

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
2001 – 2003**

TUVALU

December 2000

CURRENCY EQUIVALENTS

(As of 30 November 2000)

Currency Unit	--	Australian Dollar (A\$)
A\$1.00	=	\$0.52565
\$1.00	=	A\$1.902407

ABBREVIATIONS

ADB	-	Asian Development Bank
AusAID	-	Australian Agency for International Development
EU	-	European Union
GAD	-	Gender and Development
GDP	-	Gross Domestic Product
HRD	-	Human Resource Development
IDP	-	Island Development Program
NGO	-	Non-Governmental Organization
RETA	-	Regional Technical Assistance
SDE	-	Social Development Expenditures
TA	-	Technical Assistance
TMS	-	Tuvalu Maritime School
TTF	-	Tuvalu Trust Fund
UN	-	United Nations
UNDP	-	United Nations Development Programme

NOTES

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

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for Tuvalu, 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 Tuvalu, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 2000 and has been revised by the ADB to incorporate recent developments. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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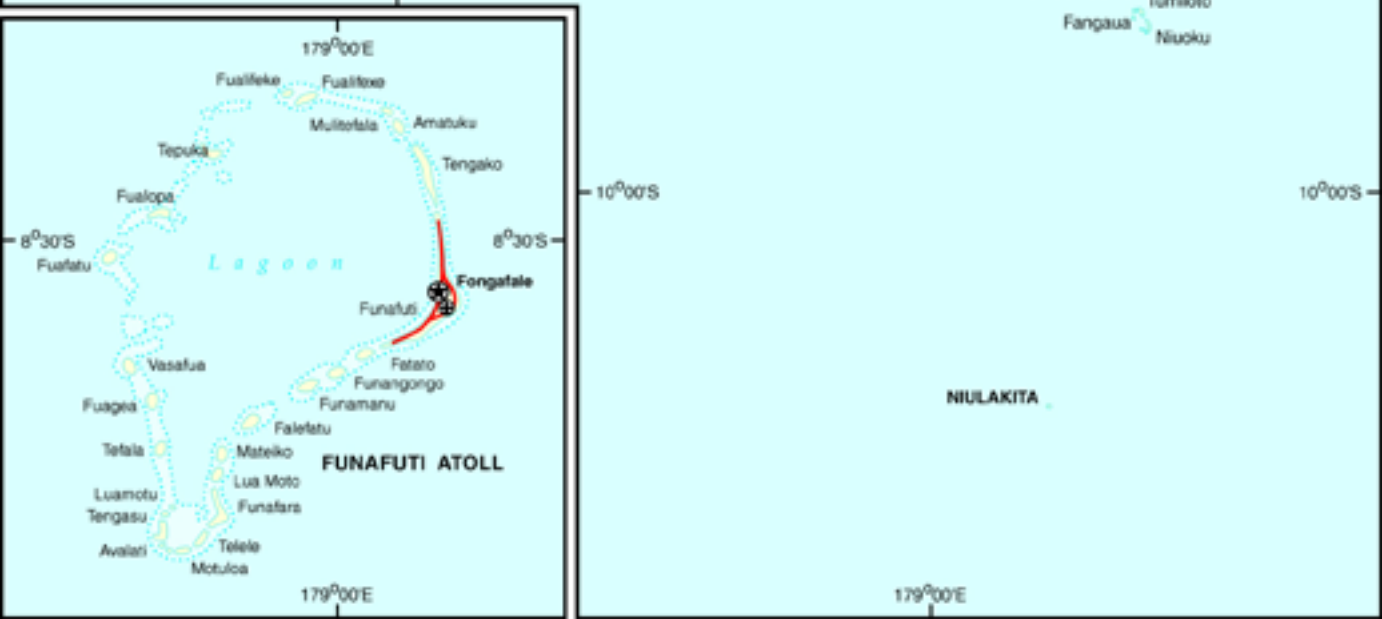
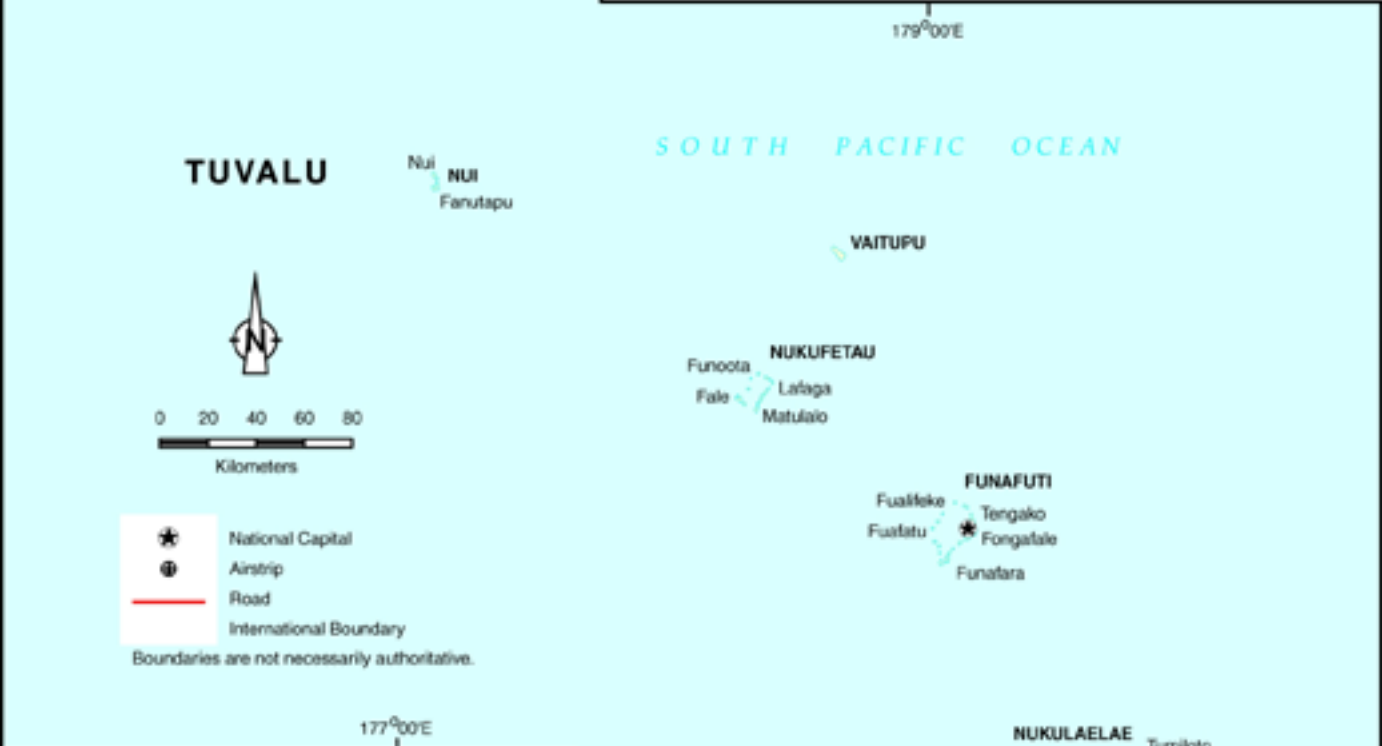
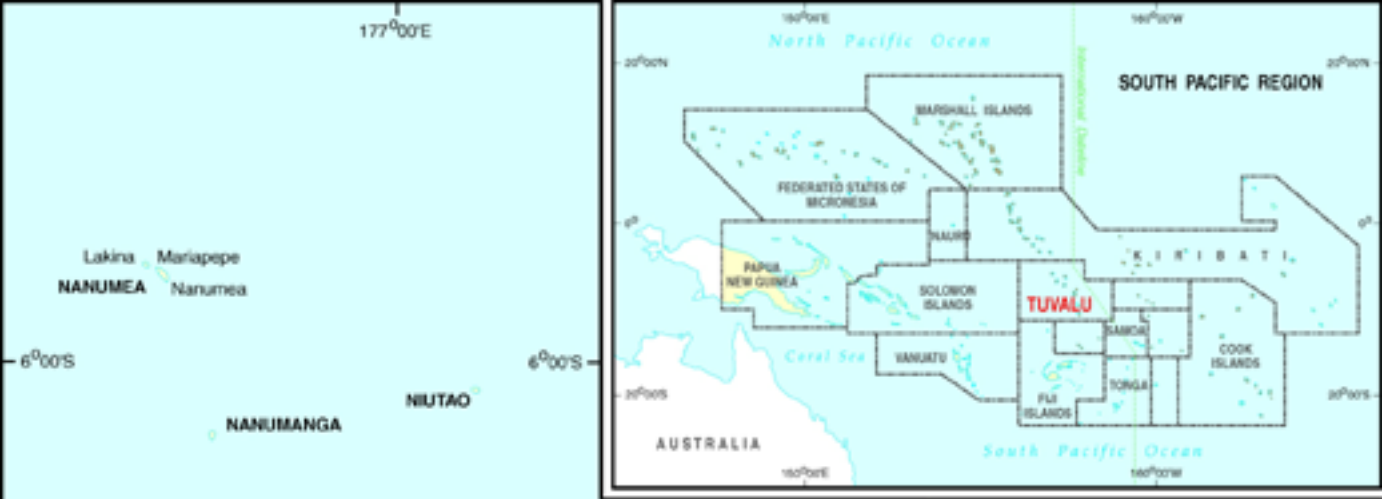
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TUVALU

I. Country Performance Assessment

A. Economic Performance Assessment

1. Tuvalu's development constraints are severe. It has a total land area of 26 square kilometers covering nine coral atolls and reef islands spread across more than 900,000 square kilometers of Pacific ocean. Land resources are of poor quality and vulnerable to cyclones. In 1986, the United Nations (UN) granted Tuvalu Least Developed Country Status in recognition of its unique difficulties. Despite these limitations, Tuvalu achieved an average real Gross Domestic Product (GDP) growth rate of five percent during 1989-1999, one of the best performances among the Pacific island economies. In addition, Tuvalu is raising its profile in the international arena. In September 2000, at the 54th General Assembly, Tuvalu will become the 189th member of the United Nations (UN). Late this year it will also become full member of the Commonwealth. The Government is now considering applying for membership to the World Trade Organization.

2. Tuvalu achieved a real GDP growth of 3.0 percent in 1999, largely as a result of expansion in the public administration and construction sector.¹ GDP in 1999 was estimated to be about Australian \$21 million, or \$1,150 per capita² (detailed country performance indicators are shown in Appendix 1, page 1). The main sources of growth have been in construction and government services. Construction has been financed by both external aid funds and remittances from overseas workers. Inflation has remained low at an average rate of 1.8 percent during 1993-1999, reflecting the favorable prices of goods imported mainly from Fiji, Australia, and New Zealand.

3. With merchandise exports falling to less than 5 percent of imports, continued reliance was placed on fishing, telecommunications and internet domain license fees, remittances from overseas workers, official transfers and investment income from overseas assets to cover the trade deficit. In total, these sources provide income well in excess of GDP. In the next years, the economic situation is expected to remain stable and the country should maintain a surplus in the balance of payments and in the public budget.

4. The surplus in the balance of payment and in the public budget is helped by the recent lease of the country's internet domain address .TV³. In November 1999, the Government signed a lease contract by which it will receive \$1 million per quarter for 12.5 years, up to a total amount of \$50 million. A few months later, in February 2000, Tuvalu received \$12.5 million windfall gain from the .TV domain⁴. The money is now deposited in the B Account of the Tuvalu Trust Fund (TTF)⁵. The Government is keen on utilizing part of this windfall gain for investment.

5. The introduction in the 1998 budget of Special Development Expenditures (SDE) funded by Government savings means that Tuvalu is no longer wholly dependent on external donors to

¹ GDP in Tuvalu can change dramatically year by year due to the swing in the Government's spending and donors' assistance.

² All dollars are US values otherwise stated.

³ The Tuvalu internet international domain address .tv is of interest to television stations for an easiest identification of their domain on the web.

⁴ Having 20% of the dotTV Corporation's common stock, if the company goes public, there is a chance that the market value of Tuvalu share will exceed that of the Tuvalu Trust Fund.

⁵ The current market value of TTF in March 2000 was A\$63.6 million. The B account hold another A\$27.4 million.

finance its development budget. SDE were A\$6 million in 1998; A\$10 million in 1999, mainly for school buildings and community fishing centers in the outer islands; and A\$15 million in the 2000 budget, mainly for road reconstruction in Funafuti and electrification of the outer islands.

B. Poverty Assessment

6. According to the United Nations Development Programme (UNDP) *Pacific Development Report 1999*, Tuvalu shows the lowest per capita GDP (\$1,157) and the lowest human development index (0.583) among the Polynesian countries (Appendix 1, page 2). In addition, the income distribution is uneven. Country-wise, 50 percent of the population had less than \$1.0 cash income per capita per day.¹ The 1994 Household and Income Expenditures Survey recorded an average daily per capita income of \$2.4 in Funafuti and \$1.0 in the outer islands. The percentage of population with less than \$1.0 per capita per day was higher in the outer islands (66.5 percent of the population) than in Funafuti (21.6 percent of the population), while goods are extremely expensive due to the islands' remoteness and limited demand. Moreover, the outer islands are where the most vulnerable groups are concentrated: the old, the very young, and women.² The Government's new devolution policy for the outer islands should improve the conditions of the poor as it would provide more resources to the outer islands to meet their development needs. There is no Tuvalu specific poverty line and a first poverty assessment could be undertaken with the Scheme for Disabled and Elderly and with the ADB-financed regional technical assistance (RETA) for poverty assessment in the Pacific³.

C. Assessment of Socio-Environmental Performance

1. Gender Issues

7. Women account for 37 percent of total cash employment in 1991 (last census). Most jobs held by women are of a clerical or unskilled nature, or in nursing and teaching professions. Although education is compulsory until 15 and most scholarship bodies specify 50 percent of awards are for women, fewer female than male students feature in upper education programs. The lower level of participation is mainly explained by cultural factors: parents do not want daughters overseas away from families. In 1994, ADB prepared a Gender and Development (GAD) country briefing paper entitled *Tuvalu: Women in Development*.

8. The Government is committed to improve the condition of women. It has (i) passed the Tuvalu National Women's Policy, (ii) ratified the UN Convention for the Elimination of all forms of Discrimination Against Women (CEDAW), (iii) created a separate Department of Women Affairs with its core in Funafuti and representatives in all the outer islands, and (iv) it is supporting the process of Gender Mainstreaming. Moreover, the devolution of more autonomy and resources to the outer islands will benefit women who are the main economic agents in the outer islands due to urban drift and emigration.

¹ Most of the families own land, and poverty is alleviated by subsistence activities.

² According to the 1994 Household Survey, 31 percent of the population of the outer islands was over 55 or under 4 years of age against 21 percent in Funafuti. Moreover, 75.3 percent of the resident population aged 15 years and over was women.

³ 5907-RETA: *Poverty Assessment in the Pacific Developing Member Countries*, for \$400,000, approved on 28 March 2000.

2. Human Development

9. Human Resource Development (HRD), especially education and training, has a key role in Tuvalu's economic and social development. Since 1988, the Government has sought to develop and implement an ambitious Education for Life Program that would realize HRD goals; in addition it maintains a commitment to improving the health of the population. As elsewhere in the Pacific, a central problem is that while access to, and spending on, education has increased, educational quality as measured by tests of academic performance has declined. Available data on health indicators show a position inferior to that of Tuvalu's Polynesian neighbors. The infant mortality rate, 49.8 per 1000 live births, remains very high by Pacific Island standards. This is of particular concern because many infant deaths can typically be prevented through modest improvements in health service provision.

3. Environment

10. Tuvalu's natural environment, as exploited on a traditional subsistence basis, has provided for the sustenance of human life in the islands for centuries. The high resources demands of the growing population on Funafuti are beginning to exact an environmental toll in urbanized areas and lagoon. A National Environment Management Strategy has been prepared. The concerns listed in the Strategy are global warming and sea level rise; high population growth rates, population densities, and the uneven distribution of the population; deficiencies in environmental education and public awareness of environmental issues; decline in the traditional resource management practices and production systems; unsustainable use of natural resources; and problems with waste management and pollution control.

D. Governance: Sound Development Management

11. The consultative process and consensus-principle in making major policy decisions are a strength of the Government in Tuvalu. The National Development Strategy was prepared through a series of inter-Ministerial reviews and discussion in two public fora held with Island Councils, non-governmental organizations (NGO), community members, and expatriate Tuvaluans. This process has been imitated in the development of the current UNDP-assisted Public Sector Reform program, which remains a priority for the government. Main elements of the reform program are: (i) corporatization and privatization of government business; (ii) improve efficiency of public administration; and (iii) restructure the economy toward private sector-led growth.

12. The Government's medium- to long-term *Vision 2015* development strategy focuses on improved governance, greater and more effective expenditure on health and education, physical infrastructure development, and greater equality of income distribution between Funafuti and the outer islands. There is also an intention to facilitate private sector development of export-oriented activities, which has involved the establishment of a new legislative framework for foreign direct investment.

13. Progress is being made on health and education through the creation of new and additional public service positions, and the offering of more overseas scholarships. Physical infrastructure development is also given high priority in the public sector investment program. However, progress on public sector reform has been slow, and there have been concerns over a lack of transparency and accountability in some government decision-making. These concerns lay behind a change of government in late April 1999.

14. In February 2000 the Broadcasting Service has been corporatized and it is now the Tuvalu Media Corporation, an important step to increase the transparency of the decision-making process. The Corporation provides radio broadcasting in all the islands and television broadcasting in Funafuti. Under joint assistance between the Australian Agency for International Development (AusAID) and UNDP, the Government is in the process to create the figure of Ombudsman in Tuvalu as well as to approve a Code of Conduct for Public Officers and Corporations Board Members.

15. Income disparities have led to an unsustainable flow of people from the subsistence economies of the outer islands to the public-sector dominated cash economy in the main island, Funafuti. This has retarded growth in the outer islands and worsened unemployment in Funafuti. The Parliament approved in November 1997 the devolution of the responsibility for island development projects and services to local communities, after more than three years of consultations, workshops, and training involving island leaders and bureaucrats on issues associated with responsibility, accountability, and governance.

E. Implementation Assessment

1. The Portfolio

16. ADB approved its first loan to Tuvalu for \$4 million in 1999 for the *Island Development Program (IDP)*¹ (Appendix 2, pages 1 and 2). Technical Assistance (TA) grants totaling \$2.8 million have been approved for eleven projects since 1993. Two of the TA projects were for project preparation, while the rest were advisory. Three TA projects were funded by the Japan Special Fund (JSF) and the others were financed from TA Special Funds resources.

17. The Government organized public seminars and workshops to discuss the findings and recommendations made under ADB TAs. The small size of the public service and the consultative decision-making principle used by the Government have encouraged effective local absorption of the TA inputs.

18. The first TA to Tuvalu assisted the newly formed Development Bank to draw up a new operational policy manual. The bank has been operating on a very small scale, using funds from a loan from the European Investment Bank. During the implementation of the TA for the Fisheries Sector Study, TA consultants presented the findings and recommendations in a public forum arranged by the Government. It resulted in reaching a consensus that fisheries development should be achieved through a private sector joint venture with a foreign company. The Government's Development Strategy (drafted under a ADB TA) was put up for discussion in a Planning Workshop and in the National Development Seminar in addition to inter-ministerial reviews conducted by the Development Coordinating Committee. ADB has also assisted Tuvalu to develop its Foreign Investment Framework. Its main outcome was the Foreign Investment Act.

2. Issues in Project Implementation

19. The experience of ADB and other assistance agencies indicates development constraints mainly due to lack of communications, isolation and smallness, weaknesses in institutional capacity, and limited human resources absorptive capacity. These weaknesses mainly originate in the smallness of the economy and the institution itself. Communication with

¹ Loan 1693-TUV: *Island Development Program*, for \$4 million, approved on 13 July 1999.

Tuvalu improved dramatically in October 1999 with the new communication digital link between Funafuti and Telecom New Zealand. The link allowed Tuvalu to have access to Internet.

II. Country Operational Strategy

A. The COS

20. The main objective of the ADB's strategy for Tuvalu is to promote economic growth and poverty alleviation by supporting the development of outer islands where the poor and the most vulnerable groups are concentrated. The strategy emphasizes moving the country toward self-reliance and sustainable development through: (i) reform of the public sector including the corporatization and privatization of government businesses; (ii) devolution of responsibility for island development to local government; (iii) re-orientation of the economy towards private sector led growth; and (iv) improve economic infrastructures.

B. Progress in Implementation

21. The pace of the decentralization process is increasing. The community contributions to the social trust fund for island development exceeded the expectations and, on the islands, almost all the local government positions have been filled. In Funafuti, the private sector is growing and the government is investing increasing resources in its own development, thus lowering its dependence on foreign aid. The reform of the public sector is proceeding. The broadcasting and information office was corporatized in February 2000, the Tuvalu Maritime School will be corporatized on the first of July 2000, following the bill's final reading in the Parliament. Finally, the government is planning to privatize the shipping service.

C. Poverty Partnership Agreement

22. To pursue this strategy, Tuvalu needs identifying its own country specific poverty line depending on its income and cultural values. In fact, the "dollar-a-day" poverty line is not applicable to the more vulnerable small island countries of the Pacific. The three basic requirements to be met in the formulation and implementation of poverty reduction strategy for Tuvalu are: (i) a substantial understanding of the nature and extent of poverty in Funafuti and in the outer islands, (ii) an identification of the public interventions that have the most effective impact on reducing poverty, and (iii) effective monitoring of interventions against agreed indicators. The objective is to finalize a Partnership Agreement between the Government and ADB to formalize a sustainable partnership setting out long-term vision and agreed targets for poverty reduction in Tuvalu.

III. Sector Strategies

A. Natural Resources and Rural Development

1. Rural Development

23. Most of the investment for development is concentrated on the main island. This trend increases income disparities within the country and allows pockets of poverty in the outer islands. The social differences and the migration pressure to the capital can be reduced by improving the outer islands' subsistence and boosting their development.

24. The rural communities in Tuvalu do not require a few large scale capital investments/projects to support their development needs. Rather, they require a number of small facilities/investments which cut across their social and economic activities. ADB's IDP loan aims at supporting the process of decentralization, to achieve a significant level of development finance for island communities, and to create an improved enabling environment for island development. The trust fund created with the IDP is designed as a low transaction cost, flexible, and demand-driven mechanism to channel resources to the islands for projects identified by the communities themselves according to a set of eligibility criteria. In this respect the Program belongs to the genre of Social Funds loans¹.

2. Fisheries

25. The country's hope for economic development depends also on its ability to exploit its ocean resources. In particular, Tuvaluans' interest and donors' support for the development of commercial fishing have been evident for many years, yet no viable commercial projects have emerged. Past attempts at commercial fishing development have failed in a public sector environment with insufficient experience and institutional capability. Despite these failures, Tuvalu has been able to comfortably provide for the needs of its people through traditional subsistence fishing activities.

26. The IDP is supporting the provision in all of eight principal islands of community fishing centers. The centers, supplied with refrigeration and storage facilities, will purchase fish from fishermen and sell the products in the island and overseas thus creating, for the first time, real fishing markets. The centers should become one of the major cash income activities in the outer islands.

B. Infrastructure

1. Infrastructure

27. While ADB has attempted (without success) on two occasions to provide loans for physical infrastructure projects in Tuvalu, the country's size and isolation are making it very difficult to identify viable development investments. The only type of project loans viable in such an extreme environment can be policy based lending and/or project loans which support foreign currency earnings. Bilateral donors in the past have funded physical infrastructure projects. These donors have now largely shifted emphasis to social investments such as education, health, and other projects for HRD and GAD.

28. The Government prudently will secure loans only for projects that would generate revenue. The Government also has taken an extremely conservative policy in the use of TTF and only recently has founded investment project through the SDE window (see para. 4 above). The Government priority is placed on the development of the infrastructure in the outer islands. The IDP, through the Island Development Trust Fund, supports in a sustainable way high priority community-based projects focused on investment in economic infrastructure (roads, sea walls, boat landings, etc.) especially in support of private sector development and improved local and export marketing; facilities and support services for income generating activities (community piggeries, handicraft show-rooms, etc.); and their maintenance and improvement.

¹ Social funds are funds that seek to improve the living conditions of the poor through financing small, grassroots development projects. They are demand-driven funding mechanisms, they do not identify projects but respond to requests generated by local organizations.

2. Social Infrastructure

29. The IDP, through the Island Development Trust Fund, also supports in a sustainable way high priority community-based projects focused on investment in social infrastructures (water supply, sanitation, electrification, pre-schools, etc.) and their maintenance and improvement. The proposed assistance to the Tuvalu Maritime School (TMS) aims, in the longer run, to increase the financial resource availability in the islands. In fact, the remittances from seamen trained at the TMS are by far the most important source of cash income in the islands. It is important that the TMS and the shipping services are upgraded to meet International Maritime Organization standards.

3. Finance

30. The National Bank of Tuvalu holds more than A\$12 million in saving accounts. This bank invests most of its assets offshore, due to the shortage of domestic investment opportunities that can meet risk/return profile comparable to the offshore investments. It is envisioned that implementation of policy condition under the IDP will create a more conducive environment to increase share of financial sector assets to be invested domestically. Moreover, the proposed TA for micro-finance enhancement will assist the Government to improve this sector's efficiency and effectiveness.

C. Governance Dimensions of ADB Operations

31. In 1995, under an ADB TA, the Government introduced a new national development strategy, which replaced the previous development plan. The strategy includes financing selected major capital development projects from its own resources and borrowing soft external loans. A reform of the budget system is under way and the 1998, 1999 and 2000 budget estimates have been prepared under specifically programmed outputs for each Ministry, following the strategic objectives, integrating the recurrent and capital budgets and with increased devolution of expenditure control to line Ministries. Under an ADB TA, the Government is also strengthening capacity for improved economic research, policy formulation, economic management and economic statistics.

32. Most of the policy recommendations made under ADB TAs have been discussed publicly in seminars and workshops arranged by the Government. The ongoing public sector reform program has made more accountable and is commercializing or privatizing Government enterprises. IDP is supporting the decentralization process through policy dialogue, financial support, and capacity building of the local authorities. The IDP supports the public sector reform program through the policy conditionalities of contracting out of public works (plumbing, water, mechanics, and carpentry), and the corporatization of the TMS and the inter-island transport service. The corporatization of TMS is expected in June 2000 and the corporatization of the inter-island transport service in December 2000.

D. Gender Dimensions of ADB Operations

33. The devolution of more autonomy and financial resources to the outer islands, including under IDP, will benefit women. In fact, due to the emigration, women and other vulnerable groups (poor, very young, and elders) are mainly concentrated on the outer islands. In order to ensure that women play a full part in development and that the gender impact of development processes on the islands is monitored, any training undertaken in participatory development

process at the island level will have a minimum quota women participants. And to assess how development will impact differentially across the genders, a series of gender specific Time Use Surveys are being conducted at regular milestones during the implementation of the IDP. The aim is to assess whether the demand on women's labor time is being reduced with the expected increase in cash income and productivity of subsistence activities.

E. Private Sector Development

34. The private sector in Tuvalu is still in its infant stage. It is concentrated in Funafuti, and in the commercial sector, small shops. Private sector enhancement is one of the major components of ADB strategy in Tuvalu. While no direct assistance to the private sector is envisaged at this stage, the IDP supports various private sector promoting conditionalities, including: (i) corporatization of the inter island transportation and TMS; (ii) contracting out of public works and services; (iii) debt repayment to private sector entities to be settled on time; (iv) strengthen the business development advisory services on outer islands; and (v) mobilize banking resources for business lending. The IDP and the proposed advisory TA for the micro-finance institution enhancement will assist the Government to channel financial resources into a domestic business lending facility.

IV. Regional Economic Cooperation

35. ADB currently provides RETAs to support the negotiation of a regional tuna management plan, and for fiscal and tax policy advice provided through the Pacific Financial Technical Centre. In the coming years, ADB plans to provide RETAs for: (i) analysis of financial sector issues and strategies; (ii) management training for senior public service managers; (iii) poverty assessment; (iv) support to the Pacific Financial Technical Assistance Centre, Phase II; (v) education and training for judicial administrative personnel, phase 2; (vi) cooperative airspace management; and (vii) support to central women's organizations.

V. Donor Activities and Aid Coordination

36. Since early 1999, for the first time Tuvalu is hosting a foreign embassy, Taipei,China; and a donor representative office, AusAID-Tuvalu Administrative Office. Donor assistance to Tuvalu has remained rather constant in the last five years. Major donors are Australia, European Union (EU), Japan, New Zealand, and Taipei,China. AusAID assistance in 1999 was A\$2.4 million, mainly education support: overseas training (A\$1.1 million pr year) and in-country training (A\$244,000 per year). EU is assisting with the Development Support Program which will fund education projects, such as outer islands primary schools and environmental projects. This will then free up money for the Government to contribute to the TTF. Japan will provide assistance for expanding the hospital on Funafuti and the dispensaries on the outer islands as well as providing a new multipurpose vessel for inter islands shipping. New Zealand is assisting the country with scholarships and reef-channels. Finally, eight years after funding the construction of the Vaikau Lagi Hotel (A\$3 million), Taipei,China is funding the construction of a new government building (A\$6 million).

37. Efforts to coordinate donor support are important in a micro-economy like that of Tuvalu in order to avoid duplication. Such coordination is, however, constrained by the scarcity of donor representatives in Tuvalu. The preparation of ADB IDP loan including the Trust Fund concept, was carried out in close coordination with other donors, mainly the main shareholders of the TTF (Australia, New Zealand, and United Kingdom). The ongoing TA for capacity building of local government is closely coordinated with UNDP. A summary of overall external assistance to

Tuvalu is given in Appendix 3. The proposed TMS enhancement will also need donors coordination. As a matter of fact, several donors are providing assistance to TMS: AusAID provided in 1998 the cargo and the engine simulators, France is providing the new power generator, and the three recruitment agencies are topping up the salary of the Chief Officer. Canada and New Zealand have been approached to assist the school with the fire fighting simulator and with the financing of the Chief Engineer position. AusAID will provide also short term assistance to TMS with a Consultant Accountant and Corporatization Advisor.

38. Tuvalu is not a member of the World Bank or the International Monetary Fund (IMF). However, the Government has been receiving short-term advisory services from the Pacific Finance Technical Assistance Centre for the ongoing budget reform program and strengthening of national accounts, statistics, customs, taxation and banking supervision. ADB has financed these assistance and training programs of the Centre through RETA as an adjunct to ADB's country specific TAs.

VI. Cofinancing and Catalyzing External Resources

39. The trust fund associated with IDP presents a sustainable and efficient mechanism for other donors to provide additional financial and technical support for island development. The proposed enhancement of maritime services project could also benefit from co-financing from other donors. The TTF Advisory Committee indicates the enhancement of TMS and the inter-island service as priorities.

VII. ADB's Operational Program

40. ADB's lending and technical assistance program for Tuvalu (1999-2003) is shown in Table 1. The first loan to Tuvalu for the IDP was approved in 1999. A capacity building TA for implementing the IDP was piggybacked to the loan. In addition, during the current operational cycle, attention will be given to upgrading TMS and the shipping service (poverty interventions), and to the restructuring of Micro-Finance Institutions. Over the period 2001-2003, one small loan will be programmed for upgrading of TMS in 2002 (Appendix 4, page 1). Final timing of this loan, however, depend on satisfactory progress of IDP.

Table 1: Loan and Technical Assistance Program, 2000-2003

A. Public Sector Lending Program

	1999 Actual		2000		2001		2002		2003	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	1	4.0	-	-	-	-	-	-	-	-
ADF	1	4.0	-	-	-	-	-	-	-	-
OCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline ^b	-	-	-	-	-	-	1	2.0	-	-
ADF	-	-	-	-	-	-	1	2.0	-	-
OCR	-	-	-	-	-	-	-	-	-	-

B. Technical Assistance Program

	1999 Actual		2000		2001		2002		2003	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^a	1	600.0	1	250.0	2	400.0	-	-	-	-
TA Pipeline ^b	-	-	-	-	-	-	1	200.0	-	-

^a The Program is comprised of the firm projects.

^b The Pipeline consists of the Program (firm projects) and standby projects. In 2002 and 2003, there is no distinction between firm and standby.

VIII. Economic and Sector Work Program

41. ADB published "*Tuvalu: Economic Situation, Policies and Prospects*" and "*Tuvalu: 1997 Economic Report*" in 1998. The country is too small to justify single sector analysis if not within Projects' feasibility studies. A new Economic Report (PIER series) is envisaged in 2001.

IX. Local Cost Financing

42. Tuvalu is a Group A country and thus is entitled for 20 percent local cost financing. In general, given its sound financial position, local financing is not an issue. Example in point is IDP, the Government and the local community financed more than 50 percent of the Program's cost.

TUVALU
COUNTRY PERFORMANCE INDICATORS

Item	1995	1996	1997	1998	1999	2000 ^a
ECONOMIC INDICATORS						
A. Income and Growth						
1. GDP per Capita (dollars, current)	1,237	1,442	1,416	1,378	--	--
2. GDP Growth (% in constant prices)	-5.0	10.3	3.5	14.9	3.0	--
Agriculture	0.6	-16.2	5.8	0.7	--	--
Industry	-13.1	85.6	9.0	21.5	--	--
Services	-4.8	2.6	2.7	16.0	--	--
B. Saving and Investment (current market prices)						
1. Gross Domestic Investment	67.6	68.0	48.1	--	--	--
2. Gross Domestic Saving	--	--	--	--	--	--
C. Money and Inflation						
1. Consumer Prices (annual average)	5.0	0.9	1.6	0.7	7.0	--
2. Broad Money (M2)	--	--	--	--	--	--
D. Government Finance (A\$m)						
1. Revenue (recurrent)	8.7	9.2	11.6	16.3	20.5	--
2. Expenditure (recurrent)	8.0	9.2	10.2	11.3	12.2	--
3. Surplus/Deficit (-)	0.7	0.0	1.4	5.0	8.3	--
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	-62.9	-54.1	--	--	--	--
2. Current Account Balance (% of GDP)	4.7	2.3	--	--	--	--
3. Export (\$) growth (annual percent change)	4.3	9.8	--	--	--	--
4. Import (\$) growth (annual percent change)	6.4	9.8	--	--	--	--
F. External Payments Indicators						
1. International Reserves (billion dollars, end of period)	--	--	--	--	--	--
- months of imports	--	--	--	--	--	--
2. External Debt Service (% of exports of goods & services)	--	--	--	--	--	--
3. External Debt (% of GDP)	--	--	--	--	--	--
Memorandum Items:						
GDP (current prices, million <i>local currency</i>)	11.76	15.02	--	--	--	--
Exchange Rate (A\$ per US\$)	1.3490	1.2773	1.3440	1.5920	1.5920	--

^a Estimate

Source: Government and POHQ staff estimates.

Note: (--) means no data available

TUVALU
COUNTRY PERFORMANCE INDICATORS

	1985	1990	1998	
POPULATION INDICATORS				
Total Population (thousands)	8.2	8.93	11.0	1999
Annual Population Growth Rate (% change)	0.37	1.27	3.00	(1990-99)
SOCIAL INDICATORS				
Total Fertility Rate (births per woman)	...	2.5	3.0	...
Maternal Mortality Rate (per hundred thousand live births)	0.0	...
Infant Mortality Rate (below 1 year; per '000 live births)	54.0	...	51	...
Life Expectancy at Birth (years)
Female	67	...
Male	70	...
Adult Literacy (%)	64	...
Primary School Enrollment (% of school age population)	95	...
Female	88	...
Secondary School Enrollment (% of school age population)	34	...
Female	35	...
Child Malnutrition (% of under age 5)	0	...
Population Below Poverty Line (%)
Income Ratio of Highest 20% to Lowest 20%
Population with Access to Safe Water (%)	85	...
Population with Access to Sanitation (%)	49	...
Public Education Expenditure as % of GNP	...	15.7	n.a.	...
Public Health Expenditure as % of GDP	...	5.1	n.a.	...
Human Development Index	0.583	...
Human Development Ranking	118	...
Human Poverty Index	7.3	...
ENVIRONMENTAL INDICATORS				
Forestry
Deforestation
Total Area
Annual deforestation
Biodiversity
Nationally protected area
Area
Number
As % of land area
Biosphere reserves
Area
Number
World Heritage sites (number)
Wetlands of international importance
Area
Number
Land Use
Cropland; permanent pasture
Air Pollution (Ambient concentrations)
Particulates
SO ₂
Water Pollution (concentration of pollutants in water bodies)
Biochemical Oxygen Demand (BOD)
Chemical Oxygen Demand (COD)
Global Environmental Problems
CO ₂ emissions (total and per capita)

Source: UNDP 1999, Pacific Human Development Report; WB, World Development Report

TUVALU

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.) ^a											
			Total		Implementation Progress				Development Objectives					
			No.	%	HS	S	PS	U	HS	S	PS	U		
Agriculture and Natural Resources	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0	0
Energy	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0	0
Finance and Industry	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0	0
Social Infrastructure	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0	0
Transport and Communications	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0	0
Others/Multisector	4.09	100.0	1	100.0	0	1	0	0	0	0	1	0	0	0
Total	4.09	100.0	1	100.0	0	1	0	0	0	0	1	0	0	0

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	0.0	1.2	1.2
(2) Disbursed amount (\$ mn, cumulative, active loans only)	0.0	2.8	2.8
(3) Percentage disbursed [(2)/(1)] (%)		233.00	233.00
(4) Disbursements (\$mn, active loans only, latest year)	0.0	2.8	2.8
(5) Disbursement ratio (%) ^b		0.00	0.00

C. Net Transfer of Resources ^c (\$ million)	OCR	ADF	Total
Net transfer in 1995	0.0	0.0	0.0
Net transfer in 1996	0.0	0.0	0.0
Net transfer in 1997	0.0	0.0	0.0
Net transfer in 1998	0.0	0.0	0.0
Net transfer in 1999	0.0	2.8	2.8

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

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

^b 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.

^c Includes private sector projects for countries with private sector operations.

Source : Programs (A), CTD (B & C), OEO (D)

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

Sector ^a	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Project Progress (% complete)	Cum Contract Awards (\$ million)	Cummulative Disbursement (\$ million)	Project Performance Rating ^b	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
OTH	Loan 1693-TUV Island Development Program (IDP)		4.0	Jul-99	Nov-99	Jul-02		-	2.8	2.8	S	S
	Total	0.0	4.0						2.8	2.8		

^a Sector:

AGR: Agriculture & Natural Resources

ENE: Energy

F&I: Finance and Industry

SOC: Social Infrastructure

T&C: Transport and Communications

OTH: Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

TUVALU
OVERALL EXTERNAL ASSISTANCE
(in \$ million)

External Source	Past 3-5 Years (annual average)		1999 Approvals	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
ADB	--	0.3	4.0	0.6
EU	--	0.4	--	0.3
UNDP	--	0.3	--	0.3
Others	--	0.2	--	0.2
Subtotal	0.0	1.2	4.0	1.4
B. Bilateral Assistance				
Australia	--	1.5	--	1.4
Taipei, China	--	0.4	--	3.0
France	--	0.2	--	0.4
Japan	--	2.3	--	1.0
New Zealand	--	0.9	--	1.6
United States	--	0.4	--	0.8
Subtotal	0.0	5.7	0.0	8.2
Total	0.0	6.9	4.0	9.6
Memo Items:				
External Assistance as % of Current Expenditures				
		85	55	
External Assistance as % of Capital Expenditures				

Sources: Government and Bank staff estimates

TUVALU
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^{a*}	Crosscutting Operational Priority ^b	Responsible Division	Year of PPTA	PROJECT COST (in \$ million)					
					TOTAL	Bank			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
2001 FIRM LOANS										
NONE IDENTIFIED										
2002 LOAN PIPELINE										
Social Infrastructure										
Tuvalu Maritime School Upgrade	PI	HD	POHQ	2000	2.0	2.0	2.0			
Subtotal					2.0	0.0	2.0	2.0	0.0	0.0
Total					2.0	0.0	2.0	2.0	0.0	0.0
2003 LOAN PIPELINE										
NONE IDENTIFIED										

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b 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.

TUVALU
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Others					
1 PIER 2001	POHQ	AD	150.0		150.0
	Subtotal		<u>150.0</u>		<u>150.0</u>
Finance and Industry					
1 Microfinance Institutional Enhancement	POHQ	AD	250.0		250.0
	Subtotal		<u>250.0</u>		<u>250.0</u>
	Total		400.0		400.0
2002 TECHNICAL ASSISTANCE PROGRAM					
Vocational Training					
1 TMS Strengthening	POHQ	AD	200.0		200.0
	Subtotal		<u>200.0</u>		<u>200.0</u>
	Total		200.0		200.0
2003 TECHNICAL ASSISTANCE PROGRAM					
NONE IDENTIFIED					

TUVALU
LENDING PROGRAM, 2001-2003
BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR

Classification	2001 (Firm)		2002-2003	
	No.	%	No.	%
I. By Poverty Classification*				
A. Core Poverty Intervention		-		0.0
B. Poverty Intervention (Non-core)		-	1	100.0
C. Other Development Interventions		-		0.0
Total	0	0.0	1	100.0
II. By Crosscutting Operational Priority				
A. Environment		-		0.0
B. Gender and Development		-		0.0
C. Good Governance		-		0.0
D. Human Development		-	1	100.0
E. Private Sector Development		-		0.0
F. Regional Cooperation		-		0.0
Total	0	0.0	1	100.0
III. By Sector				
A. Agriculture and Natural Resources		-		-
B. Energy		-		-
C. Finance and Industry		-		-
D. Social Infrastructure		-	1	100.0
E. Transport and Communications		-		-
F. Others/Multisector		-		-
Total	0	0.0	1	100.0

* 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.

[NAME OF DMC]

PROJECT PROFILE					
1. Project Name:			2. Sector/Subsector:		
3. Poverty Classification: ^a			4. Crosscutting Operational Priority: ^b		
5. Rationale & Objectives:			6. Beneficiary Participation/Consultation Needs:		
7. Scope:					
8. Estimated Cost & Financing Plan:			Remarks:		
Loan Project Cost (\$m)					
Financing (Source)	FC	LC			Total
ADB					
Co-financing					
Borrower					
Sub-borrowers					-
Total			0.0		
9. Estimated Benefits and Beneficiary Groups:					
10. Executing Agency:			11. Project Implementation Period:		
			Start:		
			End:		
12. Environment Category:			13. Processing Year:		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; PG = Pro-poor Growth

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

Note: For 2001 loan projects only.

VIET NAM

PROJECT PROFILE						
1. Project Name: Central Region Poverty Reduction Project			2. Sector/Subsector: Agriculture and Natural Resources/ Irrigation and Rural Development			
3. Poverty Classification: ^{a*} CPI			4. Crosscutting Operational Priority: ^{b*} ENV			
5. Rationale & Objectives: 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.			6. Beneficiary Participation/Consultation Needs: 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.			
7. Scope: 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.						
8. Estimated Cost & Financing Plan:			Remarks Preliminary cofinancing interest from DFID			
Loan Project Cost (\$m)						
Financing (Source)		FC			LC	Total
ADB		tbd			tbd	40.0
Co-financing		tbd			tbd	5.0
Borrower		tbd			tbd	15.0
Total		tbd	tbd	60.0		
9. Estimated Benefits and Beneficiary Groups: 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.						
10. Executing Agency: Local Government through relevant Provincial People's Committees.			11. Project Implementation Period: Start: 2001 End: tbd			
12. Environment Category: A			13. Processing Year: 2001			

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^b 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

PROJECT PROFILE				
1. Project Name: Provincial roads Improvement Project		2. Sector/Subsector: Transport/Rural Roads		
3. Poverty Classification: ^{a*} ODI		4. Crosscutting Operational Priority: ^{b*}		
5. Rationale & Objectives: 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.		6. Beneficiary Participation/Consultation Needs: 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.		
7. Scope: 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.				
8. Estimated Cost & Financing Plan:				Remarks JBIC is a potential cofinancier
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	30.0	20.0	50.0	
Co-financing	30.0	20.0	50.0	
Borrower	0.0	20.0	20.0	
Total	60.0	60.0	120.0	
9. Estimated Benefits and Beneficiary Groups: 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.				
10. Executing Agency: Ministry of Transport and Communications		11. Project Implementation Period: Start: 2001 End: 2004		
12. Environment Category: B		13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^b 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

PROJECT PROFILE											
1. Project Name: Third Provincial Towns Water Supply and Sanitation	2. Sector/Subsector Social Infrastructure/ Water Supply & Sanitation										
3. Poverty Classification: ^{a*} PI	4. Crosscutting Operational Priority: ^{b*} HD										
5. Rationale & Objectives: 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.	6. Beneficiary Participation/Consultation Needs: Workshops and beneficiary participation are being undertaken under the ongoing PPTA.										
7. Scope 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.											
8. Estimated Cost & Financing Plan (\$): Loan Project Cost (\$m)	Remarks: 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										
9. Estimated Benefits and Beneficiary Groups: 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.											
10 Executing Agency Ministry of Construction	11. Project Implementation Period: Start: 2001 End: 2006										
# Environment Category: B	13. Processing Year: 2001										

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^b 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

PROJECT PROFILE					
1. Project Name: Financial Sector Program Loan II (FSPL II)			2. Sector/Subsector: Finance/Capital Markets		
3. Poverty Classification: ^{a*} ODI			4. Crosscutting Operational Priority: ^{b*} PSD		
5. Rationale & Objectives: 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.			6. Beneficiary Participation/Consultation Needs: Private sector		
7. Scope 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).					
8. Estimated Cost & Financing Plan (\$):			Remarks: Further refinements may be necessary to the Bank's program operations in the financial sector upon completion of the financial sector strategy.		
Loan Project Cost (\$m)					
Financing (Source)	FC	LC			Total
Bank					100.0
Co-financing					30.0
Borrower					10.0
Sub-borrowers					
Total			140.0		
9. Estimated Benefits and Beneficiary Groups: 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.					
10. Executing Agency State Bank of Viet Nam and (possibly) State Securities Commission			11. Project Implementation Period: Start: 2001 End: 2004		
12. Environment Category: B			13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

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

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