organizations, and individuals, to buy shares and contribute capital to domestic enterprises, including equitized SOEs, and provided additional incentives for new domestic investment;

1999

- Approved the Enterprise Law and issued decrees to implement it, eliminating a number of discretionary restrictions on the establishment of private business;
- Provided regulations on secured transactions, enabling mortgages of land-use rights and houses, and collateralized lending on the back of assets ranging from materials, machines, and production equipment to bonds, shares, and property rights;
- Revised the Land Law to convert, transfer, lease, provide as collateral and capital contribution of land use-rights to banks or to joint-ventures;

2000

- Implemented the Enterprise Law and revoked unnecessary business licensing restrictions in 145 industries, trades and services to ease private entry;
- Revised the Foreign Investment Law to create more favorable conditions for foreign investors: Improving access to foreign exchange, allowing mortgaging of land by foreign bank branches in Vietnam, permitting automatic registration for export-oriented foreign investment, and making provisions for the Government to issue guarantees for large infrastructure projects;
- Amended the 1993 Law on Petroleum, making the investment and regulatory environment for foreign investment in the oil and gas sector more attractive;
- Established the first stock exchange center in Ho Chi Minh City, which is dealing in treasury bonds and shares of listed companies;

2001

- Increased openness and information by establishing an Enterprise Information Center under MPI on enterprises registered under the Enterprise Law;
- Approved two BOT projects in the energy sector: Phu My 2.2 power plant with an EdF led consortium of TEPCO and GEC (US\$ 400 million) and Phu My 3 combined cycle power project with BP (US\$450 million), thereby creating precedents for more BOTs in infrastructure;
- Provided detailed guidelines and listed all necessary documentations for foreign invested enterprises to mortgage land-use rights and assets attached thereto to Vietnamese credit institutions and joint-venture banks;
- Allowed overseas Vietnamese to hold land-use rights, and decentralized control and monitoring of land-use rights to enhance the functioning of the real estate market;
- Phased out the dual pricing policy for overseas Vietnamese in aviation fares, electricity, and visa fees;
- Unified train fares for foreigners, overseas Vietnamese, and Vietnamese nationals as of January 2002;
- Amended Decree 17 dated March 24, 1999 to improve transparency and legalize the real estate market, by providing official regulations for sale, lease, mortgage and transfer of land-use-rights;
- Given overseas Vietnamese the right to own and dispose of property in Vietnam, provided they have invested in, or otherwise contributed to the economy, or have been invited by the Government to take up residence and work in Vietnam;
- Recognized the importance of SMEs by updating the decree to support the development and continued growth of these enterprises by specifying regulations and support mechanisms;

2002

- Amended the constitution of Vietnam to provide the private sector status equal to that of the state sector;
- Introduced a website (www.business.gov.vn) - the first ever e-government site in Vietnam - on business registration, providing information on procedures for registration and providing downloadable application forms;
- Proposed to eliminate 16 business licenses in the following sectors: transport, trade, healthcare, telecommunications, industry, environment, and culture; and modify 13 current licenses into conditions to be fulfilled in the following sectors: internet provision, advertisement, culture, healthcare and medicine (the decision is pending prime ministerial approval);
- Set up the website: "Investment Information and Opportunities in Vietnam" (www.khoahoc.vnn.vn/mpi_website) under MPI in partnership with MIGA, to provide timely and clear information to domestic and foreign investors. The site also includes an online investment application facility;
- Allowed foreign portfolio investors to remit dividends from investments in the domestic securities markets.

Box 3: Reforming State-Owned Enterprises, 1998 – June 2002

1998

- Issued Decree 44 to simplify the process of equitization and allow limited foreign shareholding in equitized SOEs;
- Issued Directive 20 to adopt a wider menu of reform options for SOEs, e.g. outright sale, transfer to employees competitive bidding, for purchasing SOEs on SOE shares, leases, management contract etc.;
- Announced annual targets for equitizations for 1998 – 2000;
- Equitized 52 SOEs;

1999

- Completed classification of SOEs into three groups: profitable, temporary loss-makers and permanent loss-makers;
- Issued decrees and regulations for outright sale, transfer to employees, and lease of small SOEs, without requiring conversion of SOEs into joint-stock companies as required for equitization;
- Selected 100 large troubled SOEs for independent diagnostic audits (i.e. operational reviews);
- Equitized 151 SOEs;

2000

- Selected three general corporations (Seaprodex, Vinatex, and Vinacafe) for developing specific action restructuring plans;
- Expanded authority of provinces to decide on divestiture of SOEs with capital of up to five billion VND instead of 1 billion permitted before;
- Established an Assistance Fund for Restructuring and Equitizing SOEs to finance severance payments, early pension payments and retraining for redundant workers, to minimize the negative social impact of SOE reforms on workers;
- Adopted a comprehensive five-year SOE-reform plan with annual target for the first three years.
- Equitized 185 SOEs;

2001

- Established a quarterly monitoring system for 200 large highly-indebted SOEs, revised a decision to clarify reporting requirements and introduced sanctions against late reporting;
- Issued government's instruction for a moratorium on establishing new SOEs by local People Committees and line ministries until further notice (Official Dispatch 574/CP of June 25, 2001);
- Established the Financial Investment Company under the Enterprise Law, to represent the interests of the State as owner and co-owner of SOEs and issued decree 63 on transforming SOEs into one-member limited liability companies -- steps towards disentangling the complex ties between Government and SOEs;
- Equitized a total of 194 SOEs;

2002

- Planning to allow managers of equitized enterprises to purchase shares in excess of the number of shares subscribed by employees, requiring 30 days public notice prior to announcement of equitization, and clarifying potential conflicts between the SOE Law and the Enterprise Law (Decree expected to be issued by end-June 2002);
- Equitized a total of 87 enterprises as of end-May;

Box 4: Strengthening the Banking System, 1998 – June 2002

1998

Established a Bank Restructuring Committee and initiated restructuring of non-state Joint-Stock Banks (JSBs) in HCM City;
Issued regulations for intervening in troubled banks including conditions for “Special Control Regime” of the central bank;

1999

- SBV completed financial assessment of all JSBs
- Closed and merged 4 JSBs in HCM City;
- Issued prudential regulations for banking operations, financial ratios for safe operation of credit institutions; authority of banking inspectors; deposit insurance and collateral;

2000

- Issued new regulations for operations of banks in respect of calculating provisions against their non-performing loans on a quarterly basis;
Assigned full responsibility and accountability for all aspects of the credit cycle to banks; requiring loan officers in commercial banks to check not only the capacity of the borrower to repay a loan but also to check the feasibility and viability of the project that is to be financed;
Allowed lending on an unsecured basis to SOEs and foreign invested enterprises;
Replaced fully administered interest rates on dollar and dong loans by a more flexible interest-rate system under which the dollar rate is anchored in SIBOR, while the dong rate is allowed to vary around a SBV base rate subject to a ceiling rate;
Issued regulations for the organization of SBV’s supervision of the banking sector -- the State Bank Inspectorate;
Supplemented the existing legislation for foreign banks with detailed provisions concerning the organization and operations of SOCBs and JSBs, broadening the range of non-core activities;
Clarified provisions for registering secured transactions;

2001

- Provided guidelines for the realization, either through sale or seizure of secured property, for recovery of debts by credit institutions;
Simplified procedures governing deferred L/Cs, by cutting the number of requirements from six to two – effective June 10, 2001;
Adopted a detailed restructuring plan for the four large SOCBs including annual milestones (i.e. actions and targets) that need to be achieved to obtain phased re-capitalization funds from Government;
Broadened the scope for financial leasing and improved regulations to create a more attractive operating environment for domestic and foreign leasing companies;
Freed interest rates on foreign currency lending by banks in Vietnam and off-shore banks;
Issued guidelines for the implementation of the Ordinance on Commercial Paper from 1999, including on the form and language of, and conditions for guaranteeing and pledging commercial paper, and the respective obligations of the different parties to such commercial transactions;
Increased autonomy of commercial banks by allowing them to set up internal systems for clearing payment transactions without State Bank involvement, but with State Bank permission;
Provided a framework for cross-border payment transactions, recognizing, for the first time, that international practices can be used to govern cross-border transactions if Vietnamese law does not require otherwise;
Allowed all joint-venture and foreign banks operating in Vietnam to take collateral in the form of land from local clients, i.e. in the form of land use rights and land certificates;
- Allowed joint-venture banks to receive hard-currency deposits from Vietnamese clients;

2002

- Established a National Register Agency for Secured Transaction under the Ministry of Justice to facilitate transactions by credit institutions and entitling third parties to access information related to secured transactions. The registry opened for business March, 12 2002;
- Enhanced the process for resolution of bad loans by allowing domestic commercial banks and credit organizations to sell collateral backing loans directly in the market at market determined prices instead of going through state-owned agencies;
- Brought banking regulations closer to international accounting norms, by stating that should customers fail to repay an installment the entire loan can be accelerated and classified as overdue, and giving banks more discretion in setting interest rates on overdue debt;
- Permitted banks to make decisions on the terms of any given loan, including domestic banks’ lending to foreign borrowers in Vietnam, such as maturity and interest rate, and generally devise new forms of lending provided they are not forbidden by law, including, for the first time, the possibility of overdraft lending;
Revoked the license of one JSB that had previously been under special supervision by SBV;
Removed the interest rate ceilings on VND, giving banks the freedom to quote appropriate rates that reflect the credit risk of their lending.

Box 5: Managing Public Resources Better, 1998 – June 2002

1998

- Published 1997 final accounts and the 1999 budget plan in the form of a freely available booklet,
- Provided fiscal information to international organizations and donors in a GFS-consistent format as well as to all relevant Government agencies;

1999

- Improved fiscal management by requiring improved accounting of foreign grants and clarification of roles in management of external debt and in debt monitoring;
- Clarified processes for managing fees, charges and revenues raised and spent by spending agencies;

2000

- Published the Public Expenditure Review – Managing Public Resources Better;
- Issued a regulation on commune budget management and a simplified budget classification to provide a framework for improved accounting, reporting and management of budgets and other financial activities at commune level;
- Initiated a pilot of block grant budgeting for administrative agencies in Ho Chi Minh City to permit more autonomy and encourage efficient use of resources and appropriate re-allocation where needed;

2001

- Developed a detailed public expenditure management improvement action plan with a timetable for the next three years;
- Established an inter-agency working group to coordinate implementation of PER-2000 recommendations;
- Completed provincial PERs for Ho Chi Minh City and Quang Binh;
- Issued revised regulations on fiscal transparency to allow more budgetary information to be made public and to enforce implementation by lower level of government;
- Initiated a pilot development of the medium term expenditure framework for education sector;
- Adopted a decision to expand Ho Chi Minh City's block grant budgeting pilot to other provinces and central agencies;
- Passed an amendment to the Constitution to provide a full autonomy to Provincial People's Council to approve and allocate its budget;

2002

- Posted, for the first time, budgetary information on MOF's website;
- Issued a Decree on the new financial management mechanism for public service delivery agencies to provide more autonomy, flexibility and certainty to these agencies in managing their financial resources.

Status of Bank Group Operations in Vietnam
IDA Credits in the Operations Portfolio
(as of June 30, 2002)

Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ million			Undisbursed	Difference between actual and expected disbursements (%) a/	Last ARPP supervision ratings b/	
				IBRD	IDA	Cancel-lations			Development objectives	Implementation Progress
Nine credits closed										
84500	1979	Govt	Irrigation	0.00	60.00	0.30	0.00			
25610	1994	Govt	Agriculture Rehabilitation	0.00	96.00	1.80	0.00			
26570	1994	Govt	Structural Adjustment Credit	0.00	150.00	0.00	0.00			
28200	1996	EVN	Power Development	0.00	180.00	1.40	0.00			
30300	1998	Govt	Debt Reduction	0.00	35.00	0.00	0.00			
27240	1996	EVN	Power Sector Rehabilitation	0.00	165.00	10.50	0.00			
25490	1994	Govt	Highway Rehabilitation	0.00	158.50	0.00	11.70	10.00	S	S
28550	1996	Govt	Rural Finance	0.00	122.00	0.00	0.00	0.00	S	S
29290	1997	Govt	Rural Transport	0.00	55.00	0.00	0.00	0.00	S	S
			Sub-Total		1021.50	14.00	11.70			
Current Projects										
25480	1994	Govt	Primary Education	0.00	70.00	0.00	3.30	9.72	S	S
27110	1995	Govt	Irrigation Rehabilitation	0.00	100.00	0.00	19.40	1.65	S	S
27850	1996	Govt	Banking Modernization	0.00	49.00	0.00	30.90	77.36	S	S
28070	1996	Govt	Family Health and Population	0.00	50.00	0.00	13.50	29.06	S	S
28080	1996	Govt	National Health	0.00	101.20	0.00	49.70	58.99	S	S
CN0130	1997	Govt	Highway Rehabilitation II	0.00	195.60	0.00	50.80	34.71	S	S
CN0260	1997	Govt	Water Supply	0.00	98.61	26.80	30.50	11.59	S	S
29960	1998	Govt	Forest Protection	0.00	21.51	0.00	18.00	3.83	S	S
30000	1998	Govt	Inland Waterways	0.00	73.00	0.00	58.80	-1.62	S	S
30340	1998	EVN	Power Transmission and Distribution	0.00	199.00	0.00	165.80	69.94	S	S
30990	1998	Govt	Agricultural Diversification	0.00	66.85	0.00	39.50	-5.97	S	S
31250	1999	Govt	Urban Transport	0.00	42.74	0.00	33.50	-17.60	S	U
31260	1999	Govt	Higher Education	0.00	83.30	0.00	68.30	8.58	S	S
31980	1999	Govt	Mekong Delta Water	0.00	101.80	0.00	90.30	57.87	S	S
32110	1999	Govt	3 Cities Sanitation	0.00	80.50	0.00	73.20	22.27	S	S
32920	2000	Govt	Coastal Wetlands/Protection	0.00	31.80	0.00	28.80	41.59	S	U
33060	2000	Govt	Rural Transport II	0.00	103.90	0.00	74.40	28.24	S	S
3358	2000	EVN	Rural Energy	0.00	150.00	0.00	117.80	58.87	S	S
3448	2001	Govt	Mekong Transport	0.00	110.00	0.00	110.00	28.34	S	S
34750	2001	Govt	HCMC Environmental Sanitation	0.00	166.30	0.00	165.10	1.02	S	S
3511	2001	Govt	Poverty Reduction Support Credit	0.00	250.00	0.00	156.80	-0.26	-	-
3532	2001	Govt	Community Based Rural Infrastructure	0.00	102.80	0.00	105.40	0.34	S	S
3572	2002	Govt	Northern Mountains Pov. Reduction	0.00	110.20	0.00	116.50	0.00	S	S
3594	2002	Govt	Primary Teachers Training	0.00	19.84	0.00	20.70	0.00		
3631	2002	Govt	Regional Blood Transfusion	0.00	38.20	0.00	40.80	0.00		
3648	2002	Govt	Rural Finance II	0.00	200.00	0.00	212.30	0.00		
3680	2002	EVN	Energy Efficiency and Equitization	0.00	225.00	0.00	235.80	0.00		
			Total -- Current Projects		2841.15	26.80	2129.90			
			Grand Total -- All Projects (Closed and Current)		3862.65					
				Active Loans	Closed Loans	Total				
			Total disbursed	644.90	954.18	1599.08				
			of which repaid	0.00	12.24	12.24				
			Total undisbursed	2129.90	11.70	2141.60				

Note: a. Intended disbursements to date as projected in SAP minus actual disbursements to date.

b. Following the FY94 Annual Review of Portfolio Performance (ARPP), a letter-based system was introduced (HS=highly satisfactory, S=satisfactory, U=unsatisfactory, HU=highly unsatisfactory).

c. Disbursement is estimated to continue beyond closing date

Source: World Bank.

**Selected Indicators* of Bank Portfolio Performance and Management
As Of End FY02**

Indicator	1999	2000	2001	2002
Portfolio Assessment				
Number of Projects Under Implementation ^a	20	21	25	27
Average Implementation Period (years) ^b	2.6	3.0	3.4	3.5
Percent of Problem Projects by Number ^{a, c}	5.0	0.0	8.0	7.4
Percent of Problem Projects by Amount ^{a, c}	2.4	0.0	5.5	2.6
Percent of Projects at Risk by Number ^{a, d}	5.0	0.0	8.0	11.1
Percent of Projects at Risk by Amount ^{a, d}	2.4	0.0	5.5	3.4
Disbursement Ratio (%) ^e	17.3	12.0	11.9	14.5
Portfolio Management				
CPPR during the year (yes/no)	yes	yes	yes	yes
Supervision Resources (US\$ million)	1.243	1.489	1.36	2.046
Number of Projects Under Supervision during FY	22	24	25	28
Average Supervision (US\$/project)	56500	62042	54400	73071

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	6	4
Proj Eval by OED by Amt (US\$ millions)	650.5	440.5
% of OED Projects Rated U or HU by Number	0.0	0.0
% of OED Projects Rated U or HU by Amt	0.0	0.0

a. At the end of the fiscal year.

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Vietnam
Statement of IFC's
Held and Disbursed Portfolio

As of June 2002
(In US Dollars Millions)

FY Approval	Company	Held				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1995/97	Nghi Son Cement	19.2	0	0	15.24	19.2	0	0	15.24
1996	Morn.Star Cement	22.6	0	0	44.94	22.6	0	0	44.94
1996	SMH Glass Co.	7.22	0	0	1.69	7.22	0	0	1.69
1996	VILC	0	0.75	0	0	0	0.75	0	0
1996	Vimaflour	3.08	0	0	0.54	3.08	0	0	0.54
1997	NATL	16.8	0	0	16.8	16.8	0	0	16.8
1998	MFL Vinh Phat	0.3	0	0	0	0.14	0	0	0
2002	F-V Hospital	8	0	0	0	0	0	0	0
2002	VEIL	0	0	12	0	0	0	0	0
Total Portfolio:		77.2	0.75	12	79.21	68.97	0.75	0	79.21

Approvals Pending Commitment

		Loan	Equity	Quasi	Partic
2000	Interflour	8	0	0	5
2001	RMIT Vietnam	7.5	0	0	0
2002	Dragon Capital	0	0	2	0
2002	F-V Hospital	1.5	0	0.5	0
2002	Global Cybersoft	0	1.25	0	0
Total Pending Commitment:		17	1.25	2.5	5

Vietnam - IFC and MIGA Program, FY 1999-2002

	1999	2000	2001	2002 Est
IFC approvals (US\$m)	0.00	8.00	7.50	31.25
B3				
Collective Inv Vehicle				38
Education Services			100	
Finance and Insurance				11
Food and Beverages	0	100		
Health Care				32
Information Technology				9
Textiles, Apparel & Le	0			10
Total	0	100	100	100
Investment instrument(%)				
Loans	0	100	100	30
Equity				14
Quasi-Equity				56
Other				
Total	0	100	100	100
MIGA guarantees (US\$m)	36.00	36.00	20.00	20.00

Vietnam--Summary of Non-Lending Services

Product	FY02 (US\$000)	FY03 (US\$000)
Theme 1: Transition to a Market Economy		
(1) Cross Sectoral Work on Economic Growth and Poverty Reduction	275	260
(2) Financial and Corporate Development	380	350
(3) Rural Development	135	75
(4) Urban Development	15	80
Theme 2: Social Inclusion, Equitable and Sustainable Development		
(5) Poverty and Vulnerability	205	205
(6) Access to Services	240	170
(7) Environmental Sustainability	60	50
Theme 3: Promoting Good Governance		
(8) Public Financial Management		150
(9) Decentralization and Participation		100
(10) Legal Reform	120	115
(11) Public Administration Reform		100
(12) ICT	150	60
Other		
(13) Partnerships and Aid Coordination	105	150
(14) Fiduciary Reviews (CFAA, CPAR)	60	100
(15) Country Assistance Strategy	230	40
Total	1975	2005

The CDF Matrix for Vietnam

		The Pillars of Development in Vietnam														
		Building Modern Governance		Creating a Supportive Climate for Enterprise			Enhancing Human Capacity			Providing Efficient Infrastructure Services				Improving Environ. Quality	Transforming the Rural Economy	
		Public Administration Reform	Legal Sector Reform	Financial System	Social Safety Net and Social Programs	Private Sector Dev't	Education	Health and Population	Cultural Issues	Water and Sanitation	Power	Transport & Communication	Urban Dev't	Environment	Agriculture / Rural Dev't (except forestry)	Forestry
Partners' Priority Areas	Multi-lateral	ADB EC UNDP WB	ADB UNDP WB	ADB EC IMF UNDP WB	UNDP WB	EC UNDP UNIDO WB (IFC)	ADB EC UNESCO UNICEF WB	ADB EC UNFPA UNICEF WB WHO	UNESCO	ADB UNICEF WB	ADB WB	ADB WB	ADB UNDP WB	ADB EC UNDP UNEP WB	ADB EC FAO IFAD UNCDF UNDP WB	ADB EC FAO UNDP WB
	Bilateral	Australia Canada Denmark Finland Germany Netherlands Norway Sweden Switzerland UK	Australia Canada Denmark France Sweden Japan	Australia Canada Denmark France Germany Japan Netherlands Norway Sweden Switzerland UK USA	France Japan Netherlands UK	Australia Austria Canada Denmark Germany Japan New Zeal. Sweden Switzerland UK	Australia Belgium Canada Czech R. Denmark France Germany Italy Japan Korea New Zealand Norway Spain Sweden Switzerland UK	Australia Austria Belgium Canada Czech Rep. France Germany Italy Japan Korea Luxembourg Netherlands New Zealand Spain Sweden UK USA	Finland France Netherlands Sweden	Australia Denmark Finland France Italy Japan Netherlands UK	Japan Sweden Norway Belgium France Ireland Korea	Australia Canada Denmark France Japan Spain UK	Australia Belgium Denmark Finland France Japan Switzerland	Canada Denmark Germany Netherlands Norway Sweden Switzerland US	Australia Austria Belgium Canada Denmark France Finland Germany Italy Japan Netherlands New Zealand Norway Spain Sweden Switzerland Thailand UK	Finland Germany Japan Netherlands Sweden Switzerland
	NGOs	Asia Found. Ford Foundation KAS Oxfam GB Oxfam HK	Asia Found. FES KAS	ActionAid Oxfam Q	ActionAid Oxfam GB SC-UK	Asia Found CECI CRS EED EFD Ford Oxfam GB Oxfam HK SC UK VSO	CARE CIDSE Danish Red Cross DKT IFRC MCNV Oxfam-HK Path C Pathfinder Plan Pop Council SC-UK SC-US WPF WVI	Ford	ActionAid CIDSE FHI IDE Oxfam B Plan WVI	ENDA SC-UK Villes en Transition	ENDA SC-UK Villes en Transition	Birdlife Int. CIDSE ENDA FFI Ford Frontier Helvetas IUCN Oxfam GB Oxfam HK Oxfam Q VSO WWF	ActionAid CECI CIDSE CRS GRET Oxfam B Oxfam GB Oxfam HK SC-J SNV WVI	Frontier Helvetas IUCN Oxfam GB WWF		

Cofinancing Operations in Vietnam*(as of June 2002)*

Fiscal Year	Purpose	Original Amount in US\$ million	
		IDA Co-financing	Co-financiers*
1996	Family Health and Population	50.00	61.00 ADB (41) and Germany (20)
1996	National Health	101.20	9.00 Sweden (4.7) and Netherlands (4.3)
1997	Water Supply	98.61	17.98 Finland (3.89), Denmark (12.76) and Australia (1.33)
1998	Forest Protection	21.51	5.16 Netherlands
1998	Power Transmission and Distribution	199.00	17.40 Sweden (16.6) and ADB (0.8)
1998	Agricultural Diversification	66.85	15.57 France
1999	3 Cities Sanitation	80.50	18.70 Australia (1.2), Denmark (11.7) and Finland (5.8)
2000	Coastal Wetlands/Protection	31.80	11.30 Denmark
2000	Rural Transport II	103.90	26.20 UK
2001	Poverty Reduction Support Credit	250.00	44.10 UK (19.3), Holland (13.4), Denmark (9.5) and SIDA (1.9)
2002	Northern Mountains Poverty Reduction	110.00	10.5 UK
2002	Primary Teacher Development Project	19.80	10.3 UK
Totals		1133.17	247.21

*co-financing amount for each donor in US\$ million in parentheses

VIETNAM - TRUST FUNDS for PROJECT PREPARATION**PHRD & BILATERALS**

SORT BY UNIT, BY BOARD FY, BY DONOR

RESP	PROJECT	BOARD FY	DONOR	TF #	GRANT AMT US\$
EASRD	Mekong Delta Water Resources	FY99	PHRD	TF026488	\$582,100
EASRD	Community Based Poverty Reduction (CBRIP)	FY01	Denmark	TF023547	\$367,500
EASRD	CBRIP	FY01	UK	TF050001	\$307,000
EASRD	CBRIP - Employment Generation and Social Safety Net	FY01	ASEM I	TF022366	\$496,665
EASRD	Northern Mountains Poverty Reduction	FY02	Denmark	TF021338	\$474,009
EASRD	Northern Mountains Poverty Reduction	FY02	PHRD	TF026247	\$405,000
EASPR	Northern Mountains Poverty Reduction	FY02	JSDF	TF026559	\$1,395,000
EASPR	Public Finance Management Reform	FY03	PHRD	TF051127	\$742,880
EASEG	Energy Efficiency & Equitization	FY02	PHRD	TF026108	\$771,000
EASHD	Primary Education for Disadvantaged Children	FY03	PHRD	TF026248	\$637,000
EASRD	Water Resources Assistance	FY03	PHRD	TF026252	\$950,000
EASTR	Road Network Improvement Project	FY03	PHRD	TF026348	\$448,000
EASRD	Forest Sector Development	FY04	PHRD	TF026182	\$495,650
EASEG	Rural Energy II	FY04	PHRD	TF026489	\$810,000
EASUR	Urban Upgrading	FY04	PHRD	TF026249	\$841,900
EASUR	Urban Water Supply	FY04	PHRD	TF026835	\$964,350
EASRD	Natural Disasters Mitigation Project	FY05	PHRD	TF026834	\$750,400
EASHD	Provincial Health Systems Program	FY05	PHRD	TF025781	\$336,000
TOTAL GRANTS					\$11,774,454

VIETNAM - TRUST FUNDS for BANK-EXECUTED TECHNICAL ASSISTANCE
SORT BY UNIT, BY BOARD FY, BY DONOR

RESP	PROJECT	Board FY	DONOR	TF #	GRANT AMT US\$
A. PROJECT SPECIFIC					
EASHD	Primary Teachers Development	FY02	DFID	TF023244	\$703,355
EASHD	Improving Education for Disadvantaged Children	FY03	Australian	TF038158	\$154,635
EASRD	Preparation of Water Resources Assistance	FY03	France	TF038737	\$128,000
EASRD	Forest Sector Development Project	FY04	France	TF041000	\$27,720
EASRD	Forest Sector Development Project	FY04	Australian	TF040798	\$46,000
EASRD	Forest Sector Development Project	FY04	Canada	TF040888	\$31,640
EASRD	Forest Sector Development Project	FY04	Canada	TF038204	\$32,250
EASRD	Forest Sector Development Project	FY04	Ireland	TF041050	\$20,000
EASUR	Urban Upgrading	FY05	Switzerland	TF026595	\$210,000
EASUR	Urban Water Supply	FY04	Australian	TF040977	\$48,000
TOTAL PROJECT SPECIFICS					\$1,401,600
*Donors in bold are consultant TFs					
B. GENERAL					
COCPD	Sector Work - Mining	NA	Germany	TF038803	\$100,000
EASES	National Sectors Strategy for Clean Development Mech	NA	Australian	TF040219	\$200,000
EASES	Poverty Environment Nexus Study ESW	NA	Korea	TF040193	\$20,000
EASES	DUTCH PARTNERSHIP - Lead Phaseout Initiative	NA	Netherland	TF023269	\$100,000
EASES	Vietnam Community Based Forest Ecosystem Manage	NA	Norway	TF024747	\$60,000
EASES	Metropolitan Environment Improvement Project	NA	Netherlands	TF050470	\$250,000
EASHD	Quality Education for All	NA	CIDA	TF029823	\$990,000
EASPR	Trade and Poverty (AAA for Reform)	NA	Australian	TF040849	\$175,000
EASPR	Export Study	NA	Australian	TF040987	\$135,000
EASPR	Equity and Budgeting	NA	UK	TF023474	\$200,000
EASPR	Poverty Analysis & Policy Advice Support Program	NA	UK	TF022028	\$2,834,975
EASPR	Reform of State-Owned Enterprises	NA	UK	TF050154	GBP322,400
EASRD	BARREN HILLS Afforestation Project	NA	Finland	TF040649	\$48,339
EASTR	Transport and Trade Facilitation	NA	Japan	TF038967	\$154,640
EWDEN	ESMAP-Electricity Law & Regulations II	NA	UK	TF023712	\$330,000
EWDES	ESMAP: Policy Dialogue Seminar and New Mining Cod	NA	Germany	TF050084	\$70,000
EWDES	ESMAP - Policy Dialogue Seminar and New Mining Cod	NA	UK	TF028925	\$80,000
TOTAL GENERAL					\$5,747,954
*Donors in bold are consultant TFs					
GRAND TOTAL					\$7,149,554

VIETNAM - TRUST FUNDS for GOVERNMENT-EXECUTED TECHNICAL ASSISTANCE
SORT BY SOURCE OF FUNDS

RESP	PROJECT	Board FY	DONOR	TF #	GRANT AMT US\$
EASEG	Capacity Building for Power and Gas Sector Regulation	NA	IDF	TF027564	\$478,000
EASPS	Capacity Building for Privately Financed Projects	NA	IDF	TF027563	\$487,000
EACVF	Procurement Ordinance	NA	IDF	TF027283	\$430,000
EACVF	Development of Decentralized Implementation Capacity	NA	IDF	TF027289	\$499,250
EASES	Environmental Information Management	NA	IDF	TF027361	\$300,000
EASES	Stengthening Environmental and Social Services	NA	IDF	TF051032	\$235,000
EASES	Metropolitan Environment Improvement Project	NA	Netherlands	TF050471	\$250,000
EAPCO	Improvement of Financial Accountability	NA	IDF	TF027408	\$290,600
EASFS	Banking Reform, Regulation and Supervision	NA	PHRD	TF025709	\$1,282,400
EASPS	Vietnam Diagnostic Audits of State-Owned Enterprises (under the Miyazawa Initiative)	NA	PHRD	TF026343	\$4,000,000
EASFS	Banking Reform and Development in Vietnam	NA	ASEM I	TF020583	\$991,250
EASFS	Vietnam Banking Sector Restructuring	NA	ASEM I	TF022399	\$1,518,125
EASPR	State Owned Commercial Bank Restructuring in Vietnam	NA	ASEM I	TF027944	\$468,000
EASTR	Accelerating Equitization and Commercialization of SOEs in the Transport Sector	NA	ASEM I	TF022096	\$439,000
EASPS	Vietnam State-Owned Enterprise Reform	NA	ASEM I	TF022398	\$1,870,000
EASPR	Operation and Monitoring of the Social Safety Net for Redundant Workers	NA	ASEM II	TF050280	\$342,000
EASPR	Banking Reform Program	NA	ASEM II	TF050454	\$694,000
EASPR	Building Capacity for Decentralized Financing	NA	ASEM II	TF050193	\$1,000,000
EASRD	Evaluation of CBRIP	NA	ASEM II	TF050255	\$419,000
EASPS	Reform of State-Owned Enterprises	NA	Denmark	TF021418	\$474,009
EASPS	Reform of State-Owned Enterprises - Phase 2	NA	Denmark	TF023493	\$346,431
EASPS	Pilot Restructuring of Three General Corporations	NA	UK	TF050047	\$6,858,000
TOTAL					\$23,672,084

VIETNAM - GLOBAL ENVIRONMENT FACILITY
SORT BY BOARD FY

RESP	PROJECT	Board FY	TYPE	DONOR	TF #	GRANT AMT US\$
EASRD	HON MUN Marine Protected Area Pilot Project	FY01		Denmark	TF023886	\$731,840
EASRD	HON MUN Marine Protected Area Pilot Project	FY01		GEF	TF023877	\$974,785
EASES	Conservation of Pu Luong Cuc Phuong Limestone Landscape	FY01		GEF	TF028987	\$749,885
EASEG	Renewable Energy - Preparation of SEIER	FY02	Full	GEF	TF028286	\$350,000
EASEG	Energy Efficiency & Equitization	FY02	Full	GEF	TF051229	\$4,500,000
EASES	Chu Yang Sin Nature Reserve	FY02	Medium			\$600,000
EASRD	Bach Ma-Hai Van Green Corridor	FY02	Medium			\$900,000
EASEG	Demand Side Management	FY03	Full	GEF	TF050084	\$216,000
EASEG	Demand Side Management	FY03		Canada	TF040793	\$65,500
EASRD	Forest Sector Development Project	FY04	Full	GEF	TF050719	\$200,000
TOTAL PROJECT SPECIFICS						\$9,288,010

VIETNAM: POLICY MATRIX FOR THE CPRGS AND WORLD BANK PROGRAM OF SUPPORT¹ (FY03-FY05)

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
<i>I. Create legal environment for fair and competitive business</i>				
<p>1. Create a fair business environment for different forms of enterprises and increase the transparency of regulations and policies</p>	<p>Remove impediments for registration and start-up of businesses and create a level playing field for different forms of enterprises through implementation of the Law on Enterprises, continue to revoke or modify business licenses in the remaining sub-sectors where restrictive licensing exists.</p> <p>Promulgate regulations to implement the Revised Land Law (2002) and issue land-use right certificates to all land users (2005).</p> <p>Create equal conditions for all types of enterprises to access capital, credit, land, technology, profession, information, and current preferential systems of the State.</p> <p>Develop and improve a legal framework to ensure a stable and predictable investment environment and to promote openness, and transparency of measures and policies to encourage greater investment.</p> <p>Create more favourable conditions for attracting foreign investment. E.g. gradually remove the dual pricing system imposed by the State on state-supplied services for business activities of domestic and foreign-invested enterprises.</p> <p>Promote direct foreign investment in export production and in social sectors.</p> <p>Unify step by step the legal framework, policy and conditions for</p>	<p>Private Sector Assessment, jointly with IFC (FY03)</p> <p>Policy notes on framework for Private Sector Development (FY04-06)</p> <p>Land-use Rights Study (FY03-FY04)</p> <p>Pilots for private sector participation in the water sector (FY03)</p> <p>Technical assistance for enactment of Electricity Law (PPIAF) (FY03)</p>	<p>PRSCII (FY03)</p> <p>PRSC III (FY04)</p> <p>Urban Water Supply (FY04)</p> <p>PRSC IV (FY05)</p> <p>PRSC V (FY06)</p> <p>E-Government Systems and Capacity building (FY06)</p>	<p>Mekong Project Development Facility (MPDF) provides technical assistance and capacity building for small- and medium sized private enterprises.</p>

¹ Columns 1 and 2 of this Annex are reproduced from the CPRGS and lay out the Government's objectives and their detailed program of policies and measures to attain these objectives over the period 2003-2005. Columns 3 and 4 show how the World Bank Group and other donors, respectively, aim to support the Government in implementing its program.

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
	<p>domestic and foreign-invested enterprises.</p> <p>Construct and approve the Electricity Law.</p> <p>Issue implementing regulations of Decree No. 90/CP on promoting development of small and medium size enterprises (2002-2003).</p> <p>Promote the activities of the farm economy by implementing Decree No. 03/CP (2002-2003).</p> <p>Prepare conditions to unify the Law to Encourage Domestic Investment and the Foreign Investment Law (2003).</p> <p>Promulgate the Bankruptcy Law (revised) applied to all types of enterprises (2003).</p> <p>Revise and amend some articles of the Labour Law (2002).</p> <p>Promulgate State Law on Price (2002).</p> <p>Promulgate State Law on Trade Arbitration (2002-2003).</p> <p>Implement the Decree No. 132/CP on the development of rural professions.</p> <p>Revise and amend selected articles of the Co-operative Law (2003).</p> <p>Promulgate the Best Company Management Rules and require all companies listed on the Stock Market and Joint stock banks to implement them within 18 months; encourage Joint stock companies to implement these Rules also.</p> <p>Construct the legal framework to allow for establishing business associations.</p>			
<p>2. Reform state-owned enterprises (SOEs) to strengthen their efficiency and competitiveness.</p>	<p>Implement a medium term five - year SOE reform program during the 2001-2005 period, with annual targets to improve efficiency and to curtail losses in this sector. Complete the equitization, transfer to employees, sale, contracting out, leases, mergers, divestitures and liquidation of around 2,800 SOEs. Of which, complete equitization, sale and liquidation of, in 2002: 400 SOEs, in 2003: 500 SOEs.</p> <p>Promulgate criteria for the classification of SOEs and State Corporations into business- oriented SOEs and public-service SOEs (2002).</p>	<p>ASEM grants providing technical assistance to Government agencies in implementing their SOE reform plans (FY02)</p> <p>SOE reforms in</p>	<p>PRSCs</p> <p>Forestry Sector Development Project (FY04)</p>	<p>Restructuring of three large SOEs (VINATEX, VINACAFE and SEAPRODEX) (FY03-FY05) funded by DFID</p> <p>Diagnostic audits of SOEs financed by</p>

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
	<p>Issue guidance for transforming SOEs into single owner limited liability companies (2002).</p> <p>Promulgate a new decree to replace Decree No. 44/1998/ND-CP on SOE equitization.</p> <p>Promulgate the Decree on Social Welfare Fund to extend to workers of SOEs (2002).</p> <p>Promulgate Decree on the Treatment of Redundant Workers (2002).</p> <p>Develop an incentive mechanism to encourage redundant works to resign voluntarily during the process of implementing the SOE reform program.</p> <p>Develop a pilot plan to restructure several selected Corporations (about 3). Then, complete the plan to restructure 3 corporations (2002) and start the action plan (2003).</p> <p>Promulgate the Decree on SOE Debt Clearance.</p> <p>Develop a set of criteria to supervise and evaluate the business performance and effectiveness of SOEs. Complete the system of debt control of 200 large SOEs in order to have suitable reform policies. Develop the system of debt control to all SOEs in order to have policies to limit risks, clear bad debts, re-arrange or liquidate ineffective SOEs.</p> <p>Carry out performance assessment/diagnostic audits of several large SOEs. Complete the performance assessment/ diagnostic audits of 30 SOEs (2002) and another 30 SOEs (2003) if there is enough financial support.</p> <p>Revise and amend Decree No. 103/CP on the sale, transfer, contracting out, and leasing of SOEs (2002).</p> <p>Issue regulations requiring all private, limited liability and joint stock companies to improve their accounting and financial reports (2002).</p> <p>Promulgate a new decree on labour, salary and income management</p>	<p>agriculture (FY04)</p> <p>Reform road map for the power sector (jointly with ADB) (FY04)</p> <p>Developing a program for the equitization of the electricity distribution sector</p> <p>SOE reforms in the transport sector (shipping, ports and potentially railways) (FY03-FY06)</p>		<p>Australia, Denmark, and Japan</p> <p>ADB is providing TA for SOE reform</p> <p>Denmark supports SOE restructuring plans in the fisheries sector</p> <p>Germany provides support to restructure SOEs in the agricultural sector</p>

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
	in SOEs (2003), including proper incentive mechanisms.			
II. Create a stable macroeconomic environment				
1. Fiscal policy & public expenditure management				
Implement appropriate fiscal policies to safeguard medium-term sustainability	<p>Strengthen tax system, increase tax base along the lines of developing the sources of tax revenue and increasing the efficiency of the tax payment system but still remain pro-poor tax policies and system. Amend some articles of the Revised State Budget Law (2002).</p> <p>Gradually implement the recommendations that are agreed upon in the Public Expenditure Review. Increase expenditures for basic social services and rural infrastructure and bias public expenditure in favor of poor provinces.</p>	<p>Public Financial Management and Fiduciary Review, joint PER, CFAA and CPAR (FY04)</p> <p>Medium-term expenditure framework (MTEF) for health and education (FY03-04)</p> <p>MTEF for agriculture and transport (FY04)</p>	PRSCs	<p>IMF is providing technical advice on the tax system. When reform plans are developed the World Bank might come in with finances for additional TA and hardware</p> <p>Pilot self-assessment is proposed to be funded by Multidonor Trust Fund</p>
Increase budget transparency to improve the information base for decision-making and target setting.	<p>Improve budgetary revenue and the expenditure monitoring system at all levels.</p> <p>Continue to make public information on annual budgetary revenues and expenditures at various levels in a more scientific and proper manner.</p>		Public Financial Management Project (FY03)	<p>Multidonor (Netherlands, UK, Denmark, Sweden and Norway) Trust Fund to provide technical assistance in the area of Public Financial Management</p>
2. Monetary policy				
Implement prudent	Introduce monetary and credit controls with an aim to			

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
monetary policy to control inflation	<p>improving the effectiveness of monitoring monetary policy and meeting the targeted objectives.</p> <p>Continue to implement a basic interest rate policy with an aim to move towards liberalizing interest rates.</p>			
Reform banking sector and financial organizations to mobilize domestic capital resources.	<p>Develop and implement the plans for restructuring four state-owned commercial banks (SOCBs) in accordance with the overall framework for banking sector reform (2002-2004).</p> <p>Complete the international accounting standard (IAS)-based financial audits for four large SOCBs by independent auditing companies (2003); resolve all inadequate issues of auditing (2004).</p> <p>Separate preferential and policy-based credit activities from the State-owned commercial banks, and let them operate in a competitive environment.</p> <p>Address audit qualifications laid out in the IAS Audit Report on 2000 accounts (2003).</p> <p>Resolve non-performing loans of state-owned commercial banks to 20% of total debts (2002) and another 30% of non-performing loans (2003).</p> <p>Complete the separation of the Bank for the Poor from the Bank for Agriculture and Rural Development of Vietnam and let it act as a policy-based bank (2003). Increase Bank for the Poor's lending to disadvantaged areas.</p> <p>Restructure and reinforce joint stock banks, close or merge weak banks and ensure that they are in compliance with prudential regulations. Reduce the number of total joint stock banks to 28 (2003).</p> <p>Implement Decision No. 1627 to reclassify all non-performing loans in the four SOCBs and to phase-in provisioning within 3 years (2003-2005) to bring loan loss provisions in line with international standards and to allow for financial status assessment of SOCBs.</p>	<p>Financial Sector Assessments and follow-up (FY03-FY06)</p> <p>ASEM Grants to provide TA for implementation of restructuring plans</p>	PRSCs	<p>Germany, Switzerland, Denmark, Netherlands and Luxembourg provide TA to the financial sector</p> <p>MPDF has established a Bank training center to improve capacity of staff in the financial sector</p>

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
	<p>Promulgate a decree guiding the implementation of the revised Land Law to create favourable conditions for transfer, leasing, and mortgage to borrow loans from banks and to make contribution to joint ventures.</p> <p>Provide concrete guidelines on regulations to allow foreign banks operating in Vietnam to accept land use rights as collateral.</p> <p>State-owned commercial banks should raise gradually the share of credit to private small and medium enterprises and enterprises operating in rural and disadvantage areas.</p> <p>Allow Postal Savings and the People Credit Funds to receive deposits and expand their operating scope in order to lend for production development.</p>			
Foreign exchange policies to increase competitiveness, liberalize the current account	<p>Increase flexibility and transparency of the foreign exchange regime. Develop inter-bank foreign exchange market.</p> <p>Build a system and measures to control the foreign capital rotation, especially short-term capital. Control and limit using foreign currencies within Vietnam territory.</p> <p>Reduce gradually the ratio of foreign exchange surrender.</p>			

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
<p>3. External debt policies to keep debt service burden at a serviceable level</p> <p>4. Trade policy: Measures to open trade, promote exports and international integration, and strengthen the country's competitiveness.</p>	<p>Monitor all debts including debts incurred by government, SOEs, and those guaranteed by Government, debts of joint venture companies (including FDI loans) and private sector debts.</p> <p>Promote vigorously economic integration; strictly implement commitments in the process of integration.</p> <p>Make active preparations to take part in committed bilateral and multi-lateral co-operation mechanisms. Carry out the bilateral trade agreement with the United States, paving the way for accession to the World Trade Organization (WTO).</p> <p>Implement trade policies for rural, mountainous and island areas; review the performance of the Law of Trade (2002-2003). Increase the access to markets of the poor, particularly from rural, remote and isolated areas.</p> <p>Continue to remove quota restriction barriers imposed on restricted import goods, excluding the barriers on petroleum, lubricant, diesel and sugar....</p> <p>Strictly implement Decision No. 46/QD-TTg on the export-import mechanism in the period 2001-2005.</p> <p>Put all import goods that are currently in the Temporary Exemption List (TEL) into the Inclusion List (IL) with reduction of minimum rate import tax to 20% in order to implement CEPT/AFTA agreements (2003).</p> <p>Continue to remove QRs imposed on rice exporting enterprises and on fertilizer imports.</p> <p>Increase gradually activities to organize quota auctions for garment exports to create favourable conditions for exporters (including those from private sector) to access the market. Expand the rate of quota auctions for garment exports to 35% and apply measures to improve auction procedures (2003).</p>	Trade and Poverty (FY03)	<p>Public Financial Management Project (FY03)</p> <p>PRSCs</p>	<p>Australia, Switzerland and UNDP provides TA for external debt management .</p> <p>Australia, EU, Finland, New Zealand, Sweden, Switzerland, UNDP and USA provide technical assistance on trade liberalization</p>

A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
Protect the poor from the negative impact of trade liberalization	<p>Promulgate the Law of Competition (2003); promulgate the State Law on National Treatment and Most Favoured Nation Status (2003); promulgate the State Law on self-defense measure in international trade business (2002-2003).</p> <p>Implement the Customs Law (2002) to simplify and rationalize customs procedures (2002-2005).</p> <p>Operate effectively the Export Support Fund, the Export Credit Guarantee Fund (2002-2005).</p> <p>Publish all trade laws, decrees, decisions, and rules of procedures in official gazettes.</p> <p>Undertake a research to examine the impact of trade policy reforms on the poor.</p>	Study on Trade and competitiveness (FY04)		
<i>III. Public Administration reform; promote grass roots democracy and legal support for the poor.</i>				
Accelerate the reform of public administration, providing the poor with knowledge of the Law and their legal rights and obligations.	<p>Implement Decree No. 136/2001/QD-TTg issued by the Prime Minister on accelerating public administration reform in four areas: administrative institutions, management bodies, personnel strengthening and public expenditure.</p> <p>Prioritize administration reform in key agencies that directly relate to the poor, such as MARD, MOH, MOTE, etc. to ensure the access of the poor to basic services of health, education, infrastructure, etc. in provinces, especially mountainous and urban poor areas.</p> <p>Ensure that all citizens have access to information about the law and their legal rights and obligations, and that the poor have better access to the justice system.</p> <p>Improve targeting for the poor and the allocation of resources to pro-poor programs.</p> <p>Implement the action plans embedded in the Legal Needs Assessment.</p>	<p>Public Financial Management and Fiduciary Review (FY04)</p> <p>Development Policy Review (FY03)</p> <p>Technical assistance for managing the implementation of the action plans in the Legal Needs Assessment (FY03-FY05)</p>	<p>Public Financial Management is one pillar of the PAR Master plan. The Public Financial Management project together with the multidonor trust fund for Public Financial Management will help move forward the agenda under this pillar</p> <p>E-Government Systems and Capacity Building (FY06)</p>	Multi-donor Trust fund to support work in this area

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
<i>I. Policies and measures to develop sectors and areas and create opportunities for the poor.</i>				
1. Develop agriculture and the rural economy to reduce widely poverty	<p>Continue to implement the Government's Resolution No. 09 and No. 05 on directions and policies to shift the economic structure and product sale.</p> <p>Implement Resolution No. 13 to continue reform and improve the efficiency of Cooperatives; Resolution No. 14 to continue reform of mechanisms and policies to encourage the private sector.</p> <p>Provide concrete guidelines to protect land use rights in accordance with the Revised Land Law. Advance the task of planning land use and link it to land transfers. Complete land classification and accelerate the process of issuing land use right certificates to farmers, including those living in mountainous communes.</p> <p>Develop rural industrial zones at the district and commune level. Implement Decree No. 90 on support policies for developing small and medium enterprises.</p> <p>Diversify professions and encourage developing off-farm professions in rural areas. Implement Decision No. 132 issued by the Prime Minister on developing rural professions.</p> <p>Promote measures to help poor households that need cultivation land to be given enough land for production, to stabilize their livelihood, reduce poverty and gradually become richer. Allocate un-used and under-utilized land to poor farmers.</p> <p>Encourage all economic sectors to invest in the agricultural sector; develop household-scale economies; disseminate economic models for farming in order to promote agricultural diversity and development.</p> <p>Complete rural financial policies, expand access to financial and credit resources in rural areas. Increase the role of the People's Credit Fund and micro fiscal programs in rural areas.</p> <p>Develop regulations and standards regarding the safety and quality</p>	<p>Land Use Rights Study (FY03-FY04)</p> <p>Liberalization of agricultural input and output markets (FY03)</p> <p>Forestry and Upland Development (FY05)</p>	<p>PRSCs</p> <p>Forest Sector Development Project (FY04)</p> <p>Poor Communes Infrastructure and Livelihoods (FY06)</p>	<p>A formal forestry partnership has been established between the Government and different donors</p> <p>A donor partnership led by the Ministry of Agriculture and Rural Development and FAO are coordinating the agricultural assistance to Vietnam. Other participants are the World Bank, ADB, UNDP, Denmark, Germany, and the Netherlands.</p>

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
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	<p>of agricultural products, and work jointly with farmers and traders to apply a monitoring mechanism for quality assurance.</p> <p>Continue to liberalize input markets (fertilizer, insecticide, etc.) and output markets (rice, coffee, etc.).</p> <p>Create an environment that enables farmers to become more market oriented by establishing a system for rapid access to market prices and price forecasts. Facilitate the development of closer links between farmers, traders, processors and exporters.</p> <p>Policies to develop and manage fishery resources. Implement Decision No. 132 issued by the Prime Minister on the fiscal mechanism for rural road development programs, fishery infrastructure and rural professional infrastructure.</p> <p>Research and issue policies on supporting production and consumption of important agricultural, forestry and fishery products that have high economic value, are competitive, have a large consumer market, both export and import substitutions, using technical, economic and market analysis to assess Vietnam's comparative advantage for producing these commodities.</p> <p>Raise annual investment in agricultural research with a fair share going the research for upland farming. Increase spending on extension to put in place a highly qualified extension service that is responsive to the needs of farmers, especially in ethnic minority areas. Encourage co-payments by farmers for extension services for industrial crops.</p>			
2. Develop industry and urban areas to create more jobs and to improve the living standard for the poor.	<p>Develop agricultural industries (chemicals, fertilizer, packaging, etc.)</p> <p>Develop industries to process agricultural, forestry and fishery products, and microbiological industry.</p> <p>Implement Decree No. 90 on encouraging the development of small and medium scale enterprises in specific traditional sectors and professions with modern technology.</p>	<p>Urbanization Strategy, including City Development Strategies for select cities (FY03-04)</p> <p>Study on human settlements policies in urban areas</p>	<p>Urban Upgrading (FY04)</p> <p>GEF funds to support demand-side management in the Energy sector (FY03)</p>	<p>Official Development Assistance Partnership (ODAP) and the Urban Forum provides the framework for cooperation among the Government</p>

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	<p>professions with modern technology.</p> <p>Develop the legal framework to permit establishing business associations. Develop an enabling policy environment for the operation of Business Development Service (BDS) providers, regardless of their ownership structure. [BDS refers to training, consultancy, technical services, accounting and auditing services, market information services, computer services, internet and telephone, advertising, etc).]</p> <p>Provide guidance and implement Regulations on preferential policies to encourage industries to relocate to rural areas.</p> <p>Build urban development strategy; promote the urban-rural linkages that include suburb development along the lines of master-plans.</p> <p>Synchronize the development of urban infrastructures in tandem with job creation to reduce urban unemployment. Promote the performance efficiency of employment promotion centers and vocational training system; accelerate the export of labour and specialists.</p> <p>Carry out the reform of public administration procedures to reflect the actual situation of the urban poor in such areas as land and housing management, business and construction certificate issuance, residency registration, etc.</p> <p>Develop criteria, process and norms in urban planning and design to ensure that sanitation and environmental requirements are met and that also take into account the requirements of the urban poor and their ability to pay.</p> <p>Develop housing development policies for the urban poor; upgrade current residential neighborhoods squares taking into account the economic condition of the urban poor and also ensuring their employment.</p> <p>Create access to basic social services for all urban people, including unregistered migrants. Develop measures to help poor people find</p>	<p>(FY03)</p> <p>Urban Congestion (FY05)</p>		<p>and the donors in the urban sector.</p> <p>ADB provides support for vocational training</p>

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
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	<p>appropriate jobs in urban areas.</p> <p>Review labour migration policy and household registration policy to make it easy for people to move to better-paying jobs.</p> <p>Develop decrees on the demand side of energy management and energy efficiency</p>			
3. Develop infrastructure and create opportunities for the poor to access public services.	<p>Implement policies on ensuring essential infrastructures, especially water supply and living hygiene, for all poor areas, poor communes and poor quarters in cities and towns (Program No. 135. No. 143).</p> <p>Continue the mechanism of the “State and people will do it together” to develop infrastructure in rural areas. The Government will provide support to train and coach staff who are in charge of management, operation, and maintenance of basic infrastructure constructions. Formulate regulations on utilizing basic infrastructure constructions at the commune level.</p> <p>Promote the use of local labor for implementing infrastructure projects.</p> <p>Strengthen the participation of local people in planning, implementation and maintenance of local infrastructure projects.</p>	Towards Program Financing in Rural Roads (FY03)	<p>Road Network Improvement (FY03)</p> <p>Rural Transport III (FY05)</p> <p>Rural Water and Sanitation Infrastructure and Health Improvement Project (FY05)</p>	The partnership with Japan and the UK on rural transport is expected to be continued.
4. Training and Education:				
<p>Build a more equal and higher quality education for people.</p> <p>Move towards completion of junior secondary</p>	<p>Strengthen and develop the achievements of primary education universalization and illiteracy eradication, moving towards primary education at right age universalization and gender equality, paying special attention to disadvantaged areas and communities.</p> <p>Increase the net enrolment rate in lower secondary education with the aim to achieve universal lower secondary education by 2010.</p> <p>Raise budget expenditure for education and training from 15% of total budget expenditure to 18% in 2005, moving in the direction of increasing expenditure for basic education. Continue policies on the package exemption of school fees for poor children, extend</p>	<p>Follow-up to Quality Assessment of Primary Education</p> <p>TA to prepare a national framework for “Education for all”</p> <p>MTEF</p>	<p>Primary Education for Disadvantaged Children (FY03)</p> <p>Higher Education II (FY05)</p> <p>“Education for all” (FY06)</p>	UNICEF provides assistance to the Ministry of Education to monitor progress on meeting the international commitments under the Education for All programme.

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
education universalization and illiteracy eradication.	<p>preferential loans to poor students to cover training fees.</p> <p>Raise the awareness of parents in remote, isolated and ethnic minority communities about the value of education through information, education and communication.</p> <p>Provide improved school infrastructure and facilities for basic education in difficult areas to replace “leaf” schools and start the move towards full-day schooling for such communities.</p> <p>Expand the lending of textbooks and books for children to schoolchildren from ethnic minorities.</p> <p>Encourage the participation of the private sector in education and training, especially vocational. Adjust the rate of training levels; focus on training for a skilled workforce.</p> <p>Develop special policies for teachers and training staff working in disadvantaged areas, complete the salary and allowance regime, training priorities and other preferential regimes. Have appropriate policies to strengthen, train and stabilize the livelihood of teachers and training staff working in disadvantaged areas and to train them on new teaching programs, methodologies and information to improve teaching.</p> <p>Improve curriculum and teaching in tertiary education by linking scientific research and technology transfer in universities and colleges with research institutes.</p> <p>Implement priority regimes regarding land use and preferential loans for investment in education infrastructure.</p> <p>Promote training according to location; apply the appointed selection enrolment for disadvantaged areas.</p>	for Education (FY03)	PRSC III (FY04)	Japan is supporting the Ministry of Education in preparing its Primary Education Development Plan
5. Health: Improve quality of health services; increase the equity and efficiency of the health care system: concentrate on developing basic health care	Implement Instruction No. 06 issued by the Party’s Central Secretariat on strengthening and completing the grassroots-based health care network; continue support policies on primary health care tasks for people, especially for poor people and poor areas.	Study on linkages between health service availability, health service utilization and	Curative Care for the Poor (FY05)	WHO is leading a health sector donor working group which again provides input into the international

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
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and community health care.	<p>Continue investments to develop health stations and ambulatory health groups in mountainous, remote and isolated areas.</p> <p>Maintain the achievements in abolishing infant poliomyelitis and tetanus. Continue to implement extended vaccination in 10 kinds of vaccine for children.</p> <p>Have appropriate policies to provide financial support to health services for poor people.</p> <p>Encourage the development of traditional medicine in light of Instruction No. 25 issued by the Prime Minister.</p> <p>Implement Government Resolution No. 90 on the socialization of health, education and culture.</p> <p>Continue investment and complete policies for the National Action Plan on HIV/AIDS control and prevention. Mobilize the masses to strive to control and prevent HIV/AIDS and to manage the care of those infected with HIV/AIDS.</p> <p>Have appropriate preferential mechanisms and policies for medical personnel working in disadvantaged, remote and isolated areas.</p> <p>Strengthen information dissemination, education and propagation of hygienic practices, disease prevention and health improvement for poor people and poor areas.</p> <p>Gradually increase the share of recurrent budget expenditure for health to 5% of total budget expenditure in 2005 and to 8% in 2010.</p> <p>Implement appropriate policies to channel financial resources to support health care for the poor.</p> <p>Implement the National Strategy on Maternal Health Care for the period of 2001-2010.</p> <p>Promote the regime of health insurance and free-of-charge health examination and treatment for the poor. Continue to expand the scope and level of support for medical examination, treatment and medicines for poor people and disadvantaged children.</p>	<p>health outcomes (FY03).</p> <p>MTEF for health (FY03)</p> <p>Early Childhood Development Study (FY04)</p> <p>Transport Safety Strategy Review (FY03)</p>		support group under the Ministry of Health

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Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
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	<p>Increase population coverage of health insurance by mobilizing premium collections among those who can afford to pay.</p> <p>Implement Decision No. 147 issued by the Prime Minister on the implementation of the National Population Strategy of Vietnam for the period 2001-2010, strengthening information dissemination on family planning.</p>			
6. Develop a modern culture closely lined to the identity of the nation and improve the provision of information to help people expand their capacity to make choices.	<p>Promote investment to develop culture and information; develop a modern culture closely linked to our national identity.</p> <p>Concentrate investment on the development of commune cultural centers, which can be extended to meetinghouses and entertainment areas. The Government will provide primary material support to build essential infrastructure works such as cultural houses, post offices, radio and television stations, library of technological and scientific books, etc.</p>			UNESCO
7. Strengthen environmental protection and ensure a healthy environment for the poor.	<p>Continue implementation of Decision No. 104 issued by the Prime Minister on the National Strategy for Rural Hygiene and Clean Water to the year 2010.</p> <p>Approve and implement the National Strategy for Environmental Protection (NSEP) 2001-2010. Strengthen capacity in government agencies at the central and local level for environmental assessments. Improve environmental monitoring and disclosure of environmental data.</p> <p>Limit and roll back the environmental degradation in industrial zones and densely populated areas in cities and rural areas.</p> <p>Strengthen education, mobilization and control of environmental hygiene with respect to animal breeding at the household level and at the large scale level, and in craft villages.</p> <p>Supplement, complete and develop new legal normative documents to provide concrete guidelines for implementation of the Water Resource Law, Environmental Protection Law and other legal documents. Expand the range of regulatory instruments and</p>	<p>Annual Environmental Monitor (FY03-FY06)</p> <p>Urban Congestion (FY05)</p>	<p>Rural Water and Sanitation Infrastructure Project (FY05)</p> <p>Water Resources Assistance Project (FY03)</p> <p>Local Environmental Actions Project (FY06-FY07)</p> <p>Rural Energy II (FY04)</p>	<p>Environmental institutional strengthening has been selected as the first partnership and is being supported by UNDP, Sweden, Denmark, Canada, Switzerland, Germany, WWF and IUCN</p> <p>Australia, Japan, Denmark, Netherlands and ADB are active in the area of Water Resource management</p>

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
Strengthen the sustainability of using natural resources in rural areas.	<p>incentives for pollution reduction.</p> <p>Build construction works to clean the environment such as wastewater and rubbish treatment stations, dust and noise treatment facilities in cities, townships. Develop auto-disintegrative latrines in rural areas. Improve the quality of natural resource management with respect to the poor, who mainly depend on natural resources for their livelihood. Develop the framework to enable community participation in natural resources management.</p> <p>Encourage the use of biogas in rural areas and develop solar, wind energy and other energy resources.</p> <p>Develop the classification of forestry and reform forest data collection.</p> <p>Implement the transfer of land and forests to farmers in association with fixed-cultivation and fixed-residence and stabilize the livelihood of mountainous farmers.</p> <p>Research, revise and amend policies on standard price norms in caring for protected forests, afforestation and protective forest protection.</p> <p>Evaluate the current forest classification system and improve the monitoring system of forest covering level.</p> <p>Integrate the National Program on 5 million hectare afforestation with the Forestry Assistance and Co-operation Program.</p> <p>Implement the Water Resource Law to improve the sustainable management of water resources, river headed forests and land resources.</p> <p>Develop prudently fishery production, ensuring the environment assessment and proper area selection to be carried out.</p>			
<i>II. Ensure the balanced development, increase gender equity and advancement for women</i>				
1. Promote balanced	Continue increasing investment in less developed areas with the	Poverty Assessment (FY04)	Mekong	Japan and

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
		AAA	Lending	
and sustainable economic growth between regions.	<p>aim of reducing the development gap between different areas, urban and rural areas in particular.</p> <p>Ensure an appropriate population distribution across areas; increase step by step the quality of life for all population strata with the aim of reducing the gap in living standard between different strata and groups; bring population variables into development plans.</p>	<p>Regional Poverty Reduction Strategies (FY04-FY06)</p> <p>Poverty Update (FY06)</p> <p>Sources of growth and causes of poverty in the Mekong Delta (FY04)</p>	<p>Region Infrastructure Project (FY06)</p>	<p>Australia are expected to co-finance the Mekong Region infrastructure Project</p>
2. Promote gender equity, enhance the participation of women at all levels of leadership.	<p>Implement Decision No. 19 issued by the Prime Minister on the National Strategy for the Advancement of Women to the year 2010.</p> <p>Ensure that the names of both husband and wife appear on land-use rights certificates by 2005.</p> <p>Increase the number of women in government-elected bodies.</p> <p>Reduce inequality in making decisions in families. Increase the role of women with respect to their family's assets.</p> <p>Strengthen women's access to credit resources and capital from the National Strategy for Poverty Reduction, creating conditions for them to access social services fully, equitably and equally.</p> <p>Have policies to reduce the vulnerability of women against family violence.</p>	<p>Gender mainstreaming fund for high priority projects (FY03-FY06)</p> <p>Country Gender Assessment (FY05)</p>		<p>UNDP provides TA for mainstreaming gender in national policies and planning</p>
3. Create conditions to enable all social strata to fully take part in economic growth	<p>Ensure that ethnic minorities in the mountainous areas benefit from growth. Evaluate and disseminate models to support disadvantaged areas and ethnic minorities, and encourage them to take part in the economic development process.</p> <p>Encourage NGOs and socio-political organizations to take part in poverty reduction by providing a legal framework for NGOs.</p> <p>Improve the access of the poor to legal support services. Help the</p>	<p>Rural transport and poverty</p> <p>Rural energy and poverty</p> <p>Evaluation of project impacts on project affected</p>	<p>Poor Communes Infrastructure and Livelihoods (FY06)</p>	<p>A partnership supporting the Government's Program 135 to assist the poorest communes coordinates work among donors in this</p>

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
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	<p>poor improve their knowledge of their legal rights and obligations.</p> <p>Increase the two-way information system between local government and poor families.</p> <p>Implement fully the Decree on Democracy at the Grassroots Level, and create an enabling environment for poor households to take part in local economic development plans.</p>	<p>people (including ethnic minorities)</p> <p>Implementation of indigenous people development plan</p>		area
<i>III. Develop the social safety net to support poor and vulnerable people.</i>				
1. Minimize social impacts on the poor in the process of adjustment	<p>Reduce negative impacts on the poor caused by ongoing reforms. Broadly disseminate information on policy changes to facilitate farmers in changing their production and business operations.</p> <p>Ensure job security, extend unemployment insurance, training for the redundant workforce and improve working conditions.</p>	<p>ASEM grant implement and monitor the social safety net for redundant workers (FY03-FY05)</p> <p>TA on “Unemployment Insurance Policy” (through ASEM or other grant) (FY03-FY05)</p>		
2. Minimize the impacts of natural disasters on the poor	<p>Develop a set of solutions to effectively address emergency social relief for poor and vulnerable people who are hurt by natural disasters and accidents.</p> <p>Expand the official social safety net (health insurance, social insurance, etc.) and encourage the development of the voluntary safety net (school insurance and insurance of crops, diseases, etc.)</p>	Transport Safety Strategy Review (FY03)	Natural Disaster Management Project (FY05)	<p>A formal partnership on Natural Disaster management was established in 2001. It is now in the process of developing action plans based on identified priority areas</p>

B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction				
Policy areas and Objectives	Policies, measures and timeframe for implementation during 2003-2005	Bank Group Instruments		Other Donors
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3. Protect worker rights and working conditions in a market economy.	Review and strengthen the role of labor unions in protecting worker rights and working conditions.			
4. Provide targeted assistance to vulnerable groups.	<p>Improve the targeting mechanisms of programs 133, 135, and 143 and implement them in a more participatory way.</p> <p>Undertake independent evaluations of these programs and use findings to improve the design of the projects.</p>			
C. Monitoring and Evaluation				
1. Improve macroeconomic statistics	<p>Promulgate the Law of Statistics.</p> <p>Strengthen the statistical agencies at various levels.</p> <p>Promote the transparency and data quality.</p> <p>Strengthen the statistical database.</p> <p>Strengthen the national account within 2 years and improve budget data quality to correspond to the Government's fiscal statistical standards.</p> <p>Present a website of Vietnam in the International Fiscal Statistical Book published by IMF.</p>			
2. Poverty monitoring	<p>Collect high quality data on the poverty situation and trends, and ensure that data and information is publicized and used regularly.</p> <p>Implement enterprise surveys to collect high quality data on growth and employment trends, and make it publicly available.</p>	Support to the CPRGS (FY03-FY06)		

CAS Summary of Development Priorities

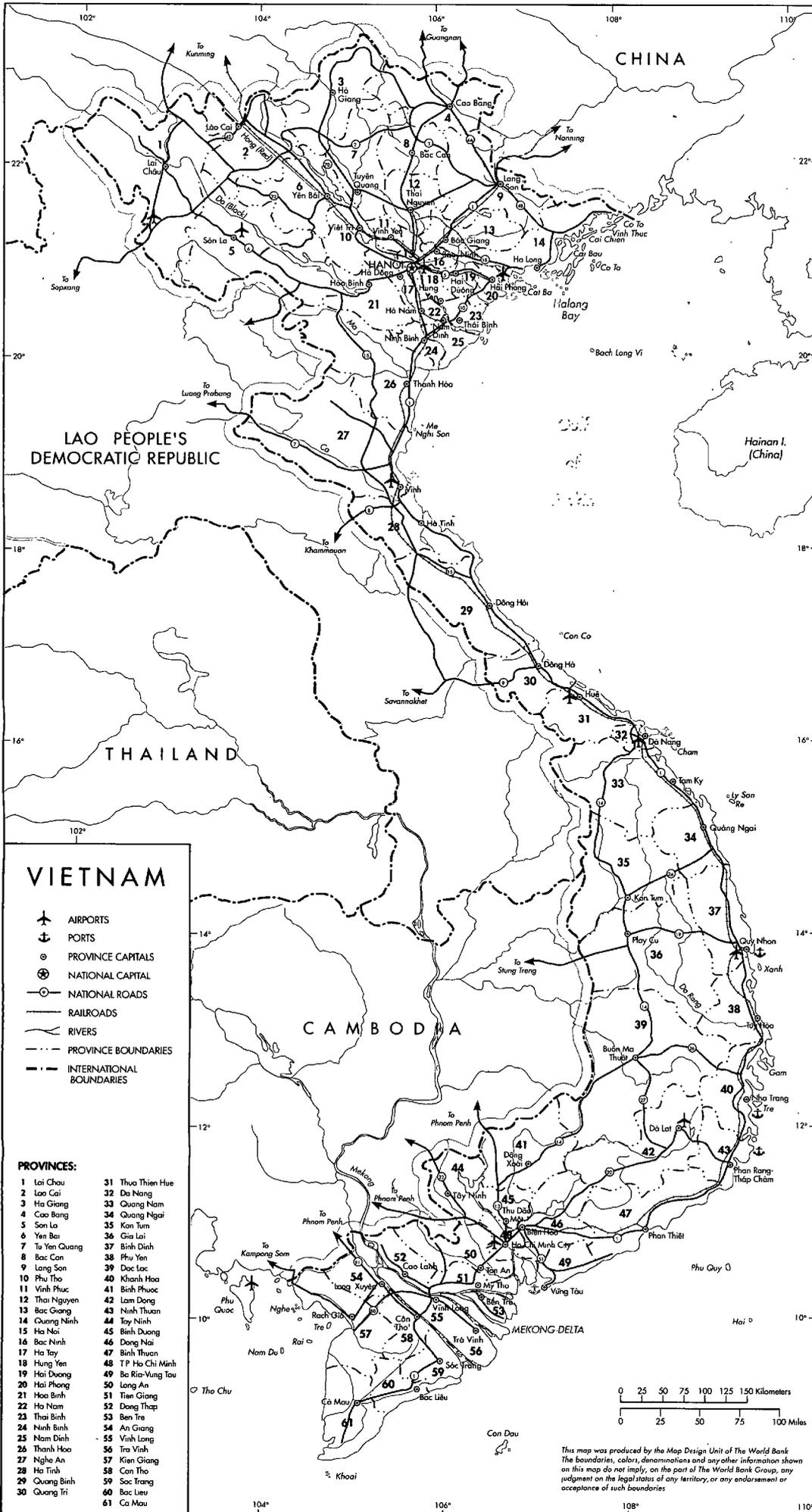
<i>Network area</i>	<i>Country performance^a</i>	<i>Major issue^b</i>	<i>Country priority^c</i>	<i>Bank priority^c</i>	<i>Reconciliation of country and Bank priorities^d</i>
Poverty Reduction & Economic Management					
Poverty reduction	Excellent	Sustainability	High	High	
Economic policy	Good	Implementation	High	High	
Public sector	Fair	Pace of reforms	High	High	
Gender	Good	Ownership of land	Moderate	Moderate	
Human Development Department					
Education	Good	Affordability for the poor	High	High	
Health, nutrition & population	Good	Affordability for the poor	Moderate	Moderate	
Social protection	Good	Lack of targeting to the poor	Moderate	Moderate	
Environmentally & Socially Sustainable Development					
Rural development	Good	Slow off-farm employment generation	High	High	
Environment	Fair	Low management capacity	Moderate	Moderate	
Social development	Good	High poverty among ethnic minorities	Moderate	Moderate	
Finance, Private Sector & Infrastructure					
Financial sector	Fair	Non-performing loans	High	High	
Private sector	Fair	Business environment	High	High	
Energy & mining	Good	Energy prices	High	High	
Infrastructure	Fair	Maintenance	High	High	

a. Use "excellent," "good," "fair," or "poor."

b. Indicate principal country-specific problems (e.g., for poverty reduction, "rural poverty;" for education, "female secondary completion;" for environment, "urban air pollution").

c. To indicate priority, use "low," "moderate," or "high."

d. Give explanation, if priorities do not agree; for example, another MDB may have the lead on the issue, or there may be ongoing dialogue.



VIETNAM

- AIRPORTS
- PORTS
- PROVINCE CAPITALS
- NATIONAL CAPITAL
- NATIONAL ROADS
- RAILROADS
- RIVERS
- PROVINCE BOUNDARIES
- INTERNATIONAL BOUNDARIES

PROVINCES:

- | | |
|----------------|--------------------|
| 1 Lai Chau | 31 Thua Thien Hue |
| 2 Lao Cai | 32 Da Nang |
| 3 Ha Giang | 33 Quang Nam |
| 4 Cao Bang | 34 Quang Ngai |
| 5 Son La | 35 Kon Tum |
| 6 Yen Bai | 36 Gia Lai |
| 7 Tu Yen Quang | 37 Binh Dinh |
| 8 Bac Can | 38 Phu Yen |
| 9 Lang Son | 39 Duc Lac |
| 10 Phu Tho | 40 Khanh Hoa |
| 11 Vinh Phuc | 41 Binh Phuoc |
| 12 Thai Nguyen | 42 Lam Dong |
| 13 Bac Giang | 43 Ninh Thuan |
| 14 Quang Ninh | 44 Tay Ninh |
| 15 Ha Noi | 45 Binh Duong |
| 16 Bac Ninh | 46 Dong Nai |
| 17 Ha Tay | 47 Binh Thuan |
| 18 Hung Yen | 48 TP Ho Chi Minh |
| 19 Hai Duong | 49 Ba Ria-Vung Tau |
| 20 Hai Phong | 50 Long An |
| 21 Hoa Binh | 51 Tien Giang |
| 22 Ha Nam | 52 Dong Thap |
| 23 Thai Binh | 53 Ben Tre |
| 24 Ninh Binh | 54 An Giang |
| 25 Nam Dinh | 55 Vinh Long |
| 26 Thanh Hoa | 56 Tra Vinh |
| 27 Nghe An | 57 Kien Giang |
| 28 Ha Tinh | 58 Can Tho |
| 29 Quang Binh | 59 Soc Trang |
| 30 Quang Tri | 60 Bac Lieu |
| | 61 Ca Mau |

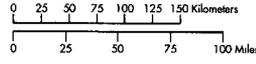
CHINA

LAO PEOPLE'S DEMOCRATIC REPUBLIC

THAILAND

CAMBODIA

MEKONG-DELTA



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IMAGING

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