

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2001 – 2003)**

**VIET NAM**

**December 2000**

## FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for the Socialist Republic of Viet Nam covering the three-year period 2001-2003. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 2000, in close consultation with the Government of the Socialist Republic of Viet Nam, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 2000. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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## CURRENCY EQUIVALENTS

(As of 30 November 2000)

Currency Unit	-	Dong (D)
D1.00	-	\$0.0000689
\$1.00	-	D14,518

## ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
ASPL	-	Agriculture Sector Program Loan
CDF	-	Comprehensive Development Framework
CG	-	Consultative Group
COS	-	Country Operational Strategy
CSP	-	Country Strategy and Program
CPRM	-	Country Portfolio Review Mission
EA	-	executing agencies
ESAF	-	Enhanced Structural Adjustment Facility
ESW	-	economic and sector work
FDI	-	foreign direct investment
FSPL	-	Financial Sector Program Loan
GDP	-	gross domestic product
GMS	-	Greater Mekong Subregion
HCMC	-	Ho Chi Minh City
HDI	-	Human Development Index
HEPR	-	Hunger Eradication and Poverty Reduction
IPF	-	indicative planning figure
IMF	-	International Monetary Fund
JBIC	-	Japan Bank for International Cooperation
NGO	-	nongovernment organization
OCR	-	Ordinary Capital Resources
ODA	-	official development assistance
OECF	-	Overseas Economic Cooperation Fund
SME	-	small and medium enterprises
SOE	-	state-owned enterprise
SCPL	-	SOE Reform and Corporate Governance Program Loan
TA	-	technical assistance
UNDP	-	United Nations Development Program
VRM	-	Viet Nam Resident Mission

## NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this paper, "\$" refers to US dollars.

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## **SOCIALIST REPUBLIC OF VIET NAM**

### **I. Country Performance Assessment.**

#### **A. Economic Performance Assessment**

1. Viet Nam had a strong pro-poor growth record over the period from 1992 till the onset of the Asian crisis in 1997. GDP expanded at an average annual rate of 9 percent and the incidence of poverty declined from 58 percent in 1992/93 to 37 percent in 1997/98. During this period, the main impetus to growth came from a boom in private consumption and a surge in foreign direct investment (FDI) inflows. The high growth period was followed by two years of economic slowdown during 1998-1999, and, most recently, economic recovery. During 1998-1999, GDP growth decelerated to 4.4-4.8 percent. Manufacturing and services, the main drivers of rapid growth prior to 1997, decelerated for two consecutive years. Investment as a share of GDP fell by almost 4 percentage points. The investment slump was also reflected in import compression with falling imports of raw materials, machinery and capital goods. The urban unemployment rate rose from 6 percent in 1997 to 7.4 percent in 1999. On the positive side, after disappointing performances in 1998, the agriculture sector and exports performed well in 1999. A bumper rice crop as well as growth in fisheries and livestock boosted agriculture sector growth to 5.2 percent in 1999. Export growth, which had slumped to 2.4 percent in 1998, picked up to 23.2 percent in 1999 reflecting the price-driven surge in the value of oil exports and the fast growing manufacturing exports led by garments and footwear. Falling prices of agricultural commodities, principally rice and coffee however meant that volume effects dominated growth in value of agricultural exports. Declining world price of rice also dragged down the domestic price of rice and consequently the inflation rate has been falling. Overall, the two-year economic slowdown served as a wakeup call because it reflected not only vulnerability to loss of investor confidence but also the surfacing of structural weaknesses in the real and financial sectors.

2. After two years of slowdown, Viet Nam's economy is now showing signs of recovery. Real GDP is estimated to have grown by 6.2 percent in the first half of 2000 and staff estimates that GDP growth for the whole year will be 6.1 percent (official estimates are 6.7 percent). Agriculture is estimated to have grown by 4 percent in the first half of 2000 but sectoral growth in the second half of the year could dip as output adjusts to falling world prices of agricultural commodities. Industry and construction grew by over 9 percent in the first half of 2000, and assuming that investment and imports continue to recover, could register a growth of 9.7 percent for the whole year. Services sector growth has picked up and is projected at 4.5 percent for 2000. Exports in the first six months of 2000 registered a growth of 26.2 percent over the same period the previous year, led by an increase in crude oil exports as world oil prices remained high. Despite higher volumes, export earnings from rice and coffee were substantially lower because of a slump in the international prices for these commodities. Imports have recovered—they were 30 percent higher in the first half of 2000 compared to the same period the previous year. Consequently, the current account surplus is expected to narrow. The slowdown in FDI inflows continued in 2000.

3. The Government's macroeconomic management has generally been prudent. Fiscal deficits have been contained within manageable limits and have been financed by non-inflationary sources (mainly through external and domestic non-bank sources). Recently, there has been some easing of the fiscal stance to spur economic recovery. A fiscal stimulus package focused on rural infrastructure was launched in mid-1999. As a result, the fiscal deficit widened from 2.6 percent of GDP in 1998 to 2.8 percent in 1999 and is expected to further expand to 3.2

percent in 2000. Of concern are the underlying revenue and expenditure trends. Revenue as a share of GDP declined by 4 percentage points over the last five years to 18.3 percent in 1999, despite being shored up by higher oil revenues. The revenue to GDP ratio has been falling in recent years due to falling trade tax collections and continued dependence on state-owned enterprises whose performance has been deteriorating. The brunt of fiscal adjustment has been borne by cuts in non-wage current expenditure. The expenditure to GDP ratio has fallen 3 percentage points to 21.2 percent in 1999, squeezing non-wage current expenditures, including operations and maintenance expenditure and social spending.

4. On the monetary policy side, interest rates are gradually being liberalized. In August 2000, the State Bank of Viet Nam replaced the monthly ceiling rate on dong borrowings with a prime monthly rate of 0.75 percent. Also, the ceiling interest rate for foreign currency lending was replaced with an interest rate based on Singapore's interbank market. SBV's monetary policy has been accommodative. Broad money grew by 39.3 percent in 1999 fueled by rapid growth in foreign currency deposits. In the first half of 2000, broad money grew by 14.3 percent. Credit growth, which was subdued in 1999, picked up this year. The monetary overhang resulting from the rapid liquidity growth is likely to generate inflationary pressures and further weaken the fragile health of the banking system. The rapid liquidity growth has not yet reversed the trend in falling inflation, in part because banks have been re-depositing foreign currency deposits (FCD) in overseas banks. There has been a portfolio reallocation from dong deposits to FCD caused by higher rates on US dollar deposits relative to rates on dong deposits. The use of indirect monetary instruments remains limited because of the lack of a well developed capital market. The opening of a stock exchange in Ho Chi Minh City in July 2000 is as yet mainly of symbolic significance as only four local firms have officially registered to list on the bourse.

5. The crawling peg system, introduced in February 1999, allows the interbank exchange rate to depreciate by a maximum of 0.1 percent per day from the previous day's average interbank market rate. Between February 1999 and June 2000, the nominal depreciation of the dong has been only 1.5 percent against the US dollar. Although the dong did not depreciate much in nominal terms over this period, with falling inflation, the real effective exchange rate (REER) depreciated by an estimated 6 percent. The depreciation of REERs of competitors, however, has been even steeper. There are emerging sources of pressure on the dong that may require greater flexibility in exchange rate management, including a widening of the permissible band. The external debt position has improved after agreement was reached with Russia in September 2000 in which Viet Nam secured a major writedown of its outstanding non-convertible debt.

6. There has been some liberalization of the trade and investment regimes. The most notable step has been the signing, in July 2000, of a bilateral trade agreement with the United States, the implementation of which will require adjustments to trade, investment, and property rights regulations. The freeing up of trading rights has resulted in a quantum leap in the number of non-state trading enterprises, but import licenses are still required for products not included in an enterprise's business registration license. The number of items that require an import license has been reduced from 20 to 9. Quotas and targets on traded commodities, including rice, have been reduced although quantitative restrictions still cover one-third of imports. However, some manufacturing industries continue to be highly protected. The Government is preparing a detailed road map for meeting its ASEAN Free Trade Agreement (AFTA) commitments. The signing of the trade agreement with the US is also likely to result in opening up market access.

7. Viet Nam's private sector, though small in terms of its contribution to GDP, is labor intensive and export-oriented. However, it faces many explicit and implicit barriers that prevent it from playing its potential role as the main engine of growth. The passage of the Enterprise Law in June 1999 has paved the way for a more favorable environment but its implementation is still going through start-up problems. Promotion of private small and medium enterprises, elimination of entry barriers, increased access to credit, and allowing land use rights to be freely transferable are some of the measures needed to accelerate private sector development.

8. The government's SOE reform program envisages restructuring large SOEs, equitizing medium-scale SOEs, divesting small and medium enterprises, and liquidating the worst-performing ones. Progress in equitization has been slower than planned because of obstacles such as inter-enterprise debt, problems in valuation of land, equipment and buildings, and the question of how to address displaced workers, which is politically sensitive. A renewed reform program is presently under consideration of the Government.

9. The rising debt burden of loss-making SOEs translates into a growing stock of non-performing loans for the already weak and under-regulated banking sector. It is well recognized that the problems of SOE reform and banking sector reform have to be tackled together for the healthy development of Viet Nam's financial sector. The main plank of the Government's banking sector reform program is the restructuring of its joint stock banks and state-owned commercial banks. During the past year, there has been some progress in restructuring 14 weak joint stock banks that have a high risk of insolvency and low capital base, but limited progress in restructuring the four large state-owned commercial banks. The Government intends to set up an Asset Management Company that will focus on non-recoverable debts that have collateral. To reduce the burden of directed credit on the banking system, the Government established the Development Assistance Fund in 1999, paving the way for separating commercial and policy-based lending.

10. Negotiations are ongoing with the International Monetary Fund (IMF) and the World Bank on a new Poverty Reduction and Growth Facility (PRGF) and the second Structural Adjustment Credit (SAC), respectively. While the Government shares the broad thrust of the proposed PRGF-SAC program, agreement needs to be reached on the pace and timing of implementation.

11. The remaining reform agenda for the Government in pursuit of pro-poor, employment-friendly growth is quite substantial. In terms of macroeconomic policies, there is a need for improved revenue and expenditure management, liberalization of interest rate policy, use of more market-based monetary instruments, and better coordination of monetary and exchange rate policies. In terms of structural policies, the priority areas include private sector development, liberalization of the investment and trade regimes, SOE reform, and the related banking reforms. Obviously, the structural reforms mentioned have direct and quasi-fiscal impact. However, postponement of structural reform would only add to its costs. Clearer indications on the extent and depth of future reforms are expected as a result of the next Communist Party Congress, which will take place in the first half of 2001.

## **B. Poverty Assessment**

12. With an average per capita income of about \$350, a significant proportion of Viet Nam's population continues to live in relatively impoverished conditions. Poverty in Viet Nam is mainly a consequence of overall low levels of income due to stunted economic growth in the past decades. While inequality has been growing in relative terms, income distribution is still rather egalitarian, so the scope for redistribution without growth is limited. In addition, poverty is largely a rural phenomenon, with 45 percent of the rural population living below the poverty line, and is particularly concentrated in three areas: the Northern Uplands, Central Highlands, and North Central Coast. Poverty rates in these three regions are on average 50 percent higher than the national average. The poor are typically farmers with low levels of educational attainment, particularly ethnic minorities living in the upland areas. The links between poverty and environmental degradation are strong, since the poor (and those who just emerged from poverty) are often vulnerable to climatic events (floods, typhoons) whose consequences are exacerbated by degradation of the upper watersheds and coastal areas.

13. Recent data show that the incidence of poverty has declined significantly over the last five years: from 58 percent in 1992/93 to 37 percent in 1997/98. This drop has been accompanied by improvement in other social indicators, including primary enrolment ratios, access to safe drinking water, and reduction in child malnutrition. The main factor underlying Viet Nam's success in poverty reduction is the strong growth performance during this period, underpinned by economic reforms, significant inflows of FDI, and continuation of redistributive policies. In particular, liberalization of agricultural input and output markets has led to higher productivity and incomes in rural areas, where the bulk of population and of the poor are concentrated. Targeted poverty reduction has been pursued through a Government Hunger Eradication and Poverty Reduction (HEPR) program, aimed at the poorest 1,715 communes. The significant recent reduction in poverty has been accompanied by some increase in inequality, due mainly to widening rural-urban gaps. The gains in poverty reduction remain fragile, since many individuals who were positioned just below the total poverty line in 1993 are now clustered just above it. Adverse individual or collective circumstances (such as the November 1999 floods) can rapidly reverse such gains. Future progress in poverty reduction will depend on continued growth accompanied by distribution of benefits, and on reducing vulnerability to external shocks.

## **C. Assessment of Socio-Environmental Performance**

### **1. Gender Issues**

14. The relative status of women and men in Viet Nam is more balanced than in other comparable countries. Female literacy and labor force participation are comparable to male rates, and contraception is generally available and promoted, as evidenced by rapidly declining fertility rates in recent years. Women enjoy substantial equality under the law, even though access to land is in practice more difficult. Main areas of disadvantage for women include earnings levels equivalent on average to 70 percent of male counterparts; higher number of hours worked when household chores are accounted for; and some erosion in status and economic opportunity due to the uneven impact of the transition to a market economy. The Government approved in October 1997 a National Plan of Action for the Progress of Women, which emphasizes improved education and employment opportunities, preventive health and nutrition, and increased participation in decision-making at the social, political and economic level. Further progress in addressing gender disparities will come from systematically ensuring

equality of access and opportunities, rather than from intensive focus on specific areas or issues.

## **2. Human Development**

15. Viet Nam has an impressive record of providing widespread access to basic social services. Almost universal primary school enrollment and an infant mortality rate of around 40 in a country with such low incomes are a testimony to effective human development policies. Viet Nam has established a comprehensive network of educational institutions throughout the country, most notably including a primary education facility in every commune. However, these achievements are under threat with the recent deterioration in indicators of both the quantity and quality of education. Access to education is marked by substantial inequality. Only 19 percent of children from the poorest 20 percent of households enroll in lower secondary school as compared to 56 percent of children from the richest 20 percent of households, and the education status of people from ethnic minorities is particularly poor. These gaps widen further at upper secondary and higher levels. Public spending on education is biased towards the non-poor: the poorest quintile benefits from only 11 percent of all education subsidies, while the richest quintile captures 38 percent. The education system also needs to respond to the changing structure of the economy. The authorities have been taking strict action against the use of children (less than 15 years in age) in the labor force. Employers are prohibited from using underage workers, particularly in some industries involving dangerous and hazardous conditions.

16. Viet Nam has shown remarkable progress in certain aspects of health, such as infant mortality, life expectancy and maternal mortality. A recent survey shows that fertility rates have fallen by about 30 percent in the last five years, a very significant rate of decline by any standards. The availability of communal health centers and hospital beds is much higher than in most other countries in the region. However, several problems still remain. The deteriorating quality of care in government hospitals due to the lack of trained and motivated staff is a cause for concern. There are wide disparities in health indicators across regions and between urban and rural areas, reflecting in part differences in the quality of health services. Infant mortality in rural areas and mountainous regions inhabited by ethnic minorities is significantly higher than the national average. Most public spending goes to hospitals, which are less likely to be used by the poor. Overall, the poorest 20 percent of the population receives only 11 percent of all health subsidies, while the richest quintile captures nearly 30 percent. Most significantly, the nutritional status of children and women in Viet Nam is among the poorest in the region. General undernutrition, indicated by growth retardation, affects more than 39 percent of all children under five, and approximately 40 percent of all non-pregnant mothers of children under five are found to be chronically energy deficient.

17. There are some 50 ethnic minorities in Viet Nam, some with fewer than 200 members, for a total of approximately 10 million people, or 13 percent of the population. They tend to live in more remote highland areas, and some of them have migratory residential patterns, linked to shifting cultivation. Remoteness often translates in more difficult access to education, health services, markets and economic opportunity, leading to higher concentration of poverty and poorer social indicators among these groups, including malnutrition. A Committee for Ethnic Minorities and Mountainous Areas has been created to address their specific concerns. The HEPR program includes a permanent settlement component, aimed at facilitating delivery of social and economic services and basic infrastructure by concentrating dispersed population in target communes. The impact of this program on ethnic minorities needs careful assessment.

### 3. Environment

18. Viet Nam is endowed with abundant natural resources. Land, water, fossil fuels, forests, rich biodiversity, and a long and diverse coastline have all supported significant growth rates and an expanding population, which has reached 76.3 million in 1999. Due to limitations in technology and institutional framework, however, natural resources have often been exploited in an unsustainable manner and, as a result, environmental pressures have increased. With less than one-third of its 33 million hectares of land classified as arable, Viet Nam has managed to reach food self-sufficiency through intensive cultivation and irrigation (agriculture accounts for 90 percent of water use). With increasing industrialization and urbanization, it can be expected that competition for water resources will increase, necessitating a comprehensive framework for water allocation. The foundation for this approach has been laid with the Water Resources Law of May 1998. Additional measures needed include empowerment of the National Water Resources Council; river basin level planning; allocation of water use licenses and wastewater discharge permits; and monitoring of water quality and of the safety of hydraulic works.

19. Seasonal availability of water varies widely, particularly in the Central Region, which has been affected for many years by cycles of drought and flooding. While linked to climatic phenomena, irregular water availability patterns have been exacerbated by significant deforestation of the upper watersheds. Nearly one half of Viet Nam's forestland is classified as "bare" (covered with shrubs and grasses), and loss of natural forest cover averaged about 190,000 hectares per year during 1976-1990. Loss of forest cover due to migration and encroachment for agriculture, fuelwood collection, logging, fires, infrastructure development, and the 1961-75 war has caused deterioration of water quality, loss of top soil, siltation of reservoirs and canals, loss of biodiversity, and flooding. In recent years, logging by State-owned forestry enterprises has been reduced, while two programs, the 1993 "Re-greening the Barren Hills (327) Program" and the 1998 "Five Million Hectares Program" have slowed down the phenomenon, largely through an increase in planted forests. Protected areas were also increased in number and size in 1997, and management plans and management boards established for a number of national parks.

20. Viet Nam has 29 coastal provinces (out of a total of 61 provinces) with 3,200 km of coastline. While more than 50 percent of protein intake comes from fish, productive marine and coastal natural resources are declining. Mangrove deforestation, destruction of wetlands, species extinction, declining biodiversity, urban and industrial pollution, and overexploitation of inshore and nearshore fisheries threaten the livelihood of the more than 20 million people living along the coastline. Many of the coastal inhabitants (and particularly fishing communities) are among the poorest income strata in Viet Nam, and depend on sustainable coastal resource management for maintenance and improvement of their living conditions. There is an urgent need to improve the current policy, legal, and institutional framework related to coastal resources management, including resource use zoning, integrated area-wide planning, enforcement of existing laws against destructive fishing methods, and development and implementation of the policy framework for marine protected areas.

21. While the majority of Viet Nam's population lives in rural areas, the urban population has been growing, and straining the capacity to provide adequate water supply and sanitation, and disposal of solid, industrial and hazardous waste. Some of the heavy industries are using outdated technology with significant negative environmental impacts, and effluents are not properly treated. For these reasons, remedial and preventive action is needed to address the environmental side-effects which can be expected as a result of increasing urbanization and

industrialization in the coming decades. (Appendix 1, page 2, shows social and environmental indicators for Viet Nam).

#### **D. Governance: Sound Development Management**

22. Through the *Doi Moi* renovation, Viet Nam has made steady progress in the transition from a command economy to a market-oriented one. The country has been implementing policy, legal, and institutional changes to achieve its objective of integrating with the regional and the global economies. This transition and renovation process has involved many difficult and complex challenges, which have been further accentuated by the Asian crisis in 1997.

23. In the areas of national development management and administration, among the major institutional challenges that need to be addressed further are the following:

- First, Vietnam needs to clarify and rationalize the role of the State in the context of the *Doi Moi* renovation, and to establish an affordable, effective public service with clear boundaries defining the work of ministries, sub-national units, and state-owned business enterprises. There is a need for clearly defined processes for coordination, policy making and management within the government, and for decentralization and participation. Progress to date in this area includes reduction in the number of ministries from 27 to 23 in 1997; initial streamlining of administrative procedures at the central and local level; establishment of an Administrative Court and promulgation of a Civil Servant Statute; stepped up efforts to combat corruption; setting of a target to reduce the size of the state administrative personnel by 15 per cent; and introduction in May 1998 of a Grassroots Democracy Decree (Decree 29) to promote democracy and participation at the commune level. The Prime Minister established a "hot-line" to receive business complaints; several ministries now also have internal units for tackling grievances and corruption, in addition to the General State Inspectorate. The Government recognizes the need to further streamline the existing administrative machinery; to introduce new management and remuneration systems; and to enhance capacity at the central and provincial levels, human resource management, and leadership in the implementation of the reform process. A review of public administration reform aimed at setting the priority agenda over the next few years is currently underway.
- Second, Vietnam needs an effective system of public financial management to increase efficiency in the use of public funds, to improve transparency and to forge a closer link between policy, planning, budgeting, and spending. The regional financial crisis highlighted the importance of a healthy banking system, transparent and accountable state budget procedures, and strong anti-corruption mechanisms. The publication of the State Budget in June 1999 and of the 1997 Final Accounts was an important milestone towards increased fiscal transparency, and additional recommendations on public financial management are expected from the ongoing Public Expenditure Review. Other important steps included various decrees clarifying the role of government agencies in external debt management and processes for managing fees and revenues raised and spent by government agencies. Similar positive steps have been taken to improve fiscal transparency in the banking sector. A related area of concern is the need to improve project implementation performance for both the domestic and externally financed component of the public investment program.
- Third, Vietnam needs to continue establishing, and building its capacity for the enforcement of a sound legal and regulatory framework that provides justice for all. The objectives are to create a sound business investment environment, and to protect the rights of all citizens, including weak and disadvantaged groups of society. Since the enactment of the 1992

Constitution, considerable progress has been made in improving legal and professional education, in legal drafting, in professionalization of the judiciary, and in improving access to information on laws and legal processes. However, the legal framework is still underdeveloped and legal institutions still face capability constraints. A comprehensive legal system needs analysis is under preparation.

24. The experience of Viet Nam and other countries points out that growth and human development do not automatically trickle down to benefit the poor. Equality needs to be created, the empowerment of the poor targeted, structures that create poverty need to be corrected. The quality of governance at the central and local level and the governance relations in administration and society are often the crucial link to make poverty reduction effective. Good governance for poverty reduction comprises – among others – (i) focusing poverty reduction resources and creating accountability in the use of public funds in the interests of the poor; (ii) building national capacities for pro-poor policy formulation and implementation; (iii) improving administration and private sector participation for better services delivery to the poor; (iv) shifting decision making nearer to the poor and helping the poor to organize themselves; (v) preventing corruption, as the reduction in informal charges disproportionately improves access of the poor to public services; (vi) strengthening the rule of law with clearly pro-poor enforcement procedures; and (vii) involving in a participatory way a diversified range of stakeholders representing the poor.

## **E. Implementation Assessment**

### **1. The Portfolio**

25. Since resumption of Bank operations in 1993 and until the end of 1999, 27 loans totaling \$1.8 billion have been approved. All of these were from concessional funds, with the exception of a \$40 million share of the *SOE Reform and Corporate Governance Program Loan* which was approved in December 1999 as the first OCR operation since Viet Nam was reclassified to B1 status in December 1998. During the same period, ADB has approved 96 TAs, amounting to about \$72 million.

26. Twenty-two loans had been declared effective at end 1999, amounting to \$1.58 billion. As of end 1999, cumulative disbursements amounted to \$574 million and contracts for \$837 million had been awarded. Good progress has been made in recent years in project implementation. The disbursement ratio, while still below the Bank-wide average of 22 percent, has improved further to 16.0 percent in 1999, up from 14.2 percent in 1998, and single-digit levels in the previous years. The ratio without program loans, however, declined from 14.9 percent in 1998 to 12.9 in 1999. Government efforts, supported by ADB technical assistance to familiarize the executing agencies (EAs) with implementation procedures and requirements and by monthly implementation review meetings held by ADB's Viet Nam Resident Mission (VRM) with the concerned line ministries and EAs, have contributed to the improvement.

### **2. Issues in Project Implementation**

27. The nature of portfolio performance issues has shifted with the maturing of the portfolio. In the last few years, counterpart funds have been made promptly available and delays in loan signing and effectiveness have been acute only for a few projects, notably in the education sector. The issue, however, is not completely solved, since loans approved in 1999 have again encountered delays of six months or more to achieve signing or effectiveness. On the project implementation front, delays in selection and fielding of consultants, awarding of contracts, and

disbursement have become the main issues. These difficulties are due to centralized decision-making procedures, delays in issuance of regulations and establishment of project implementation units, and lack of familiarity with contract awarding and disbursement procedures.

28. To address these issues in a concerted manner, a Joint Portfolio Performance Review was held in July 1999, involving the World Bank and Japan Bank for International Cooperation (JBIC), in addition to the annual ADB portfolio review. To further detail concrete follow-up measures, a Project Management Conference was organized on 12-13 April 2000. The conference, co-sponsored by ADB, the World Bank, and JBIC, was attended by 165 representatives of Vietnamese ministries, agencies, and provinces; Project Management Unit (PMU) directors; and representatives of external aid agencies. The conference analyzed the investment planning and approval processes; procurement and financial management issues; land acquisition and resettlement policies and practices; monitoring and evaluation systems and quality control; and the scope for further delegation and decentralization.

29. The conference produced a time-bound Framework Action Plan, covering the following areas: (i) review of the legal framework for management and utilization of Official Development Assistance (ODA) funds; (ii) harmonization of procedures between the Government and donors; (iii) establishment of standard operational procedures for PMUs; (iv) development of a project monitoring and evaluation system; and (v) development of human resources for the management and implementation of ODA projects. The Government has signaled strong commitment to the process, and action has already started on items (i) - (iv), with target completion dates before the end of 2000. ADB is supporting the Government's review of the legal framework for ODA including Decree 87 CP on *Management and Utilization of ODA* and its implementing circular. It will directly assist – through ADB-funded TA – in the preparation of the Resettlement Ordinance and will identify, together with the Government, areas for harmonization of procedures, and pilot test possible approaches.

## **II. Country Operational Strategy**

### **A. Country Operational Strategies Since 1993**

30. Two documents have guided ADB's operations in Viet Nam since 1993: an Interim Operational Strategy (IOS) included in the September 1993 *Economic Review and Bank Operations* (ERBOP), and a *Country Operational Strategy* (COS) published in December 1995. The 1993 IOS addressed four priority areas: (i) financial support for an intensive program of rehabilitation, upgrading and development of the country's physical infrastructure; (ii) promotion of economic and sectoral policy reforms to improve public sector efficiency and promote private sector development; (iii) support for measures to boost domestic resource mobilization, including reform of the financial sector, institutional restructuring, and promotion of cost recovery in public services; and (iv) rehabilitation of social infrastructure and promotion of human development and environmental preservation.

31. The 1995 COS builds on the previous approach and further refines it. Its thrust can be summarized in the sentence "sustainable growth with equity". Economic growth, a prerequisite for poverty reduction, is pursued through creation of a stable macroeconomic environment; policy reform and institutional development; and infrastructure development. Equity and poverty reduction are to be enhanced through a focus on human development and regional balance. Sustainability is to be ensured through an emphasis on environmental management in the coastal, highland, and urban areas. The emphasis in subregional cooperation is placed on the

development of transport corridors. Geographically, the COS advocates a concentration on the three development zones<sup>1</sup> identified by the Government and on the transport corridors which link them, while sectorally agriculture and rural development are to receive priority.

## **B. Progress in Implementation**

32. Government policies and actions and ADB operations during the 1993-99 period have been in line with the approach proposed in the strategy. Policy reform (in agriculture, financial, and state-owned enterprise sector) and infrastructure development (notably in road transport, power, irrigation and flood protection) have figured prominently in Bank operations. As a result, once projects under implementation or in the advanced stage of design are completed, the upgrading of Highway 1, linking the country from north to south will have been completed, key subregional links to Cambodia, Lao PDR and Thailand will have been agreed to and finalized, and all provincial towns' water supply systems will have been rehabilitated, through the combined action of ADB and other external aid agencies. Technical assistance (TA) support has been provided for capacity building and institutional development. Social infrastructure investment has focused on human development in the areas of secondary and vocational/technical education and rural population and health services. Urban environmental improvement through provision of water supply and sanitation, water resource management, and forestry, have been the areas of concentration in the environmental area.

33. The 1993 IOS and 1995 COS explicitly recognized that, given the large policy reform and rehabilitation needs resulting from years of relative isolation from other market economies, Viet Nam's development financing needs were necessarily broad, and assistance was required in many sectors. Accordingly, the strategies were also somewhat broad, and the ensuing program has reflected this orientation. An evaluation of Viet Nam's COS and CAP, completed in December 1999, concluded that, while ADB operations had responded to the prevailing circumstances, in the future: (i) a narrower focus should be pursued; (ii) a long-range focus and greater synergy should be developed among TA operations; (iii) the emphasis on rapid legal and regulatory reforms in program lending needs to be tempered by realistic assessment of the consensus-based decision-making process in Viet Nam; and (iv) a sharper geographic focus and strengthening of the VRM would be desirable to improve project administration and implementation. These principles are being incorporated in the preparation of the new COS.

## **C. Guiding Principles in the COS under Preparation**

34. Preparation of the new COS started in 1999. The first COS mission, fielded in May-June 1999, reached an agreement that the focus of future ADB operations would be on "poverty-reducing development", which is consistent with the ADB's renewed emphasis on poverty reduction and with the Government's priorities. Given the overall low level of income resulting from stunted economic growth in the past decades, and the still fairly equitable distribution of income, a Bank-supported poverty reduction strategy for Viet Nam must rest on two pillars: (i) economic growth and private sector development, pursued through policy reform and an improved infrastructure endowment; and (ii) improved human and social capital, the latter including the governance and legal framework for development. In addition, to maximize impact, geographic and socio-economic targeting should be employed to address the multiple dimensions leading to poverty through mutually reinforcing interventions at the regional level.

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<sup>1</sup> The northern zone encompasses Hanoi, Haiphong, and parts of Quang Ninh province; the southern zone includes HCMC, Bien Hoa and Vung Tau, while the central zone is composed of Quang Nam, Da Nang and Quang Ngai provinces.

Natural resource management to reduce vulnerability and ensure sustainability must be systematically built into this approach.

35. The proposed program is aligned with the above strategic priorities as follows:

- (i) **Economic growth and private sector development** will be supported through policy reform in the financial and productive sectors, to promote a second wave of liberalization in agriculture and facilitate development and export competitiveness of the domestic private sector, particularly small and medium enterprises (SME). Removal of barriers to SME development (for instance, licensing requirements, limited access to financing compared to SOEs) will also benefit the private sector at large. Support for reforms will be complemented by investment in the needed infrastructure for provincial and lower level roads and power transmission and distribution, and by improvements in the management of the natural resource base. These operations will account for approximately one half of the Bank's loan and TA portfolio (both in number and amount) during the program period.
- (ii) **Improvement of human and social capital** will be achieved through investment in secondary education, health (subject to further analysis), and urban development in provincial and district towns. Improvement in governance and public sector management will be supported through fairly large-scale TA operations.
- (iii) **Targeting** will be achieved by concentrating up to one third of ADB operations on the Central Region, with special emphasis on the North Central Coast and the Central Highlands, which are among the poorest subregions in Viet Nam. In the resource-poor, flood-prone and narrow North Central Coast, operations will focus on a combination of commune-level poverty reduction and income generation, and improved livelihoods through water resource and coastal zone management. In the more fertile Central Highlands, whose ecological, economic, and population balances are endangered by a combination of in-migration, overexploitation of forest resources, and water-intensive conversion to perennial cash crops, operations will focus on watershed management of forest and water resources. Provision of road and urban infrastructure will complement these operations, by ensuring development of, and access to, markets.

#### **D. Poverty Partnership Agreement**

36. The COS formulation process is ongoing, and will be completed in the first half of 2001, in coordination with the Government's 2001-2005 Plan and 2001-2010 Strategy. COS preparation will follow the steps envisioned in the recently approved ADB *Poverty Reduction Strategy*. A comprehensive background poverty assessment, titled *Attacking Poverty*, prepared jointly by the Government, donors, and NGOs was discussed at the December 1999 Consultative Group Meeting held in Hanoi. Building on this basis, and on the ongoing activities of a Poverty Task Force in which ADB is actively participating, a draft Poverty Reduction Strategy (PRS) is under preparation, drawing on and feeding into the preparation of the Government's 2001-5 Plan and 2010 Strategy. Consultations on the draft PRS will be held at the subregional level during the fall of 2000, leading to discussion of the draft PRS at the December 2000 Consultative Group Meeting. On the basis of this joint effort between the Government, civil society, and the international community, ADB's Poverty Analysis will be finalized. A High Level Forum, linked to this process, will be held in the first quarter of 2001. Preparation of an integrated ADB Country Strategy and Program (CSP) and formulation of a

Partnership Agreement between ADB and the Government will take place in the first half of 2001.

### **III. Sector Strategies**

#### **A. Agriculture and Natural Resources**

##### **1. Agriculture and Rural Development**

37. Agriculture accounts for 24 percent of Viet Nam's GDP, 66 percent of employment, and 38 percent of exports. High growth rates of agricultural output, achieved through liberalization of markets and assignment of land use rights, are behind Viet Nam's impressive success in reducing poverty during the 1990s. Improving the efficiency of agriculture continues to be essential to consolidate and further advance the recent gains. At the same time, the agricultural sector can form the base for diffused industrialization, linked to agroprocessing and agriculture-based industry and services. Productivity improvements and crop diversification supported by a favorable policy environment will be needed to sustain this process, along with more sharply targeted poverty reduction interventions.

38. ADB assistance to date has focused on agricultural policy reform, rural infrastructure, rural credit, and rehabilitation and improved management of water resources infrastructure. ADB's Agriculture Sector Program Loan (ASPL), completed in 1997, sought to encourage planned Government reforms in the areas of market development, input supply, exports and imports, prices and subsidies, sector SOEs, and public support services. The program was generally effective in decreasing the interest rate subsidy to SOEs engaged in rice marketing and export, partially removing trade barriers notably for rice and fertilizers, and issuing titles for agricultural and forest land with rights of transfer and use as collateral to obtain loans. In other areas of ADB assistance, steady progress is being achieved in projects for promoting rural development, notably in rural infrastructure improvement and rural credit, and in facilitating management of irrigation systems and flood protection.

39. Future ADB assistance for the sector will be based on a combination of support for policy reforms and geographically focused poverty reduction interventions, with special emphasis on the Central Region, and on the link between poverty and natural resource management. Policy reform needs related to input and output markets and prices, subsidies, trade, production, land use and ownership, rural finance, research and extension, taxation and cost recovery are being analyzed jointly with the Government to determine the appropriate course of action, which ADB is prepared to support through program lending or a sector development program (SDP) approach. Poverty reduction projects will focus on the poorest provinces in the North Central Coast and Central Highlands, where socio-economic indicators are among the lowest in the country. These projects will be designed with a strong participatory approach to empower and work with local communities, involving local levels of government, mass organizations, NGOs, and project beneficiaries.

##### **2. Forestry and Natural Resources**

40. The link between natural resources management, poverty reduction, and rural development is very strong in Viet Nam. Careful water resources development and management is necessary to sustain high productivity, since land is very intensively cultivated due to high population densities, and to address conflict among competing uses. Water management is also necessary to mitigate the impact of adverse climatic conditions, which often

result in extensive flooding. Positive steps have been taken by the Government to reverse the depletion of natural forests and improve forest cover and management practices. In geographically defined areas however, such as the Central Highlands, in-migration and non-sustainable agricultural practices are severely endangering the ecological balance. The coastal areas are also severely affected by population pressures, and the in-shore marine resource stocks have declined significantly due to habitat loss and over-fishing, creating downward pressures on standards of living and an unsustainable future.

41. The ongoing forestry sector loan is still in the early stages of implementation, and the sector policies are currently under review. Future ADB operations in the sector will depend on the review outcome. Water resources development and management will be addressed through operations both at the national level and in selected river basins (Red River and Dong Nai) and areas, with special attention to the Central Region. ADB is participating in a joint effort by the external aid community to assess and prioritize the rehabilitation and prevention needs related to flooding and other natural disasters in the Central Region, and investment projects will be identified within this cooperative framework. Area-based projects to reduce poverty and improve natural resource management are planned in the North Central Coast and Central Highlands, and selected river basins. In the area of coastal management, it is expected that past assistance for fishing ports infrastructure and support services will not be replicated. Future operations in the coastal areas will focus on natural resource preservation and livelihood improvement of the impoverished populations. The potential ADB role in coastal management will initially be explored through TA operations, possibly leading to lending towards the end of the program period.

## **B. Infrastructure**

### **1. Energy**

42. Compared with many countries, Viet Nam is relatively well endowed with energy resources, diversified among gas, anthracite coal, crude oil, and hydropower potential. Nevertheless, per capita consumption of both commercial energy (144 kilograms of oil equivalent per annum in 1997) and electricity is one of the lowest in the region. ADB's activities in the Energy Sector have been primarily focussed on the electric power subsector, where consumption has grown at 12-13 percent annually in recent years. Electrification needs are still considerable: although 76.8 percent of communities have electricity supply, only 58 percent of households have been fully connected. The Government's development plans (based on annual GDP growth of 7 percent) project a total installed capacity of approximately 14,000 MW by 2010, compared to existing levels of just under 5,000 MW. Annual investments of up to \$1.5 billion (including transmission and distribution) will be required to meet these objectives and to keep pace with demand. Reliable and expanding supply of power, accompanied by increased efficiency of sector institutions, will be necessary in the coming years to support economic growth and rural industrialization.

43. Past ADB assistance has focused on the rehabilitation of transmission and distribution infrastructure in three northern cities and in the central and southern part of the country. ADB has also provided TA to improve the financial and accounting systems of power companies; provide training in the area of power distribution planning, and to support the commercialization of power companies and the establishment of a regulatory framework for the energy sector. In December 1999, ADB's Energy Sector Profile for Viet Nam was completed. The profile suggests that the ADB's strategic focus should remain on the electric power sector, with a primary focus on sector reforms, supported by strategic investments in transmission and distribution. Selected

generation projects would be considered if they contribute to overall reforms in the sector, financing through the public sector window is specifically justified, and environmental and social concerns can be adequately addressed. ADB assistance for thermal generation should be limited to rehabilitation and corporatization of existing facilities or to preparation of new generation projects for private sector development. TAs in the sector should focus on capacity building, improvements in the regulatory environment and preparation of future investment projects.

44. The proposed program will support further sector reforms through TA for the preparation of an Electricity Sector Road Map and a formal Grid Code, to assist the Government in determining and documenting the appropriate structure for the electricity subsector, and help to identify the various steps and investments necessary to execute the restructuring program. A Power Sector Development Project, combining investment in transmission with policy reforms and institutional strengthening, could provide the momentum and the opportunity to bring forward implementation of the reforms.

## **2. Transport**

45. At the resumption of ADB's activities in 1993, transport assets, though largely adequate in extent and coverage, were dilapidated, and responsible institutions weak. The initial focus of external assistance, in line with Government priorities, was mainly on national highways, inland waterways (Mekong River Delta and the Red River) and ports (Saigon Port, Haiphong Port and Da Nang Port). Significant improvements have been made: between ADB, the World Bank, and JBIC, financing is in place for the rehabilitation of the main North-South Highway. ADB has also actively supported institutional development of the Viet Nam Road Administration. Issues of relevance for the transport sector now include the adequacy of the operations and maintenance budget, the promotion of private sector involvement in construction and maintenance, and the prioritization and adequate economic justification of planned network expansions. Viet Nam has been actively pursuing integration in the Greater Mekong Subregion (GMS) road network, in terms of physical infrastructure through the Phnom Penh-Ho Chi Minh City road project and the East-West Transport Corridor project, and otherwise through cross-border agreements and, most recently, economic corridor planning.

46. The Country Program for the 2001-2003 period has a strong orientation toward poverty reduction. To support this emphasis, rural (mainly provincial) roads in the northern part of the country will be improved under the Provincial Roads Improvement Project scheduled for 2001. Afterwards, the focus is expected to shift to the even poorer Central Region, first with advisory TA to update an earlier Central Region Transport Master Plan, to be followed by project preparatory TA in 2002, and a loan currently included on a stand-by basis in 2003. GMS activity during the period will focus on the Kunming-Hanoi-Haiphong Transport Corridor. This corridor will include possible improvement to road, rail and inland waterways. A cross-border agreement will also be developed to help the full realization of improved efficiency and economic integration.

## **3. Finance and Industry**

47. Progress has been made since the early 1990s to deepen and diversify the financial sector, to introduce market principles in the management of SOEs, and to level the playing field between state and private enterprises. A number of constraints and obstacles still remain to be addressed. Entry restrictions to the banking sector were eased in 1990. The sector expanded quickly and at the end of 1999 comprised five State Owned Commercial Banks (SOCB), four joint venture banks, 50 joint stock banks, 21 foreign bank branches, and 62 foreign bank

representative offices. People's Credit Funds also expanded rapidly, and numbered around 1,000 at the end of 1999. The soundness of some of these financial institutions, however, is affected by potentially non-performing loans. Restructuring of joint stock banks has started recently, while action on the SOCB front has been more cautious. Solution of the exposure problems of SOCBs cannot be delinked from the reform of SOEs, which are the most significant clients. Action on this front has been slow as well, and the equitization program, after a substantial reduction in the number of SOEs in the early 1990s, has only affected a small number of SOEs in recent years. Liberalization of the non-bank financial sector has also been cautious, with concession of licenses to a few joint venture insurance companies, joint stock finance companies, and leasing companies. The Government also made an effort to develop a foundation for the capital market establishing a Bond Dealing Center in Ho Chi Minh City in late 1999 and a stock market in July 2000.

48. ADB has supported financial sector reform, rural finance, and SOE reform and corporate governance improvement. During the program period, support will continue to be provided to financial sector reform, through policy-based lending or SDP operations. In line with the Bank's emphasis on poverty reduction and decentralized development, greater emphasis will be placed on the support for microfinance, rural finance, and small and medium enterprise (SME) development. It is expected that removal of constraints in these areas will broadly support private sector development, leading to a more balanced economic structure and greater labor absorption. The role and potential of the Social Security System will be analyzed in the context of financial markets development, given the role it could play as an institutional investor, in addition to its function as a social safety net.

## **C. Social Infrastructure and Environment**

### **1. Education**

49. Viet Nam has achieved near universal primary school enrollment and a 92 percent adult literacy rate. Facilitating the transition to a market economy by directly addressing the changing skill-mix requirements, expanding access to secondary education, improving the quality of education, and making the system more responsive to market needs are major issues in the education sector. Persistent inequities in education among different socioeconomic groups and geographical regions are another cause for concern. Continuing reliance on the public provision of education and tightening fiscal constraints on public resources are placing increasing pressures on the education system. Gradual decentralization, linked to improvements in management and organizational capacity, and combined with fiscal transfers from the Central Government to poor provinces to ensure quality of services and equity of access, could further improve the quality of education.

50. In the past, ADB has supported lower secondary education through curriculum reform, in-service and pre-service teacher training, and improvement of facilities, and assisted in reforming the vocational and technical education system, while the World Bank and other external aid sources have focused on primary and tertiary education. ADB's support in the sector will continue to focus on secondary education, given its important role in ensuring employment and socioeconomic improvements. Recent studies have shown that the incidence of poverty declines from 42 percent for primary school graduates to 38 percent for lower secondary graduates, and 25 percent at the end of upper secondary school. In 2000, ADB will assist Viet Nam to develop a Secondary Education Sector Master Plan for 2001-2010. Based on the Master Plan, further TA and loan support will be provided for upper secondary education development. To assist the Government in universalizing quality lower secondary education by

2010, ADB will continue to support the lower secondary education sector, with a focus on further increasing equitable access, improving quality, and strengthening the capacity for decentralized management.

## 2. Health

51. Viet Nam's health indicators, such as infant mortality, life expectancy and maternal mortality, are very good given the country's low income level. Fertility rates have declined sharply in recent years. The availability of communal health centers (CHC) and hospital beds is much higher than that for most other countries in the region. However, several problems still remain. There are wide disparities in health indicators across regions and between urban and rural areas, reflecting in part the different use and quality of health services. The economic transition, with general fiscal constraints and the disappearance of the agriculture cooperative system that supported CHC, has resulted in marked deterioration of primary health care services at all levels. Malnutrition is also very high by regional standards, affecting 39 per cent of all children under five years of age, and approximately 40 percent of all non-pregnant mothers of children under five years of age. Health and nutrition indicators are typically lower among ethnic minorities.

52. One of the biggest challenges facing policy makers in the health sector are inequities in health outcomes and utilization of health services. Overall, the poorest 20 percent of the population receives only 11 percent of all health subsidies, compared to 30 percent for the richest quintile. A second priority is to improve the quality of health care. A third, and emerging significant issue is how to appropriately address the changing burden of disease arising out of the ongoing epidemiological transition, with rapid increase of HIV/AIDS infection, growing illicit drug, declining but still high levels of tobacco use, and a large increase in accident-related deaths. This has implications for both the provision and the financing of health services. The Government will need to mobilize more resources through increased budget allocations and more innovative health insurance schemes. Provision of diagnostic services will need to improve. In addition, the area of preventive medicine, including food hygiene and safety will need greater attention.

53. ADB's ongoing Population and Family Health Project and planned Rural Health Project aim at improving service delivery through training and materials, particularly in disadvantaged areas, and enhancing central and provincial management capacity, including the ability to generate and utilize management information. To determine the possible role and direction of future ADB assistance in the sector, the following studies are being conducted: (i) a study of *Human Capital of the Poor: Policy Options for Viet Nam*, addressing the reasons for increasing inequities in access to health and education services; (ii) an analysis of the health sector and possible ADB role; and (iii) regional TAs analyzing the health needs of ethnic minorities and HIV/AIDS prevention efforts for mobile populations. Subject to the results of these studies, possible future directions of involvement include support for preventive medicine; control of HIV/AIDS; and promoting early childhood development through integrated interventions in the areas of health, social and cognitive development, and nutrition. Subject to the outcome of the sector analysis, a standby Health Sector Development loan has been scheduled for 2003.

### **3. Urban Development**

54. Infrastructure facilities in urban centers have deteriorated over time due to insufficient operations and maintenance budgets, or have not been able to keep up with expanding demand. The Government has placed emphasis on the provision of water supply and sanitation services to provincial level towns, and with external assistance from a number of sources has nearly completed coverage of all provincial towns. ADB operations in the early part of the program period will focus on the remaining provincial towns and on a few district towns on a pilot basis, assisting the Government to achieve its goal of complete coverage for this level of urban settlements.

55. Given the very high density of population in rural areas, it can be expected that over the coming decades the increasing agricultural productivity and land concentration will result in migration to urban centers. To avoid the destabilizing effect of significant migration to the major cities, Viet Nam needs to develop a network of provincial and district towns which can provide economic opportunity and absorb the population which will be gradually released from farm occupations. As ADB completes the cycle of projects aimed at provision of water supply to provincial towns, it will analyze the potential for supporting the development of secondary towns (with special emphasis on the central region), and assess the potential for supporting low income housing finance. Based on the results of this analysis, the future focus of Bank assistance to the urban sector will be determined.

### **4. Environment**

56. High population density, poverty, and accelerating growth, have placed considerable strains on Viet Nam's rich natural resource base. ADB assistance will focus on management and development of Viet Nam's water, forest, and coastal resources. In addition, by promoting a more balanced urban development pattern, it will assist in the prevention of the environmental strains which are normally associated with rapid and concentrated urbanization.

57. As discussed in para. 41, improved water resource management will be promoted through (i) development of sector institutions, including a national Water Resource Council and local River Basin Organizations, to ensure an integrated approach and harmonization of competing demands for irrigation, energy, water supply, industrial development, drainage, and flood protection; and (ii) specific investment with an emphasis on selected river basins. In the Central Region, which is particularly subject to flooding and natural disasters as a result of geographic and climatic conditions, ADB assistance will be provided in the framework of an ongoing broad coordination on disaster prevention and mitigation involving the central Government, the affected provinces, and a number of sources of external development assistance.

58. Watershed protection and sustainable use of forest resources will complement ADB operations in water resource management and poverty reduction. Subject to the results of the ongoing review of the policy environment in the forestry sector, and learning from the implementation experience of the ongoing forestry sector project and other Government and donor programs, future ADB operations in this sector will address combined and interrelated issues of environmental degradation, poverty, and food insecurity. The Central Highlands, which have a significant presence of ethnic minorities, and are experiencing high rates of in-migration and replacement of natural forest cover with cash crops grown in an unsustainable manner, are likely to be the geographic focus of such interventions. Given the complexity of the issues

involved, a very thorough and cross-disciplinary approach will be needed in the preparation of ADB operations in this area.

59. Coastal zone management may become the third environmental area of concentration in the proposed program, in line with the program's strong focus on addressing natural resource management and its linkage with poverty reduction. As fisherfolk are among the poorest in Viet Nam, and their already difficult conditions are under further threat due to the depletion of in-shore fishing resources, future operations in this area will shift away from the past focus on construction or rehabilitation of fishing port infrastructure, facilities, and support services, and towards the management and replenishment of coastal resources, and alternative livelihood options for the populations living in these areas.

#### **D. Governance Dimensions of ADB Operations**

60. Critical issues for the improvement of governance include (i) the rationalization of the role of the State, the public administration and the policy formulation process; (ii) the continuing development and transparent enforcement of the legal and regulatory framework; and (iii) the implementation of an effective system of public financial management. Vietnamese authorities have given strong signals that they wish to pursue broad-based reform of the machinery of government organization and its functioning, going beyond routine improvements in public administration, including the structure and system of economic and financial management.

61. ADB has undertaken in recent years a number of initiatives through TA to enhance the capacity of key central institutions and facilitate good governance practices. They include: Capacity Building at the Ministry of Planning and Investment (1995) and Support for Decentralization and Participation in Planning (1999); Institutional Strengthening of National Procurement Office (1994, 1995 and 1996, in three phases), Capacity Building at State Auditor General's Office (1995 and 1998 in two phases), Strengthening Capacity for Public Administration Reform (PAR) at the Government Committee on Organization and Personnel (1996 and 1998 in two phases), and Retraining of Government Legal Officers at the Ministry of Justice (1997). In addition, transparency, accountability and predictability at the macroeconomic and sector levels are being supported through the policy and institutional components of lending operations, whether under project, program or sector lending modalities.

62. For the 2001-2003 period, it is proposed that ADB operations in the area of governance focus on (i) facilitating a better structured and more focussed approach to effecting public administration reforms in Vietnam, through support for the Office of Government's efforts to improve public service efficiency and effectiveness; (ii) development and further implementation of a comprehensive legal framework for the more efficient and effective operation of the market economy, including support to the Ministry of Justice in legal education and in publicizing information on new legislative instruments; (iii) increasing the effectiveness of public financial management through improving transparency, accountability and capacity in the management of public finance at all levels of government. Decentralization will be supported by involving to the maximum extent possible the lower levels of government in project design and implementation. Governance improvements will be supported both directly through stand-alone and cluster TAs and indirectly by using the overall project pipeline to pursue governance objectives. The ADB's Viet Nam Resident Mission (VRM) is expected to play a key role in the design and implementation of governance-related operations, given the need for frequent and close contact with the Government on these matters.

## **E. Gender Dimensions of ADB Operations**

63. Given the substantial equality in education, labor force participation, and recognized rights, overcoming subtle and widespread differences in access to economic opportunity (asset ownership, credit, and earnings levels) and increasing participation in decision-making at the social, political, and economic level are the key to greater gender equity in Viet Nam. For this reason, gender issues in the proposed program will be addressed through attention to project design and through the development of action plans at key line ministries, rather than through ad-hoc projects. A gender and development specialist has been recruited in 1999 and placed at VRM, from where she actively participates as needed in processing of loan and TA operations, to ensure that gender dimensions are incorporated and addressed. The gender and development specialist and VRM are also directly involved in the joint Government-Donor Gender Working Group. The Working Group is reviewing implementation of the 1995-2000 Gender Plan of Action and providing inputs into the 2001-2005 Gender Strategy and 2001-2010 Plan of Action. The outcome of the exercise will be utilized by ADB as an input in the preparation of the new COS for Viet Nam. The program may also include TA for the preparation of a Gender Strategy and Implementation Action Plan, to develop concrete and implementable suggestions for mainstreaming of gender-related considerations in a large number of projects and programs, rather than developing separate interventions.

## **F. Private Sector Development**

64. The private sector in Viet Nam remains small and constrained by numerous impediments, despite its proven employment generation potential. The major impediments to private sector growth include: (i) slow processing of business license applications; (ii) slow and cumbersome procedures for approving changes in business activities and scope, including permission to export; (iii) limited transparency to outsiders of government decision-making; (iv) differential treatment of domestic and foreign-owned businesses; (v) difficulty in opening bank accounts and obtaining access to foreign exchange; (vi) high taxation; (vii) inability of lenders to obtain or enforce satisfactory collateral; (viii) distortions in the banking sector and disintermediation of banks; and (viii) a low regard for the private sector generally, compared with the state sector. Private sector growth has been held back in recent years partly by the effects of the regional financial crisis of 1997 and partly by the above impediments. Foreign direct investment has fallen sharply since 1998, and unemployment is rising. However, a small upturn in business activity in the SME sector has been noted in 2000. Many large private/BOT infrastructure projects are still stalled. For example, water sector BOTs continue to be held back, partly because increases in drinking water tariffs to economic levels have not been implemented. The Government has begun addressing some of these issues through revisions of the Foreign Investment Law (May 2000) and through reform programs, including program loans supported by ADB in the agricultural, financial, and industrial and SOE sector, but considerable room for improvement remains.

65. The only implemented Bank private sector project to date is a \$30 million loan for a large cement plant, approved in 1996. The first disbursement for this project was made in 2000. Further private sector projects are under consideration in higher education, health care, water supply, ports, and bitumen, diesel and fuel oil production. A private equity fund for SMEs is also being considered in conjunction with IFC. Closer integration between ADB private and public sector operations and opportunities for private-public partnerships will be sought during the program period, in accordance with ADB's *Private Sector Development Strategy*. SME development will provide an opportunity to address some of the general constraints to private sector expansion. Focus on private provision of tertiary health and education services would

also complement the public sector approach, by freeing fiscal resources to be devoted to primary and secondary services.

#### **IV. Regional Cooperation in the Greater Mekong Subregion (GMS)**

66. In recent years, road transport projects have been the most tangible sign of Viet Nam's GMS integration, with approval of the Phnom Penh-Ho Chi Minh City highway in the south (in 1998) and the East-West corridor in the center (1999). This trend is expected to continue, with the proposed Kunming-Haiphong corridor in the North ensuring subregional links from each of Viet Nam's economic regions. Further subregional integration of Viet Nam is expected through participation in GMS dialogue on "soft infrastructure" issues (transborder agreements, simplified common procedures, tourism, and joint action on social and environmental issues, such as HIV/AIDS, to address some of the side effects of improved flows of people among the GMS countries).

#### **V. Donor Activities and Aid Coordination**

67. The pledges made by the aid community to Viet Nam have gradually grown since the first Consultative Group (CG) meeting in 1993. At the CG meeting held in Hanoi in December 1999, donors pledged \$2.1 billion for 2000, bringing the total amount pledged since 1993 to approximately \$14 billion. CG meeting participants also indicated that up to \$700 million of additional funds would be available to support an accelerated and time-bound program for reforms and poverty reduction. (Appendix 3 provides information on external assistance to Viet Nam). In line with the commitments, progress has been made on the implementation of official development assistance (ODA). Disbursements (including grants) increased from \$726 million in 1996 to \$1.1 billion in 1997 and 1998, and to about \$1.2 billion in 1999. The Government is aware of the need to speed up disbursements, and very keen to improve ODA performance, in order also to compensate for the slowdown in FDI inflows which started in 1998. Decrees have been issued to provide for a complete set of consistent budget and ODA management regulations, and to ensure availability of counterpart funds. As a result of the joint Government/ADB/IBRD/World Bank Project Management Conference held in April 2000, a number of further areas for improvement have been identified (see para. 29), and concrete action is expected in the next 12 months on these issues.

68. United Nations agencies have been an important source of external assistance to Viet Nam since the mid-1980s. Support for the transition to a market economy, governance, social development and environmental protection are the main themes of the UNDP's program. UNDP also plays a vital role in aid coordination and mobilization. ADB coordinates actively with UN agencies, which are cofinancing or cooperating with ADB projects in the respective areas of expertise (for example health in the case of UNFPA, UNICEF, and WHO). A joint assessment of the legal sector and reform needs was started in 2000 between UNDP, World Bank and ADB.

69. The World Bank is the largest multilateral source of external assistance to Viet Nam, with average annual commitments of \$358 million during 1994-1999, compared to ADB's \$229 million. Structural reforms, SOE reform, banking modernization, rural development, health, education, transport, and energy are major areas of its operations. The World Bank and ADB regularly conduct discussions to coordinate activities and pursue an efficient division of responsibility. A clear demarcation has been achieved in the education sector, where the World Bank is supporting primary and higher education and ADB is taking the lead in secondary and technical education. In the power sector, responsibilities are shared according to sub-sector and geographic coverage, while maintaining a common approach on policy and institutional issues.

In rural development, coordination is ongoing in light of ADB's future concentration on the Central Region. As preparation of both ADB's Country Strategy and Program (CSP) and the World Bank's country assistance strategy (CAS) will be finalized in 2001, and both will have as a starting point a Poverty Reduction Strategy jointly developed with the Government in 2000, it is expected that sharper division of responsibilities, within an agreed overall framework, will be achieved in the future.

70. Among bilateral sources of assistance, Japan is now Viet Nam's principal channel of ODA, with annual commitments of more than \$700 million. Japan is especially active in physical and social infrastructure rehabilitation projects, but has provided through the new Miyazawa initiative support for policy reforms enhancing the role of the private sector. Sweden and Finland have a long history of support to Viet Nam, while Australia became an important source from the mid-1980s. Other important bilateral sources are the Netherlands, Switzerland, Belgium, Canada, Denmark, France, Germany, Italy, Spain, and the United Kingdom. The European Union has emerged as an important multilateral donor since 1990. Consultations with and briefings to all relevant bilateral sources are routinely conducted during country programming missions and project processing missions, and through annual consultations with some donors held at ADB Headquarters.

71. NGOs played an important role in providing assistance to Viet Nam before 1993, and continue to do so, especially in grass-roots rural development and programs targeting disadvantaged groups. NGOs, operating within government policies and procedures, are currently providing support to over 700 generally small-scale projects and programs, ranging from humanitarian/emergency relief to rural credit and the development of small-scale irrigation facilities. ADB regularly consults with NGOs at the project design stage, to learn from their experience and incorporate successful approaches. In some instances, Viet Nam-based NGOs are implementing components of ADB TAs. Consultations are also held by VRM and visiting country programming and country strategy missions. Recent consultations highlighted three issues: (i) NGO requests to be involved in a more systematic manner in consultations on all levels of ADB operations, from the country strategy to the assistance plan, sector studies, and specific projects; (ii) NGO requests to ensure quality interaction through timely information on meetings and appropriate briefing on issues to be discussed; and (iii) NGO suggestions that ADB help develop the capacity and role of the NGO sector in Viet Nam.

72. Viet Nam has been identified by the World Bank as a pilot case to implement the principles of the Comprehensive Development Framework (CDF). In practice, however, the approach has so far been implemented in a partial and selective way. The process can be expected to evolve gradually over a medium-term time frame, because simultaneous and thorough analysis of issues and coordination of operations in all sectors would place excessive demands on the Government and donor community. Good cooperation has been established between the Government, external aid agencies, NGOs, and other concerned stakeholders in the formulation of a common Poverty Reduction Strategy, while coordination at the sector level is pursued through "partnerships", as discussed below. The recent practice of holding a mid-term CG meeting (in June 2000 in Da Lat) and of holding the annual CG meeting in-country has also contributed to more continuity and Government involvement in the coordination process.

73. Preparations for a common Poverty Reduction Strategy started with a situation assessment, titled *Attacking Poverty*, which was presented and discussed at the December 1999 CG meeting. On this basis, a working group composed of Government, multilateral aid agencies (including ADB, the World Bank and UNDP), bilateral donors, and NGOs will continue analysis and elaboration of proposals throughout 2000, leading to discussion of a draft Poverty

Reduction Strategy at the December 2000 CG meeting. The document will provide a common basis for more tailored efforts meeting the detailed requirements of the Government (in its 2001-2005 Plan and 2001-2010 Strategy), other aid agencies (such as the World Bank and IMF's Poverty Reduction Strategy Paper), and ADB's CSP and Partnership Agreement, which will be finalized in the first half of 2001.

74. To promote coordination at the sector level, "partnerships" involving the relevant Government ministries and key donors active in the sector has proven fairly successful in ensuring dialogue and cooperation. Approximately 20 such partnerships exist at present, ranging from fairly loose arrangements and sporadic meetings to very well defined structures, backed by a permanent secretariat and funding mechanism. ADB is currently involved in 11 such partnerships, and has, for example, signed a memorandum of understanding and agreed to contribute funding for a joint approach to address the sustainable development of Ho Chi Minh City under the Official Development Assistance Partnership with JBIC, World Bank, UNDP, Belgium, HCMC People's Committee and the Government of Viet Nam. Through the process of preparation of the CSP, ADB participation in these partnership initiatives will be made more selective, with ADB belonging to the "core group" of external aid agencies in the sectors of more significant involvement, while retaining "observer status" in the remaining partnerships. In the sectors of more significant involvement, mechanisms will be developed to assign responsibilities as appropriate to both the Resident Mission and Headquarters, in order to maximize the benefits of coordination.

## **VI. Cofinancing and Catalyzing External Resources**

75. Since resumption of operations in 1993, ADB public sector loan projects have leveraged \$458 million of cofinancing, equivalent to 25 percent of ADB lending to Viet Nam. In addition, \$209 million of private sector cofinancing was generated for one private sector project in 1996. Given the scarcity and uncertainty regarding ADF resources, and in order to promote donor coordination through joint operations, continuing efforts will be made to leverage official and commercial cofinancing. As other aid agencies also narrow the scope of their operations and the focus of ADB lending shifts towards rural development initiatives, however, the potential for cofinancing may be reduced, and a more proactive approach will be required.

76. Stronger emphasis on complementarity between World Bank and ADB operations will result in increased consultation but reduced potential for joint financing. Consultations with other bilateral aid agencies, on the other hand, suggest that ADB's strategy should focus on strengthening ties with a limited number of agencies which (i) due to their own ODA policies have accorded Viet Nam priority status; (ii) have a reasonably large amount of resources available; (iii) have a mandate to actively seek cofinancing opportunities with multilateral agencies; and (iv) are active in sectors which ADB will prioritize. An agreement in principle has already been reached with Agence Francaise de Developpement, covering 3-4 projects and up to \$100 million during the 2001-2003 period. Niche opportunities with specific donors and sectors will be pursued. The greater focus on natural resource management envisioned in the program should increase the potential for recourse to the Global Environmental Facility (GEF), while there is good potential for cooperation with the UN system in the social sector, agriculture, and governance, not necessarily because of the amount of resources involved, but to access the expertise developed by such agencies. ADB will endeavor to mobilize \$ 70-100 million a year in joint and parallel cofinancing with a leveraging ratio of 20-30 percent.

## VII. ADB's Operational Program

### A. The Proposed Program

77. ADB's loan and TA programs for 2001-2003 are presented in Table 1. Further details are given in Appendix 4. The program takes into account the availability of ADF resources, and Viet Nam's limited access to OCR as Group B1 country. Subject to the availability of overall resources within ADB, the program is based on average annual commitments of \$252 million in ADF and \$77 million in OCR. OCR will be used primarily for projects with revenue-generating capacity, such as in the electric power sub-sector, and for blending with ADF in program loan operations. Preliminary analysis shows that the above-mentioned level of OCR lending is compatible with Viet Nam's domestic and external debt position. Debt servicing capacity will be closely monitored on a periodic basis, and the OCR lending level adjusted if the situation so warrants. The actual level of ADB lending will depend on country performance, including the Government's demonstrated commitment to implement policy and institutional reforms, and effectiveness in using ADB resources.

**Table 1: Lending and Technical Assistance Program, 1999-2003**

#### A. Public Sector Lending Program

	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
<b>Lending Program</b> <sup>a</sup>	<b>4</b>	<b>220.0</b>	<b>3</b>	<b>185.8</b>	<b>5</b>	<b>310.0</b>	<b>5</b>	<b>370.0</b>	<b>4</b>	<b>305.0</b>
ADF	4	180.0	3	185.8	5	260.0	4	240.0	5	255.0
OCR	1	40.0	-	-	1	50.0	2	130.0	1	50.0
<b>Lending Pipeline</b> <sup>b</sup>	-	-	<b>3</b>	<b>185.8</b>	<b>6</b>	<b>390.0</b>	<b>6</b>	<b>525.0</b>	<b>8</b>	<b>555.0</b>
ADF	-	-	3	185.8	6	340.0	6	395.0	8	455.0
OCR	-	-	-	-	1	50.0	1	130.0	2	100.0

#### B. Technical Assistance Program

	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program <sup>a</sup>	13	10,348.0	14	9,079.0	13	9,900.0	10	8,250.0	4	4,000.0
TA Pipeline <sup>b</sup>	-	-	14	9,079.0	13	9,900.0	13	10,100.0	7	6,350.0

<sup>a</sup> The Program comprised the firm projects.

<sup>b</sup> The Pipeline consists of both firm and standby projects.

Note: Blend loans are counted as one.

78. The program emphasizes: targeted poverty reduction interventions through decentralized projects focused on the Central Region of Viet Nam; pro-poor growth to be achieved through policy reforms in the financial and agriculture sectors, building on ADB's earlier policy-based lending operations in these areas, and through investment in physical infrastructure, particularly in roads and power sub-sectors; natural resource management and development with particular emphasis on water resources; and social and human development mainly through initiatives in the secondary education, health and water supply sub-sectors. Subregional cooperation will be promoted through both a loan in the transport sector, and policy dialogue and TA on transborder issues. Approximately one third of the portfolio will have a geographic focus on the Central Region, in order to achieve synergy and improve implementation through mutually reinforcing operations in complementary sectors.

79. A TA program averaging 12 projects and \$9.1 million per year has been defined for 2001 and 2002. The TA pipeline for 2002 and 2003 has only been partly committed, to allow some flexibility in the program, particularly since the COS is still under preparation. The TA program is guided by three priorities: (i) carrying out in cooperation with the Government the sector analysis needed to underpin the COS under preparation (particularly in the areas of poverty reduction, natural resources management, and sector development plans in both physical and social infrastructure); (ii) strengthening the loan pipeline through an adequate number of PPTAs (five are currently scheduled for 2001 and six for 2002), to allow some flexibility in responding to adjustments in processing schedules; and (iii) supporting the improvement of the governance framework through fairly large scale support in the areas of public service efficiency and administrative reform; public financial management; and legal sector capacity building and reform.

80. Based on preliminary guidelines on project classification, during the 2001-2003 period approximately 7 percent of projects (4 percent of lending amount) will be core poverty operations; 43 percent poverty interventions (38 percent in terms of amount), and 50 percent other development interventions (58 percent of lending)<sup>2</sup>. With respect to the sector distribution, agriculture and natural resources will account for about 42 percent of total lending; physical infrastructure and the social sector for 19 percent each, and the financial sector, including microfinance, for the remaining 20 percent. Appendix 5 presents a breakdown of the lending program by poverty classification, cross-cutting operational priority, and sector separately for the first year (2001) and the firm program for subsequent years (2002-2003).

## **B. Strengthened Role of ADB's Viet Nam Resident Mission**

81. Since its establishment in 1996, VRM has been supporting ADB operations with an emphasis on consultation and policy dialogue with the Government, donor coordination, support to Headquarters operational missions, and project implementation. In 1997 it organized a high-level policy seminar on the Asian financial crisis. It conducts monthly project implementation meetings and participates in a number of overall and sector-level partnership initiatives. VRM carried out a Joint Portfolio Performance Review Mission in July 1999 with JBIC and the World Bank, followed by a Seminar on Regulations in February 2000. In April 2000, it supported, again jointly with JBIC and the World Bank, a Project Management Conference, whose outcome is likely to influence significantly, the legal and operational framework for ODA implementation.

82. The emphasis on governance improvements during the 2001-2003 period will require close contact and frequent interaction with the Government, and it is envisaged that VRM will play a key role in the design and implementation of TA operations in this area. Responsibility for programming, economic analysis and project implementation, including delegation of some ongoing projects, will also partially be shifted to VRM during this period. VRM has until now been direly undersized compared to the dimension of ADB's program in Viet Nam. Therefore and in order to operate more efficiently in terms of office space and access to advanced information technology and telecommunication systems, VRM relocated into new and adequate office facilities in October 2000. Similarly, staff complement will be gradually increased during the program period to properly match VRM's increased responsibilities.

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<sup>2</sup> This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

## **VIII. Economic and Sector Work Program**

83. Economic and sector work (ESW) in Viet Nam during recent years has focused on examining sector level policy issues and identifying the institutional constraints that hamper policy and program implementation. Specifically, such ESW entailed a diagnostic study on governance issues; an energy sector profile; a social sector financing study; operational papers on rural infrastructure and water resource management; and a comparative analysis of environment and natural resources management issues in GMS countries. ADB also organized workshops on governance, macroeconomic management, and public administration reform.

84. As the Government continues in the preparation of the Five Year Socio-Economic Development Plan (2001-2005), and Development Strategy for 2001-2010, and the Bank develops the new CSP for Viet Nam, further analysis will be carried out, both on general issues and for the sectors of ADB involvement, through a combination of ADB and Government in-house resources and TA. The guiding effort for ESW will be the preparation of a poverty reduction strategy, largely in conjunction with other aid agencies as outlined in paras. 36 and 73. At the sector level, the possible role of ADB in the health sector and in rural finance will be reviewed in 2000, along with the preparation of strategies for governance, secondary education, and the energy sector, and the analysis of policy reform needs in the agriculture and financial sector. In order to better design future ADB operations, the following issues will be further analyzed after 2000: constraints to SME development; the linkage between social safety nets and financial markets; upland migration and social development; the institutions and policies for coastal resources management; the scope for provincial and district towns urban development and low income housing finance; the central region transport network; governance of irrigation and water services; and power sector road institutions and policies.

## **IX. Local Cost Financing**

85. After the introduction of a comprehensive Budget Law in 1996, Viet Nam has been managing prudently the public budget, adjusting expenditures to match revenues, with both declining as a share of GDP. While the public investment program, and especially its externally financed components, have been largely safeguarded, preliminary indications from an ongoing public expenditure review show that compression of recurrent expenditure in key sectors is beginning to jeopardize operations and maintenance allocations, thus diminishing the effectiveness and useful life of investment projects. The Government fully appreciates the importance of ODA's contribution to the investment program, and has indicated continuing commitment to making the local funds share promptly available. The Government also requested special ADB consideration for financing as large a share as possible of agreed projects, including local costs, and for mobilizing cofinancing sources, in order to maintain a sustainable burden on the public capital budget and allow some expansion of the needed recurrent expenditure. This would be especially true for those investments, which have a long lead time, such as social, environmental, and poverty reduction projects. Consistent with ADB's policy, a higher percentage of local cost financing will be provided for projects which address priority poverty and environment concerns and/or which are located in geographically and economically less developed regions of the country.

**VIET NAM**  
**COUNTRY PERFORMANCE INDICATORS**

Item	1995	1996	1997	1998 <sup>a</sup>	1999 <sup>a</sup>	2000 <sup>b</sup>
<b>ECONOMIC INDICATORS</b>						
<b>A. Income and Growth</b>						
1. GDP per Capita (dollars, current)	287.2	336.0	360.3	357.5	366.4	**
2. GDP Growth (% in constant prices)	9.5	9.3	8.2	4.4	4.7	6.1
Agriculture	4.8	4.4	4.3	2.8	5.2	3.6
Industry	13.6	14.5	12.6	7.3	7.6	9.7
Services	9.8	8.8	7.1	3.0	2.1	4.4
<b>B. Saving and Investment (current market prices)<sup>c</sup></b>						
	<b>(percent of GDP)</b>					
1. Gross Domestic Investment	27.1	28.1	28.3	23.8	20.1	22.7
2. Gross National Saving	13.6	17.6	21.4	19.2	24.1	25.0
<b>C. Money and Inflation</b>						
	<b>(annual percent change)</b>					
1. Consumer Price Index (end of period) <sup>c</sup>	12.9	4.4	3.6	9.2	0.1	2.5
2. Total Liquidity (M2)	22.6	22.5	26.1	25.6	39.3	25.0
<b>D. Government Finance</b>						
	<b>(percent of GDP)</b>					
1. Revenue and Grants	23.3	22.9	20.9	20.5	18.8	16.9
2. Expenditure and Onlending	24.1	23.7	24.8	22.5	21.2	19.6
3. Overall Fiscal Surplus/Deficit (-) <sup>d</sup>	-1.4	-1.3	-4.8	-2.6	-2.8	-3.2
<b>E. Balance of Payments</b>						
1. Merchandise Trade Balance (% of GDP)	-15.2	-12.7	-4.9	-3.7	3.8	2.5
2. Current Account Balance (% of GDP) <sup>e</sup>	-13.5	-10.5	-6.9	-4.6	4.0	2.3
3. Merchandise Export (\$) growth (annual percent change)	28.2	41.2	24.6	2.4	23.2	12.9
4. Merchandise Import (\$) growth (annual percent change)	59.3	25.5	-0.2	-1.1	1.1	17.3
<b>F. External Payments Indicators</b>						
1. Gross Official Reserves (\$ million)	1,323.0	1,673.0	1,858.0	1,995.0	2,947.0	3,903.0
(weeks of imports)	6.6	8.3	9.3	9.9	12.5	13.9
2. External Debt Service (% of exports of goods & services)	12.1	9.8	11.1	13.2	10.7	9.8
3. External Debt (% of GDP)	35.0	36.6	38.6	38.5	37.4	35.0
<b>Memorandum Items:</b>						
GDP (current prices, D billion)	228,892	272,036	313,623	356,197	394,310	442,258
Exchange Rate (D per \$, average)	11,038.0	11,033.0	11,706.0	13,297.0	13,944.0	14,362.0
Population (million)	72.2	73.4	74.5	75.6	76.6	**

\*\* Data not available

<sup>a</sup> 1998 and 1999 are staff estimates. Revised GSO figures for 1998 are 5.8 % for GDP, 3.5 % for AFF, 8.3 % for industry, 5.1% for services. Preliminary GSO estimates for 1999 are 4.8% for GDP, 5.2% for AFF, 7.7 % for industry and 2.3% for services.

<sup>b</sup> Estimate.

<sup>c</sup> Based on end of period.

<sup>d</sup> Excluding on grants and including on lending.

<sup>e</sup> Excluding official transfers.

Sources: General Statistical Office; State Bank of Viet Nam; Ministry of Finance; International Monetary Fund reports; and staff estimates.

**VIET NAM**  
**COUNTRY PERFORMANCE INDICATORS**

	1985	1990	Latest Year
<b>POPULATION INDICATORS</b>			
Total Population (millions)	59.9	66.2	79.3 (1998)
Annual Population Growth Rate (% change)	2.08	2.25	1.61 (1998)
<b>SOCIAL INDICATORS</b>			
Total Fertility Rate (births per woman)	4.2 (1987)	3.3 (1992)	2.3 (1997)
Maternal Mortality Rate (per hundred thousand live births)	...	...	160 (1990-1998)
Infant Mortality Rate (below 1 year; per '000 live births)	47 (1987)	44 (1992)	31 (1998)
Life Expectancy at Birth (years)	65	67	67.8 (1998)
Female	67	69	70.0 (1998)
Male	63	64	65.3 (1998)
Adult Literacy (%)	84	88	92.9 (1998)
Primary School Gross Enrollment (%) <sup>a</sup>	110 (1986/87)	103 (1991/92)	114 (1996)
Female	...	...	...
Lower Secondary School Gross Enrollment (%) <sup>a</sup>	58 (1986/87)	44 (1991/92)	59 (1995/96)
Female	...	...	...
Upper Secondary School Gross Enrollment (%) <sup>a</sup>	24 (1986/87)	13 (1991/92)	20 (1995/96)
Female	...	...	...
Child Malnutrition (% of under age 5)	52 (1980-1985)	...	39 (1990-1997)
Population Below Poverty Line (%)	...	...	37 (1997/98)
Population with Access to Safe Water (%)	46 (1985-1988)	27 (1988-1991)	45 (1990-1998)
Population with Access to Sanitation (%)	...	18 (1988-1991)	29 (1990-1998)
Public Education Expenditure (as % of GNP)	1.0	1.0	2.2 (1998)
Public Health Expenditure (as % of GDP)	0.6	0.9	0.8 (1998)
Human Development Index		0.472	0.671 (1998)
Human Development Ranking		115	108 (1998)
		<b>1980</b>	<b>Latest Year</b>
<b>ENVIRONMENTAL INDICATORS</b>			
Energy Efficiency of Emissions			
GDP per unit of energy use (PPP \$ per kg oil equivalent)		n.a.	3.2 (1997)
Traditional fuel use (% of total energy use)		49.1	40.5 (1996)
Carbon dioxide emissions (total metric tons)		16.8	37.6 (1996)
Carbon dioxide emissions (per capita metric tons)		0.3	0.5 (1996)
Water Pollution			
Emissions of organic water pollutants (kg/day)		n.a.	n.a.
Industry share of emissions of organic water pollutants			
Wood (%)		n.a.	n.a.
Primary Metals (%)		n.a.	n.a.
Paper and Pulp (%)		n.a.	n.a.
Chemical (%)		n.a.	n.a.
Food and Beverages (%)		n.a.	n.a.
Textiles (%)		n.a.	n.a.
Land Use and Deforestation			
Forest area (sq km)		n.a.	91 (1995)
Average annual deforestation (sq km)		n.a.	1352 (1990-95)
Average annual deforestation (% change)		n.a.	1.4 (1990-95)
Rural population density (people per sq km of arable land)		n.a.	1071 (1997)
Arable land (% of land area)		18.2	17.4 (1997)
Permanent cropland (% of land area)		1.9	4.7 (1997)
Biodiversity and Protected Areas			
Nationally protected areas (sq km '000)		n.a.	9.9 (1996)
Percent of total land area		n.a.	3 (1996)
Mammals (number of threatened species)		n.a.	38 (1996)
Birds (number of threatened species)		n.a.	47 (1996)
Higher plants (number of threatened species)		n.a.	341 (1997)
Reptiles (number of threatened species)		n.a.	12 (1996)
Amphibians (number of threatened species)		n.a.	1 (1996)
Urban			
Urban population (millions)		10.3	15 (1998)
Percentage urban		19	20 (1998)
Per capita water use (liter/day) - Hanoi		n.a.	110 (1998)
Wastewater treated (percent)		n.a.	n.a. (1998)
Per capita solid waste generation (kg/day)		n.a.	1.2 (1998)
Air Pollution			
City population ('000)			
Total Suspended particulates (micrograms per cubic meter)		n.a.	n.a.
Sulfur dioxide (micrograms per cubic meter)		n.a.	n.a.
Nitrogen dioxide (micrograms per cubic meter)		n.a.	n.a.

<sup>a</sup> Gross enrollment ratios are defined as the number enrolled in a level of education, whether or not they belong in the relevant age group for that level, expressed as a percentage of the population in the age group 6-10 years for primary school, 11-14 years for lower secondary school, and 15-17 years for upper secondary school.

## VIET NAM

## PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results

## Public Sector Projects only

(as of 31 December 1999)

A. Project Portfolio	Net Loan Amount \$ million      %		Rating (No.) <sup>a</sup>										
			Total		Implementation Progress				Development Objectives				
			No.	%	HS	S	PS	U	HS	S	PS	U	
Agriculture and Natural Resources	370.7	22.3	7	28.0	0	7	0	0	0	0	7	0	0
Energy	170.1	10.2	2	8.0	0	1	1	0	0	0	2	0	0
Finance and Industry	186.2	11.2	2	8.0	0	1	1	0	0	0	2	0	0
Social Infrastructure	424.7	25.6	8	32.0	2	6	0	0	0	1	7	0	0
Transport and Communications	508.2	30.6	6	24.0	0	5	1	0	0	0	6	0	0
Others/Multisector	0.0	0.0	0	0.0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1,659.8</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>2</b>	<b>20</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>24</b>	<b>0</b>	<b>0</b>

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	40.0	1,619.8	1,659.8
(2) Disbursed amount (\$ mn, cumulative, active loans only)	0.0	469.4	469.4
(3) Percentage disbursed [(2)/(1)] (%)	0.00	28.98	28.28
(4) Disbursements (\$mn, active loans only, latest year)	0.0	191.2	191.2
(5) Disbursement ratio (%) <sup>b</sup>	0.00	16.04	16.04
C. Net Transfer of Resources <sup>c</sup> (\$ million)	OCR	ADF	Total
Net transfer in 1995	0.0	45.3	45.3
Net transfer in 1996	0.0	25.8	25.8
Net transfer in 1997	0.0	145.9	145.9
Net transfer in 1998	0.0	124.1	124.0
Net transfer in 1999	2.5	185.8	188.3

D. Post-Evaluated Projects (By Year of Approval)	1968 - 1977		1978 - 1987		1988 - 1999		1968 - 1999			
	No.	%	No.	%	No.	%	No.	%		
<b>1. Postevaluation Rating (as of 31 December 1999)</b>										
Rated Generally Successful (GS)	0	0.0	0	0.0	0	0.0	0	0.0		
Rated Partly Successful (PS)	5	100.0	0	0.0	0	0.0	5	100.0		
Rated Unsuccessful (US)	0	0.0	0	0.0	0	0.0	0	0.0		
No Rating	0	0.0	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>5</b>	<b>100.0</b>		
<b>2. Postevaluation Rating by Sector 1968-99 (as of 31 December 1999)</b>										
	GS		PS		US		NR		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.0	3	60.0	0	0.0	0	0.0	3	60.0
Energy	0	0.0	1	20.0	0	0.0	0	0.0	1	20.0
Finance and Industry	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Social Infrastructure	0	0.0	1	20.0	0	0.0	0	0.0	1	20.0
Transport and Communications	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Others/Multisector	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>5</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>5</b>	<b>100.0</b>

<sup>a</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory.<sup>b</sup> Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.<sup>c</sup> Includes private sector projects for countries with private sector operations.

**VIET NAM**  
**PORTFOLIO PERFORMANCE**  
**Table 2: Status of Project Implementation**  
**Public Sector Projects Only**  
**(As of 31 December 1999)**

Sector <sup>a</sup>	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Project Progress (% complete)	Cum Contract Awards (\$ million)	Cumulative Disbursement (\$ million)	Project Performance Rating <sup>b</sup>	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
AGR	Rural Credit		46.3	Sep-96	Apr-97	Jun-01	-	31	39.3	43.0	S	S
AGR	Rural Infrastructure Sector		105.6	Oct-97	Apr-98	Dec-04	-	8	12.2	7.5	S	S
AGR	Irrigation and Flood Protection Rehab.		75.1	Oct-93	Mar-94	Dec-98	Dec-00	66	49.4	40.0	S	S
AGR	Red River Delta Water Resources (Sector)		55.8	Dec-94	Apr-95	Sep-00	-	55	40.4	28.2	S	S
AGR	Fisheries Infrastructure Improvement		52.5	Nov-95	Apr-96	Dec-02	-	55	16.7	9.8	S	S
AGR	Forestry Sector Project		32.8	Mar-97	Oct-97	Dec-03	-	6	0.1	0.7	S	S
AGR	Phuoc Hoa Multipurpose Water Resources		2.6	Dec-97	Jul-98	Mar-00	-	50	2.0	0.8	S	S
ENE	Power Distribution Rehabilitation		69.9	Jun-95	Sep-95	Dec-99	-	55	43.6	36.6	PS	S
ENE	Central and Southern VN Power Dist.		100.3	Nov-97	Feb-99	Dec-02	-	12	1.9	0.4	S	S
F&I	FSPL		86.5	Nov-96	Feb-97	Dec-99	-	100	90.0	86.5	PS	S
F&I	SCPL	40.0	59.7	Dec-99	-	Dec-03	-	0	0.0	0.0	S	S
SOC	Population & Family Health		40.3	Sep-96	Mar-97	Jun-03	-	57	26.0	18.4	HS	S
SOC	Lower Secondary Education Development		50.5	Sep-97	Mar-98	Jun-04	-	35	6.2	3.8	HS	HS
SOC	Vocational & Technical Education		52.6	Dec-98	Dec-99	Oct-04	-	9	0.0	0.1	S	S
SOC	Teacher Training		24.9	Dec-99	-	Jun-06	-	0	0.0	0.0	S	S
SOC	HCMC Water Supply & Sanitation		62.8	Nov-93	Apr-95	Jun-99	Jun-01	64	47.5	22.0	S	S
SOC	Provincial Towns Water Supply & Sanitation		57.8	Aug-95	Dec-95	Dec-00	-	50	46.0	17.1	S	S
SOC	2nd Prov. Towns WS & Sanitation		65.5	Feb-97	Nov-97	Jun-02	-	28	10.0	4.9	S	S
SOC	HCMC Environmental Improvement		70.2	Oct-99	-	Jun-06	-	0	0.0	0.0	S	S
T&C	Road Improvement		116.4	Nov-93	Nov-94	Dec-98	Dec-99	100	109.3	93.3	S	S
T&C	Saigon Port		28.4	Mar-95	Jul-95	Dec-98	Jun-00	80	26.4	23.1	S	S
T&C	Second Road Improvement		114.2	Nov-96	Jul-97	Dec-01	-	24	67.4	21.8	PS	S
T&C	Third Road Improvement		126.8	Dec-98	Sep-99	Dec-03	-	0	54.3	5.4	S	S
T&C	PP-HCMC Highway Project		97.5	Dec-98	Nov-99	Jun-03	-	0	42.4	6.0	S	S
T&C	East-West Corridor		24.9	Dec-99	-	Dec-04	-	0	0.0	0.0	S	S
	<b>Total</b>	<b>40.0</b>	<b>1,619.8</b>						<b>731.1</b>	<b>469.4</b>		

<sup>a</sup> Sector:

AGR: Agriculture & Natural Resources

ENE: Energy

F&I: Finance and Industry

SOC: Social Infrastructure

T&C: Transport and Communications

OTH: Others/Multisector

<sup>b</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory.



**VIET NAM**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003**

Sector/Project Name	Poverty Classification <sup>a*</sup>	Crosscutting Operational Priority <sup>b*</sup>	Responsible Division	Year of PPTA	PROJECT COST (in \$ million)					
					TOTAL	ADB			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
<b>2001 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1 Central Region Poverty Reduction	CPI	ENV	AWAR	2000	60.0	-	40.0	40.0	15.0	5.0
2 Second Red River Water Resources (Sector)	PI	ENV	AWFN	1998	120.0		60.0	60.0	35.0	25.0
<b>Subtotal</b>					180.0	-	100.0	100.0	50.0	30.0
<b>Finance and Industry</b>										
3 Financial Sector Development II	ODI	PSD	IWFI	1998	140.0	50.0	50.0	100.0	10.0	30.0
<b>Subtotal</b>					140.0	50.0	50.0	100.0	10.0	30.0
<b>Social Infrastructure</b>										
4 Third Provincial Towns Water Supply and Sanitation	PI	HD	AWWU	1999	85.0	-	60.0	60.0	25.0	TBD
<b>Subtotal</b>					85.0	-	60.0	60.0	25.0	TBD
<b>Transport and Communications</b>										
5 Provincial Roads Improvement	ODI		IWTC	2000	120.0	-	50.0	50.0	20.0	50.0
<b>Subtotal</b>					120.0	-	50.0	50.0	20.0	50.0
<b>Total</b>					525.0	50.0	260.0	310.0	105.0	110.0
<b>2001 STANDBY LOAN</b>										
<b>Agriculture and Natural Resources</b>										
1 Phuoc Hoa Water Resources	ODI	ENV	AWFN	1997	160.0		80.0	80.0	30.0	50.0
<b>Total</b>					160.0	-	80.0	80.0	30.0	50.0
<b>2002 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1 Agriculture Sector Development Program	ODI	PSD	AWAR	1999	150.0	50.0	50.0	100.0	10.0	40.0
2 Phuoc Hoa Water Resources	ODI	ENV	AWFN	1997	160.0	-	80.0	80.0	30.0	50.0
<b>Subtotal</b>					310.0	50.0	130.0	180.0	40.0	90.0
<b>Energy</b>										
3 Power Sector Development	ODI	ENV/RC	IWEN	1999	300.0	80.0	-	80.0	90.0	130.0
<b>Subtotal</b>					300.0	80.0	-	80.0	90.0	130.0
<b>Social Infrastructure</b>										
4 Upper Secondary Education Development	PI	HD	AWEH	2001	70.0	-	50.0	50.0	20.0	TBD
<b>Subtotal</b>					70.0	-	50.0	50.0	20.0	TBD
<b>Transport and Communications</b>										
5 GMS: Kunming-Haiphong Corridor	ODI	RC	IWTC	2000	100.0	-	60.0	60.0	20.0	20.0
<b>Subtotal</b>					100.0	-	60.0	60.0	20.0	20.0
<b>Total</b>					780.0	130.0	240.0	370.0	170.0	240.0
<b>2002 STANDBY LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1 Central Provinces Water Resources	PI	ENV	AWFN	2001	130.0	-	80.0	80.0	20.0	30.0
<b>Subtotal</b>					130.0	-	80.0	80.0	20.0	30.0
<b>Social Infrastructure</b>										
2 Low-Income Housing and Urban Development	PI	HD	AWWU	2001	110.0	-	75.0	75.0	35.0	TBD
<b>Subtotal</b>					110.0	-	75.0	75.0	35.0	TBD
<b>Total</b>					240.0	-	155.0	155.0	55.0	TBD

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

<sup>b</sup> ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development ; RC = Regional Cooperation.

<sup>\*</sup> This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

**VIET NAM**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003**

Sector/Project Name	Poverty Classification <sup>a*</sup>	Crosscutting Operational Priority <sup>b*</sup>	Responsible Division	Year of PPTA	PROJECT COST (in \$ million)					
					TOTAL	ADB			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
<b>2003 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1 Central Highlands Livelihood and Natural Resource Management	PI	ENV	AWFN/AWAR	2001	90.0	-	50.0	50.0	20.0	20.0
2 Central Provinces Water Resources	PI	ENV	AWFN	2001	130.0	-	80.0	80.0	20.0	30.0
<b>Subtotal</b>					220.0	-	130.0	130.0	40.0	50.0
<b>Finance and Industry</b>										
3 SME Development/Microfinance	ODI	PSD	IWFI/AWAR	2001	160.0	50.0	50.0	100.0	20.0	40.0
<b>Subtotal</b>					160.0	50.0	50.0	100.0	20.0	40.0
<b>Social Infrastructure</b>										
4 Low-Income Housing and Urban Development	PI	HD	AWWU	2001	110.0	-	75.0	75.0	35.0	TBD
<b>Subtotal</b>					110.0	-	75.0	75.0	35.0	TBD
<b>Total</b>					490.0	50.0	255.0	305.0	95.0	90.0
<b>2003 STANDBY LOANS</b>										
<b>Energy</b>										
1 Power Transmission and Distribution	ODI		IWEN	2002	160.0	50.0	30.0	80.0	30.0	50.0
<b>Subtotal</b>					160.0	50.0	30.0	80.0	30.0	50.0
<b>Social Infrastructure</b>										
2 Health Sector Development	PI	HD	AWEH	2002	100.0	-	60.0	60.0	20.0	20.0
3 Lower Secondary Education Development II	PI	HD	AWEH	2002	70.0	-	50.0	50.0	20.0	TBD
<b>Subtotal</b>					170.0	-	110.0	110.0	40.0	20.0
<b>Transport and Communications</b>										
4 Central Region Road Sector	PI		IWTC	2002	110.0	-	60.0	60.0	20.0	30.0
<b>Subtotal</b>					110.0	-	60.0	60.0	20.0	30.0
<b>Total</b>					440.0	50.0	200.0	250.0	90.0	80.0

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

<sup>b</sup> ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development ; RC = Regional Cooperation.

<sup>\*</sup> This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

**VIET NAM**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 Central Highlands Livelihood and Natural Resource Management	AWFN/AWAR	PPTA	1,000.0	-	1,000.0
2 Assessment and Strengthening of Coastal Management Institutions	AWFN	ADTA	850.0	-	850.0
3 Central Provinces Water Resources Management	AWFN	PPTA	1,300.0	-	1,300.0
4 Capacity Building for Central Region Poverty Reduction	AWAR	ADTA	800.0	-	800.0
	<b>Subtotal</b>		<u>3,950.0</u>	<u>-</u>	<u>3,950.0</u>
<b>Energy</b>					
5 Implementation of the Power Sector Road Map and Grid Code	IWEN	ADTA	400.0	-	400.0
	<b>Subtotal</b>		<u>400.0</u>	<u>-</u>	<u>400.0</u>
<b>Finance and Industry</b>					
6 Strengthening of Capital Markets Institutions	IWFI	ADTA	700.0	-	700.0
7 SME Development/Microfinance	IWFI/AWAR	PPTA	700.0	-	700.0
	<b>Subtotal</b>		<u>1,400.0</u>	<u>-</u>	<u>1,400.0</u>
<b>Social Infrastructure</b>					
8 Upper Secondary Education Development	AWEH	PPTA	600.0	-	600.0
9 Low Income Housing and Urban Development	AWWU	PPTA	900.0	-	900.0
	<b>Subtotal</b>		<u>1,500.0</u>	<u>-</u>	<u>1,500.0</u>
<b>Transport and Communications</b>					
10 Update Central Region Transportation Master Plan	IWTC	ADTA	400.0	-	400.0
	<b>Subtotal</b>		<u>400.0</u>	<u>-</u>	<u>400.0</u>
<b>Others/Multisector</b>					
11 Improving Project Financial Management and Portfolio Performance	VRM/COPP	ADTA	500.0	500.0	1,000.0
12 Legal Sector Capacity Building and Reform	OGC	ADTA	750.0	250.0	1,000.0
13 Institutional Support for Improving Public Service Efficiency	VRM/PWD	ADTA	1,000.0	750.0	1,750.0
	<b>Subtotal</b>		<u>2,250.0</u>	<u>1,500.0</u>	<u>3,750.0</u>
<b>Total</b>			<u>9,900.0</u>	<u>1,500.0</u>	<u>11,400.0</u>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 Central Region Coastal Management	AWFN	PPTA	600.0	-	600.0
2 Support for Implementation of Agriculture Policy Reforms	AWAR	ADTA	1,000.0	-	1,000.0
	<b>Subtotal</b>		<u>1,600.0</u>	<u>-</u>	<u>1,600.0</u>
<b>Energy</b>					
3 Power Transmission and Distribution	IWEN	PPTA	750.0	-	750.0
	<b>Subtotal</b>		<u>750.0</u>	<u>-</u>	<u>750.0</u>
<b>Finance and Industry</b>					
4 SME Development/Microfinance	IWFI/AWAR	ADTA	500.0	-	500.0
	<b>Subtotal</b>		<u>500.0</u>	<u>-</u>	<u>500.0</u>
<b>Social Infrastructure</b>					
5 Lower Secondary Education Development II	AWEH	PPTA	600.0	-	600.0
6 Capacity Building for Upper Secondary Education	AWEH	ADTA	600.0	-	600.0
7 Health Sector Development	AWEH	PPTA	600.0	-	600.0
8 Provincial Towns Urban Development	AWWU	PPTA	800.0	-	800.0
	<b>Subtotal</b>		<u>2,600.0</u>	<u>-</u>	<u>2,600.0</u>
<b>Transport and Communications</b>					
9 Central Region Road Sector	IWTC	PPTA	800.0	-	800.0
	<b>Subtotal</b>		<u>800.0</u>	<u>-</u>	<u>800.0</u>
<b>Others/Multisector</b>					
10 Public Financial Management	VRM/PWOD	ADTA	2,000.0	-	2,000.0
	<b>Subtotal</b>		<u>2,000.0</u>	<u>-</u>	<u>2,000.0</u>
<b>Total Firm</b>			<u>8,250.0</u>	<u>TBD</u>	<u>8,250.0</u>
<b>Standby</b>					
<b>Finance and Industry</b>					
Social Safety Nets and Financial Markets Development	IWFI	ADTA	600.0	-	600.0
	<b>Subtotal</b>		<u>600.0</u>	<u>-</u>	<u>600.0</u>
<b>Social Infrastructure</b>					
Public-Private Partnership in Vocational and Technical Training	AWEH	ADTA	250.0	-	250.0
GMS Prevention and Control of HIV/AIDS	AWEH	ADTA	1,000.0	500.0	1,500.0
	<b>Subtotal</b>		<u>1,250.0</u>	<u>500.0</u>	<u>1,750.0</u>
<b>Total Standby</b>			<u>1,850.0</u>	<u>500.0</u>	<u>2,350.0</u>

**VIET NAM**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
<b>2003 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 Water Resources Sector Development	AWFN	PPTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<u>1,000.0</u>	<u>-</u>	<u>1,000.0</u>
<b>Energy</b>					
2 Strengthening of Transmission and Distribution Systems	IWEN	ADTA	500.0	-	500.0
<b>Subtotal</b>			<u>500.0</u>	<u>-</u>	<u>500.0</u>
<b>Finance and Industry</b>					
3 Social Safety Nets and Financial Markets Development	IWFI	ADTA	600.0	-	600.0
<b>Subtotal</b>			<u>600.0</u>	<u>-</u>	<u>600.0</u>
<b>Social Infrastructure</b>					
4 Public-Private Partnership in Vocational and Technical Training	AWEH	ADTA	250.0	-	250.0
5 GMS Prevention and Control of HIV/AIDS	AWEH	ADTA	1,000.0	500.0	1,500.0
<b>Subtotal</b>			<u>1,250.0</u>	<u>500.0</u>	<u>1,750.0</u>
<b>Others/Multisector</b>					
6 Institutions Support for Improving Public Service Efficiency, Phase II	VRM/PWD	ADTA	1,500.0	-	1,500.0
7 Legal and Judicial Sector Capacity Building and Reform	OGC	ADTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<u>2,500.0</u>	<u>-</u>	<u>2,500.0</u>
<b>Total</b>			<u>5,850.0</u>	<u>500.0</u>	<u>6,350.0</u>

**VIET NAM**  
**FIRM LENDING PROGRAM, 2001-2003**  
**BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR**

Classification	2001		2002-2003	
	No.	%	No.	%
<b>I. By Poverty Classification*</b>				
A. Core Poverty Intervention	1	20.0	0	0.0
B. Poverty Intervention (Non-core)	2	40.0	4	44.4
C. Other Development Interventions	2	40.0	5	55.6
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>
<b>II. By Crosscutting Operational Priority*</b>				
A. Environment	2	50.0	4	44.4
B. Gender and Development	0	0.0	0	0.0
C. Good Governance	0	0.0	0	0.0
D. Human Development	1	25.0	2	22.2
E. Private Sector Development	1	25.0	2	22.2
F. Regional Cooperation	0	0.0	1	11.1
<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>
<b>III. By Sector</b>				
A. Agriculture and Natural Resources	2	40.0	4	44.4
B. Energy	0	0.0	1	11.1
C. Finance and Industry	1	20.0	1	11.1
D. Social Infrastructure	1	20.0	2	22.2
E. Transport and Communications	1	20.0	1	11.1
F. Others/Multisector	0	0.0	0	0.0
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>

\* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

**VIET NAM**  
**LENDING PROGRAM, 2001-2003**  
**BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR**

Classification	2001 (Firm)				2002-2003				2001-2003			
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
<b>I. By Poverty Classification</b>												
A. Core Poverty Intervention	1	20.0	40.0	12.9	0	0.0	0.0	0.0	1	7.1	40.0	4.1
B. Poverty Intervention (Non-core)	2	40.0	120.0	38.7	4	44.4	255.0	37.8	6	42.9	375.0	38.1
C. Other Development Interventions	2	40.0	150.0	48.4	5	55.6	420.0	62.2	7	50.0	570.0	57.9
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>310.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>675.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>985.0</b>	<b>100.0</b>
<b>II. By Crosscutting Operational Priority</b>												
A. Environment	2	50.0	100.0	38.5	4	44.4	290.0	43.0	6	46.2	390.0	41.7
B. Gender and Development	0	0.0	0.0	0.0	0	0.0	0.0	0.0	0	0.0	0.0	0.0
C. Good Governance	0	0.0	0.0	0.0	0	0.0	0.0	0.0	0	0.0	0.0	0.0
D. Human Development	1	25.0	60.0	23.1	2	22.2	125.0	18.5	3	23.1	185.0	19.8
E. Private Sector Development	1	25.0	100.0	38.5	2	22.2	200.0	29.6	3	23.1	300.0	32.1
F. Regional Cooperation	0	0.0	0.0	0.0	1	11.1	60.0	8.9	1	7.7	60.0	6.4
<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>260.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>675.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>935.0</b>	<b>100.0</b>
<b>III. By Sector</b>												
A. Agriculture and Natural Resources	2	40.0	100.0	32.3	4	44.4	310.0	45.9	6	42.9	410.0	41.6
B. Energy	0	0.0	0.0	0.0	1	11.1	80.0	11.9	1	7.1	80.0	8.1
C. Finance and Industry	1	20.0	100.0	32.3	1	11.1	100.0	14.8	2	14.3	200.0	20.3
D. Social Infrastructure	1	20.0	60.0	19.4	2	22.2	125.0	18.5	3	21.4	185.0	18.8
E. Transport and Communications	1	20.0	50.0	16.1	1	11.1	60.0	8.9	2	14.3	110.0	11.2
F. Others/Multisector	0	0.0	0.0	0.0	0	0.0	0.0	0.0	0	0.0	0.0	0.0
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>310.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>675.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>985.0</b>	<b>100.0</b>

## VIET NAM

PROJECT PROFILE					
<b>1. Project Name:</b> Second Red River Water Resources Sector			<b>2. Sector/Subsector:</b> Agriculture and Natural Resources/ Irrigation and Rural Development		
<b>3. Poverty Classification:</b> <sup>a *</sup> PI			<b>4. Crosscutting Operational Priority:</b> <sup>b *</sup> ENV		
<b>5. Rationale &amp; Objectives:</b>  Eighty percent of the poor in Viet Nam are farmers, who are dependent upon reliable and timely irrigation and drainage services (especially for rice cultivation) and vulnerable to the consequences of droughts, floods and poor water quality. Poverty is closely linked to unreliable and insufficient access to water and drainage services. Rehabilitation of irrigation and drainage infrastructure and improvement of water management is therefore a self-targeting poverty intervention.  In order to be effective, such interventions must be planned and executed in a river basin framework. Viet Nam has started devolving water resources sector responsibilities to the river basin level but its institutions and arrangements need to be strengthened.  The objective of the proposed Project is to improve agricultural performance (incomes) of poorer communities through sustainable improvements in irrigation, better drainage, watershed protection and flood protection, within a framework of integrated water resource management in the Red River basin.			<b>6. Beneficiary Participation/Consultation Needs:</b>  (i) Consultation meetings are being carried out with stakeholders ; (ii) Selection of subprojects will be made adopting a consultative approach with stakeholders in selected provinces; (iii) Participating communities will be requested during the social preparation phase to prepare a village-level poverty reduction plan that shows how project activities together with their own initiatives will achieve the objectives of the project.		
<b>7. Scope:</b>  The Project scope has been organized into two parts to address this objective. Part A will address aspects related to integrated water resource management and associated institution building, while Part B will address the provision of infrastructure improvements and the necessary agricultural support services at community level to optimize the benefits from the water services.					
<b>8. Estimated Cost &amp; Financing Plan:</b>			<b>Remarks</b> In view of the need for further water resources investments in the Red River basin with focus on poverty reduction and based on the lessons learned from the ongoing sector project, the Government expressed the need for a more integrated and decentralized approach. The preliminary analysis of the proposed project shows opportunities for poverty reduction, positive environmental impact, and a participatory and socially acceptable design. Cofinancing interest expressed by France and Netherlands.		
<b>Loan Project Cost (\$m)</b>					
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>			<b>Total</b>
ADB	35.8	24.2			60.0
Co-financing		25.0			25.0
Borrower		35.0			35.0
Sub-borrowers					-
<b>Total</b>	<b>35.8</b>	<b>84.2</b>	<b>120.0</b>		
<b>9. Estimated Benefits and Beneficiary Groups:</b>  The Project will have a direct impact on farm incomes, nutritional levels and living standards in the Red River Basin Delta. Increased rice production will be achieved in areas where cropping intensity is low due to drainage problems and higher yielding varieties and diversified crops can be introduced as a result of improved irrigation performance. The economy as a whole will benefit through increased rice exports.					
<b>10. Executing Agency:</b> Ministry of Agriculture and Rural Development			<b>11. Project Implementation Period:</b> Start: 2001 End: 2006		
<b>12. Environment Category:</b> B			<b>13. Processing Year:</b> 2001		

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

<sup>b</sup> ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development and RC = Regional Cooperation.

\* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

## VIET NAM

<b>PROJECT PROFILE</b>					
<b>1. Project Name:</b> Central Region Poverty Reduction Project			<b>2. Sector/Subsector:</b> Agriculture and Natural Resources/ Irrigation and Rural Development		
<b>3. Poverty Classification:</b> <sup>a*</sup> CPI			<b>4. Crosscutting Operational Priority:</b> <sup>b*</sup> ENV		
<b>5. Rationale &amp; Objectives:</b>  The incidence of income poverty in the Central Region is about 45 percent, with a food poverty line of 20 percent. It is the least developed region of the country with a per capita GDP of \$218, which is about 62% of the national average of \$350. The highest incidence of poverty can be found among the region's farmers. These poor households generally have limited land holdings, suffer from low agricultural productivity, lack outside employment opportunities for surplus labor and, for the most part, have no ready access to savings and credit. The highest levels of underemployment in the country are also found in this region.			<b>6. Beneficiary Participation/Consultation Needs:</b>  The Project is being formulated through a project preparation technical assistance (TA). The TA will make use of extensive participatory analysis and inputs from may different stakeholder and beneficiary groups, local and national government authorities. Workshops will be convened in Hanoi and regional locations to facilitate consultations with target beneficiaries and stakeholders.		
<b>7. Scope:</b>  The Project will seek to achieve the following: (i) Improving rural productivity, food and income security; (ii) improving infrastructure, access to financial services and mobilizing the private sector; (iii) effective natural resource management; (iv) greater participation and empowerment of the rural poor; and (v) improving decision making and public sector management.  The Project will likely include the following components: (i) increased food security and household incomes through improved on--farm productive activities in agriculture (crop production, livestock, aquaculture/fishery, forestry) and off-farm employment opportunities through access to rural financial services; (ii) support for small-scale village/community level infrastructure; (iii) capacity building of local government authorities and beneficiaries to successfully plan and implement project activities; and (iv) strengthening community participation in provision of services and upgrading of local technical skills to facilitate village-level productive activities.					
<b>8. Estimated Cost &amp; Financing Plan:</b>			<b>Remarks</b>  Preliminary cofinancing interest from DFID		
<b>Loan Project Cost (\$m)</b>					
<b>Financing (Source)</b>					
	<b>FC</b>	<b>LC</b>			<b>Total</b>
ADB	tbd	tbd			40.0
Co-financing	tbd	tbd			5.0
Borrower	tbd	tbd	15.0		
<b>Total</b>	<b>tbd</b>	<b>tbd</b>	<b>60.0</b>		
<b>9. Estimated Benefits and Beneficiary Groups:</b> The Project will contribute to reduction in the level of absolute poverty in the project area, improvement in the status and quality of life of vulnerable groups, and improved natural resource management.					
<b>10. Executing Agency:</b> Local Government through relevant Provincial People's Committees.			<b>11. Project Implementation Period:</b> Start: 2001 End: tbd		
<b>12. Environment Category:</b> A			<b>13. Processing Year:</b> 2001		

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## VIET NAM

PROJECT PROFILE				
<b>1. Project Name:</b> Provincial roads Improvement Project		<b>2. Sector/Subsector:</b> Transport/Rural Roads		
<b>3. Poverty Classification:</b> <sup>a*</sup> ODI		<b>4. Crosscutting Operational Priority:</b> <sup>b*</sup>		
<b>5. Rationale &amp; Objectives:</b> Despite the overall good coverage of the road system in Viet Nam, most of it is in poor condition. Initial efforts in the road subsector focussed on National Highway No. 1. Aid agencies also provided assistance for improving/upgrading other important components of the national highway network as well as the district and commune networks. Little attention has been given to the provincial road network that provides for continuity between the national, district and commune road networks. Therefore the overall goal of the project will be to help the Government implement its poverty reduction programs by providing assistance for the improvement of the provincial road networks in 17 provinces located in the northern part of the country. These improvements will be economically feasible, technically sound, cost effective, and environmentally and socially responsible. Activities and assistance to rationalize and improve the policies directing and the capacities of the provincial departments of transport will be included.		<b>6. Beneficiary Participation/Consultation Needs:</b>  The Project is being formulated through a project preparation technical assistance (TA). The TA involves consultations with representatives of local communities, community leaders and various other stakeholders. NGOs active in the field will also be consulted. Feedback from such consultations will be used in designing the project, its implementation and sustainability arrangements.		
<b>7. Scope:</b>  The Project will have the following four components: (i) Improvement of about 4,000 km of provincial roads in 17 poor northern provinces; (ii) Consultant services to assist with subproject preparation and implementation; (iii) Consultant services (probably an NGO) to monitor social, environmental and resettlement aspects of implementation; and (iv) Consultant services to assist with developing local level road management capabilities.				
<b>8. Estimated Cost &amp; Financing Plan:</b>				<b>Remarks</b>  JBIC is a potential cofinancier
<b>Loan Project Cost (\$m)</b>				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
ADB	30.0	20.0	50.0	
Co-financing	30.0	20.0	50.0	
Borrower	0.0	20.0	20.0	
<b>Total</b>	<b>60.0</b>	<b>60.0</b>	<b>120.0</b>	
<b>9. Estimated Benefits and Beneficiary Groups:</b> The Project will improve the efficiency of transport to and from the rural parts of the 17 provinces thus improving economic opportunity, and improved access to Government and other services. Benefits will accrue to transport users and the rural people served by these roads.				
<b>10. Executing Agency:</b> Ministry of Transport and Communications		<b>11. Project Implementation Period:</b> Start: 2001 End: 2004		
<b>12. Environment Category:</b> B		<b>13. Processing Year:</b> 2001		

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

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## VIET NAM

<b>PROJECT PROFILE</b>											
<b>1. Project Name:</b> Third Provincial Towns Water Supply and Sanitation	<b>2. Sector/Subsector</b> Social Infrastructure/ Water Supply & Sanitation										
<b>3. Poverty Classification:</b> <sup>a*</sup> PI	<b>4. Crosscutting Operational Priority:</b> <sup>b*</sup> HD										
<b>5. Rationale &amp; Objectives:</b>  The Project will help the Government achieve its development targets for the sector of providing safe drinking water to 90 percent of the urban population and appropriate sanitation facilities in selected provincial and district towns, eliminating subsidies and making the water supply companies financially self-sustaining; and reforming key sector institutions at the central and provincial levels.	<b>6. Beneficiary Participation/Consultation Needs:</b>  Workshops and beneficiary participation are being undertaken under the ongoing PPTA.										
<b>7. Scope</b>  The Project will cover 5 provincial towns and 3 district towns, and include water supply and sanitation improvements, upgrading of raw water pipelines, distribution pipework, water meters, and water treatment facilities. It will also include significant sanitation components including upgrading of latrines, installation of septic tanks, and connections to common drainage system.											
<b>8. Estimated Cost &amp; Financing Plan (\$):</b>  <b>Loan Project Cost (\$m)</b>	<b>Remarks:</b>  Cofinancing interest expressed by AFD (France).										
<table border="1"> <thead> <tr> <th>Source</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>60</td> </tr> <tr> <td>Cofinancing</td> <td>Tbd</td> </tr> <tr> <td>Borrower</td> <td>25</td> </tr> <tr> <td>Total</td> <td>85</td> </tr> </tbody> </table>	Source	Total	Bank	60	Cofinancing	Tbd	Borrower	25	Total	85	
Source	Total										
Bank	60										
Cofinancing	Tbd										
Borrower	25										
Total	85										
<b>9. Estimated Benefits and Beneficiary Groups:</b>  Benefits include provision of safe drinking water at affordable prices to the people, particularly the poor, health improvements to the population served, environmental improvements in the Project areas.											
<b>10 Executing Agency</b> Ministry of Construction	<b>11. Project Implementation Period:</b> Start: 2001 End: 2006										
<b># Environment Category:</b> B	<b>13. Processing Year:</b> 2001										

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## VIET NAM

<b>PROJECT PROFILE</b>					
<b>1. Project Name:</b> Financial Sector Program Loan II (FSPL II)			<b>2. Sector/Subsector:</b> Finance/Capital Markets		
<b>3. Poverty Classification:</b> <sup>a*</sup> ODI			<b>4. Crosscutting Operational Priority:</b> <sup>b*</sup> PSD		
<b>5. Rationale &amp; Objectives:</b> Production is dominated by SOEs. Economic growth will become highly constrained unless capital is allocated to well-governed, accountable SOEs and private enterprises. The capital market plays a vital role in creating and aligning ownership and market incentives. Capital markets and equitization mutually support each others' development, and dynamism that sustains growth, as seen in China. The development of capital markets, in particular the stock exchange, will (i) improve governance and management of enterprises, (ii) promote the mobilization and efficient use of capital, (iii) improve the financial structure of enterprises, and (iv) support balance growth of the financial system.			<b>6. Beneficiary Participation/Consultation Needs:</b>  Private sector		
<b>7. Scope</b> Develop capital markets by (i) improving the legal and regulatory environment, (ii) promoting market liquidity through the development of money markets, (iii) supporting a level playing field to facilitate the growth of private enterprises (supplying issues to the market), (iv) possibly, further facilitating equitization (supplying issues to the market), and (iv) possibly, developing the pension system and insurance markets (developing demand for issues).					
<b>8. Estimated Cost &amp; Financing Plan (\$):</b>			<b>Remarks:</b>  Further refinements may be necessary to the Bank's program operations in the financial sector upon completion of the financial sector strategy.		
<b>Loan Project Cost (\$m)</b>					
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>			<b>Total</b>
Bank					100.0
Co-financing					30.0
Borrower					10.0
Sub-borrowers					
<b>Total</b>			<b>140.0</b>		
<b>9. Estimated Benefits and Beneficiary Groups:</b> Viet Nam has experienced a remarkable reduction in poverty based on economic growth. The record of growth is now in jeopardy without SOE reform. Capital markets have a vital role to play in this reform. Benefits will be widespread.					
<b>10. Executing Agency</b> State Bank of Viet Nam and (possibly) State Securities Commission			<b>11. Project Implementation Period:</b> Start: 2001 End: 2004		
<b>12. Environment Category:</b> B			<b>13. Processing Year:</b> 2001		

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