

VIET NAM: COUNTRY STRATEGY AND PROGRAM INITIATING PAPER

I. INTRODUCTION

Country Strategy and Program (CSP) for Viet Nam

1. The CSP (2002-2004) and subsequent CSP updates for Viet Nam covered most of the Government's five year socio economic development plan (SEDP), 2001-2005, and it was aligned with the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)¹, which clearly charted Viet Nam's national strategy for poverty reduction and growth and approved by the Government in September 2002. In 2003, the Government added a new chapter on large-scale infrastructure in the CPRGS highlighting the potential for sustainable poverty reduction through large scale infrastructure development. The new CSP for Viet Nam will be aligned with the Government's new SEDP, 2006-2010.

Viet Nam - Achievements in Poverty Reduction and Growth

2. Viet Nam's achievements in terms of economic growth, social development and poverty reduction are remarkable. Impressive gains in reducing poverty have been made during the last decade. As recently as 1993, 58% of the population lived in poverty, compared to 37.4% in 1998, 28.7% in 2002, and 24.1% in 2004. Almost one third of the total population was lifted out of poverty in less than ten years². In addition to poverty and inequality indicators, it has succeeded in quantifying other measures of social and economic progress, sometimes at sub-national level. For example, the National Center for Social Sciences and Humanities computes a Human Development Index (HDI)³ at the provincial level. The Viet Nam Development Goals (VDGs) are directly linked to the internationally accepted MDGs. In all cases, the targets associated with each of the VDGs are tailored to the circumstances of the country⁴. Progress in improving HDI has been achieved.

3. Poverty reduction has been underpinned by a reasonably rapid, stable and inclusive economic growth. Recent study indicates that the elasticity of poverty reduction has been higher than one – e.g., a growth rate of per capita output of about 6% was associated with reduction in poverty of about 7%. However, the rate of poverty reduction has been slower in recent years (2 percentage points) than that of the first half of the last decade (4 percentage points)⁵. Poverty reduction is slow in northern mountains, north central region, and in the pockets of Red River and Mekong deltas, contributing to regional income disparity.

4. In recent years the Government addressed poverty and inequality issues through a set of targeted programs such as: (i) Program 143 – hunger eradication and poverty reduction; (ii) Program 135 – socioeconomic development in communes faced with extreme difficulties; (iii) Program 139 – health care for the poor; (iv) Social Insurance Fund – an employment-related program for social insurance payments to public service and registered company's workers; (v) Social Safety Net Fund – compensations for job losses to state-owned enterprise (SOE) sector workers under SOE reform programs; (vi) Education for All –

¹ Viet Nam, 2003. *The Comprehensive Poverty Reduction and Growth Strategy*, Ministry of Planning and Investment, Hanoi.

² The following definitions apply. So called all poor (or Poverty Rate) is the fraction of the population that cannot afford the consumption basket which includes securing 2100 calories per day for each family member. The so called food-poor (or Food Poverty) is the fraction of the population that is too poor to afford the food part of the consumption basket, even if they would not spend on non-food items at all. The cost of this consumption basket is referred to as the Poverty Line.

³ The HDI combines GDP per capita, life expectancy, and knowledge (literacy). This index can be interpreted as a measure of deprivation across a variety of areas, ranging from material well-being to the ability to fully engage in social life. Longevity is captured through life expectancy at birth; knowledge through a combination of adult literacy rate, and the combined primary, secondary and tertiary enrollment ratios. However, unlike the VDGs, the HDI is an aggregate, and does not directly show which development efforts should receive emphasis, for example education or health.

⁴ In all, there are 11 goals with 32 targets and 136 indicators.

⁵ *Vietnam Development Report 2004 – Poverty*.

aims at improving schooling at all levels, including adult-and-non-formal, and life-long learning; and (vii) Advancing Ethnic Minorities – to help ethnic minorities catch up with the overall socioeconomic development of the country. Part of the ODA budget support (including PRSC) goes directly to financing these programs. New phase of these programs are expected to continue in line with the new SEDP objectives and programs.

The New SEDP

5. The new SEDP, which will be approved by the National Assembly in early 2006, will serve as Viet Nam's national strategy for poverty reduction for the next five years. It is also the second five-year cycle of the Government's Socioeconomic Development Strategy 2001-2010 (SEDS), a major building block to achieving Viet Nam's 2020 vision of graduating to a newly industrialized country. Efforts are also underway to make the SEDP a results-based.

6. As per the draft SEDP document, the general socio economic objectives of the SEDP⁶ has three main targeted outcomes for the 5 year period; namely: (i) Growth: boost the economic growth rate, quickly but sustainably bringing the country out of the low development state (reach per capita income of \$950 to \$1,000 by 2010); (ii) Social Development: significantly improve people's material, cultural, and spiritual life; (iii) Good Governance: create institutional and infrastructure foundations to boost the industrialization and modernization process and gradual transformation into a knowledge-based economy. The SEDP identifies eight broad tasks in achieving the goals⁷, and sets out main targets in relation to the 3 axes of development: Economy, Society, and Environment.

7. First, to achieve economic growth objective, the envisaged main tasks are to: liberalize markets, develop infrastructure, promote science and technology, improve factor productivity, improve the quality of resource allocation and use, and pro-actively accelerate international economic integration to promote exports and foreign investment. Second, to achieve the social objectives, reform education and training for meeting human resources for further industrialization and modernization, reinforce the management of natural resources and environment; create a strong move in social and cultural development by significantly improving people's health, ensuring social equity and equality, reducing unemployment rate, encouraging people to get rich in legitimate ways, eliminating hunger and reducing poverty, and developing a social security system. Lastly, the country will further improve business environment and public services delivery to people and businesses by strengthening legal and judicial system, creating a comprehensive and significant change in administrative reform, promoting democracy, controlling corruption, waste, and inefficiencies.

8. The quantitative targets of the new SEDP are similar to that of the preceding SEDP. The new SEDP aims for 7.5-8.0% annual average per capita GDP growth, elimination of hunger by 2010, and halving poverty (from 29% of population in 2002). The GDP growth will be supported by 3-3.2% growth in agriculture, fishery and forests, 10-12% growth in industry and construction 7.7-8.2% in services. The structure of the national GDP will change to 15-16% agriculture, 42-43% industry, and 41-41% services sectors. Exports will grow by 14-16% annually. The total investment to GDP ratio is estimated to be in the range of 37-38%.

⁶ Based on the draft SEDP, September 2005 version.

⁷ Briefly summarized as (i) human resource development to improve productivity and competitiveness; (ii) continued progress in moving to market economy; (iii) international economic integration; (iv) developing science and technology; (v) building cultural foundations and improving people's health; (vi) social equity and equality, job creation, wealth creation, eliminating hunger, reducing poverty, and providing a social security system; (vii) rule of law, public administration reform, reducing bureaucracy, corruption and waste; and (viii) strengthening defense and security while expanding foreign relations.

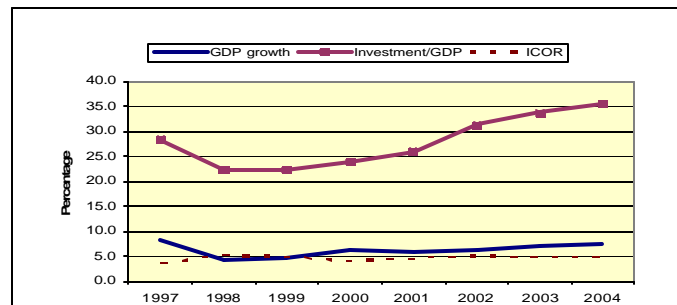
II. KEY CHALLENGES AND CONSTRAINTS TO ACHIEVING SOCIOECONOMIC OBJECTIVES

9. Viet Nam's key development challenges and constraints for the next five years can be summarized as: (i) sustain high level of economic growth and poverty reduction; (ii) improve competitiveness to expand exports and private sector investment, through eliminating structural weaknesses and infrastructure development; (iii) create jobs for new entrants to labor market (8 million people); (iv) reduce inequality through targeted poverty reduction; (v) social development through improving health and education services, gender equality, and social inclusion; (vi) protect environment; and (vii) improve governance to ensure these challenges are sufficiently and efficiently addressed.

10. To increase competitiveness and to maintain a high-level of GDP growth (7.5%), Viet Nam needs to develop physical infrastructure, maintain investment level at least at 35% of GDP, and steadily implement reforms to remove structural weaknesses (including state-owned enterprise and commercial banks) and further improve governance and public administration.

11. It is estimated that the annual average GDP growth for 2001-2005 will be close to the Government's target (7.5%). However, capital productivity (measured in terms of incremental capital output ratio, ICOR, 5:1) during the same time seems to have been very little improved (see Chart 1). This also support the viewpoint that Viet Nam's GDP growth rate has been high and stable, but it could have been higher if it is compared with the experience of newly industrialized economies in the region which grew at double digits during their rapid growth periods.

Chart 1 – GDP growth, Investment and ICOR (1997-2004)



Source: Based on GSO data

12. The economy is increasingly facing more competition from neighboring countries, particularly through the AFTA compliance. Further external competition will follow as part of Viet Nam's compliance with WTO during the next five years or so. A better policy environment with elimination of structural weaknesses in state-owned enterprise and banking sectors, more efficient public service delivery, more advanced infrastructure and utility services in addition to stable macroeconomic fundamentals will be necessary to enhance Viet Nam's competitiveness.

13. The structure of the national economy has changed quite significantly over the last decade or so where the share of agriculture has declined (Table 1). Currently, just over 60 % of the Vietnamese are employed in the agriculture, which generates only 20% of the GDP. The new SEDP envisages that the share of agriculture including fishery and forestry will further decline to about 15-16% (compared to 43% for industry and 41 % for services) by 2010, and the proportion of the population engaged in agriculture will shrink to 50%. Over the next 5 years, agriculture GDP is expected to grow at about 3%(compared to 10%for industry and 8% for services). Thus the agriculture sector will continue to grow, albeit more

slowly than the other sectors. Productivity in agriculture will need to grow if real incomes for persons engaged in agriculture are to keep pace, but that increase in productivity will release farm workers into other sectors, e.g., moving to urban sectors for finding new livelihood. In addition, there will be new entrants to labor market. Creating jobs will therefore be a fundamental challenge for Viet Nam during the next five years.

14. The joint poverty assessment completed in 2003 by the Government and a number of ODA partners including ADB⁸ confirmed that economic growth continues to reduce poverty in Viet Nam, but that the pace of poverty reduction is slowing. On the whole, the impressive success in poverty reduction is still fragile. A significant proportion of the population, who were just below the poverty line in 1993, had barely moved above the poverty line by 1998, and the trend continues for later years as well. These people just above the poverty line remain vulnerable to shocks that could push them back below the poverty line. Shocks may arise from public health outbreaks, slowdown in international prices of soft commodities such as coffee, rice, and rubber.

15. Although poverty reduction has been impressive in Viet Nam, poverty is still affecting a large part of the population. There is no time for complacency as future poverty reduction will require larger efforts than in the past, in particular in the rural and remote areas. Looking into the future, with the strong commitment of the Government to poverty reduction, further poverty reduction may be expected if the reform strategy, as laid down in the SEDP and CPRGS - transition to a market economy, the building of modern governance, and keeping growth equitable and inclusive - is implemented expeditiously and effectively. In particular, its translation into tangible actions and results at the local levels is now required.

Table 1: Viet Nam- GDP Structure, Growth and Employment

	2010	2006-2010	2005	2001-2005	2000	1996-2000	1995
Annual growth of GDP (%)		7.5-8.0		7.5		6.9	
Agriculture, forestry, fisheries		3-3.2		3.6		4.4	
Industry and construction		10-10.2		10.3		10.6	
Services		7.7-8.2		7		5.7	
Relative share of GDP(%)							
Agriculture, forestry, fisheries	15-16		20.5		24.5		27.2
Industry and construction	42-43		41		36.7		28.8
Services	41-42		38.5		38.8		44
Employment (Labor) Structure (%)							
Agriculture, forestry, fisheries	50		57		68.2		71.1
Industry and construction			18		12.1		11.4
Services			25		19.7		17.5

Source: Compiled from GSO data and draft SEDP 2006-10 documents.

16. Although growth has generally been largely equitable, some groups have benefited less and are vulnerable to social and economic marginalization. These include the poor with low levels of human capital, ethnic minorities and to some extent women, despite the focus of the government policies and programs on these groups. Social indicators are lower for these groups including secondary school enrollment rates (due partly to access and affordability) and health care. Low-income households typically have lower levels of human capital because of greater difficulties in accessing health and education services, especially if user fees are involved. Challenges ahead not only consist of allocating more resources or ability to mobilize external resources, but also to improve targeting of the resources, enhance efficiency by making social services more demand driven, and improve monitoring systems that benefits actually reach the poor.

⁸ *Poverty*, Joint Donor Report to the Vietnam Consultative Group Meeting, Hanoi, 2-3 December 2003. The assessment is based on the 2002 multi-purpose household survey, compared with the results of previous living standards surveys carried out in 1997-98 and 1992-93.

17. Sustainable poverty reduction would require a consistent development of health and education services for the people as poor people do not have any other assets, except their 'labor', and no income except 'wages' to reduce their poverty.

18. Rapid economic growth may also result in unsustainable use of natural resources and unintended environment implications for local habitat. Balancing rapid growth with sustainable environment is another challenge which Viet Nam will face in the coming years.

19. At the same time, to deal successfully with further transition to market economy, international economic integration, and the demand of new generation of businesses and also people, Viet Nam will have to further modernize its institutions and improve public service delivery. Corruption hurts poor people most, and undermines the country's prospect for social and economic wellbeing. Further governance and public administration reform will continue to be an arduous process for Viet Nam.

III. SUMMARY OF DEVELOPMENT ISSUES

20. Viet Nam needs to (i) speed up structural adjustments to improve productivity, (ii) promote new investment, and (iii) sustain high level of economic growth and poverty reduction (Box 1). This would entail reform of state-owned enterprise and commercial banks, development of capital markets (equity, bond and currency), infrastructure development, legal and judicial reforms, and further integration with global markets to enhance access to markets and also to a rules-based trading system (e.g., under WTO). Equally important is the reorientation of government institutions as regulators, facilitators and service providers rather investors (except for strategic reasons) and encouraging private sector to make more investments. Private sector will be the main source of employment for those 8 million people who are expected to enter the labor market.

21. Viet Nam will need additional resources to finance its policy and institutional reform agenda, and infrastructure development. As envisaged in the draft SEDP, about half of the capital resources are expected to come from the private sector (non-state sector) for the next years (Table 2).

22. In recent years Viet Nam has successfully reduced its indebtedness, the debt-GDP ratio has come down to 38% from about 70% or so about ten years ago. A moderate external borrowing will be safely sustainable. Moreover, Viet Nam can also rely more on private sector participation, both domestic and foreign, which would mean, no additional foreign debt obligation to the Government.

23. Given the history of little improvement in capital productivity, Viet Nam will also have to ensure that resources will be allocated to good projects only and used more efficiently. This could be achieved through relying more on private sector, which usually have high profit making capability (i.e. high capital productivity), and stringent quality control in planning and selection of public sector projects.

Table 2: Financing Plan of the new SEDP 2006 to 2010 (%)

State budget	21.3-22.1
State credit (ODA)	9
SOE Investment	18.2
Private investment	30.7-31.0
FDI	13.7-14.2
Others	6.4

Source: Compiled from the draft SEDP, June 2005.

Viet Nam: summary of SWOT Analysis

1. Development performance and **strengths** are:
 - Viet Nam has an excellent record in managing economy prudently, achieving high and stable GDP growth (6% annually), and halving poverty (58% in 1993 to 29% in 2002, and 24,1% in 2004) (about 7% annually).
 - A very stable political regime with strong leadership committed to achieving socioeconomic development.
 - Domestic demand and export growth have been the major sources of growth in recent years. Garments and footwear, and seafood have emerged successful nontraditional exports.
 - Specialization in low skilled and cheap labor based goods. Viet Nam has enterprising people, dynamic private sector, and abundant supply of cheap labor for further export expansion.
 - Reasonably well-endowed with natural resources – oil and natural gas, forests, marine , soft commodities.
 - Strategically located in Greater Mekong Subregion with large coastal areas and many deep -water ports and road links.

2. Development **weaknesses** are:
 - Incremental capital (35%) output (7%) ratio (5:1) is high, implying low capital productivity.
 - Technological stock is largely obsolete, managerial skill is limited, both contributing to inefficiencies, and losses.
 - State-owned sector still dominates manufacturing, and services, with high level of avoidable inefficiencies.
 - State-owned enterprises are also a major source of state owned commercial banks' non-performing assets.
 - A limited amount of investments has so far been made in subregional economic cooperation, where Viet Nam has a great potential to benefit from.
 - ODA effectiveness is low although improving.
 - Governance and public administration reform including decentralization and anti-corruption initiatives are underway, but their full implementation is still far away.
 - A large underground economy, largely cash based trade, and still barter trade in remote areas.
 - Under-developed capital markets and nonblank financial services.

3. Development **opportunities** are:
 - Increased access to regional and global markets
 - Ideally located in Greater Mekong Sub-region with cross-border and sub-regional trade, tourism and investment opportunities
 - The growth rate has been high and stable (7% approx.) but still lower than that of East Asian countries during their high growth periods (10%+), implying potential for higher rates of economic growth.
 - Safest tourist destination in Southeast Asia with diverse natural fauna and flora
 - Favorable ODA, FDI and private remittances
 - Many opportunities for FDI in agriculture, manufacturing and services.
 - Good sovereign rating, moderately indebted

4. Development **threats** are:
 - Increasing trend in income disparity across regions.
 - Very little progress in poverty reduction in ethnic minorities areas and inner pockets of densely populated region such as Mekong and Red River deltas may undermine social cohesion.
 - Capacity constraints at local level are severe and pervasive.
 - Voice and participation of people are limited (although improving) having potential for threatening local governance failure, and unintentionally encouraging local elite capture.
 - Resistance for change and protection of vested interests seem to be existent in the economy.
 - Governance and public administration reform implementation is shallow and slow.
 - A relatively high cost of doing business arising from a limited means of transport infrastructure, relatively high rental, electricity and others related costs.
 - Weak management of public and animal health services giving rise to the possibility of disease outbreaks (e.g., bird flu). HIV/AIDS incidence on the rise.

Source: Compiled from various reports. SWOT stands for strengths, weaknesses, opportunities, and threats.

24. The other related issue is absorption capacity of the public sector. Infrastructure investments implemented through public sector are frequently encountering bottlenecks. New investment in this situation could mean a very low productivity due to low utilization of the allocated resources. Again, private sector option would be an important way out to the problem. Public-private partnerships would allow increased capital flows, new technology, implementation efficiencies and increase absorption capacity.

25. Addressing inequality, demographically as well as geographically, is another difficult issue for Viet Nam. Poverty incidence at the regional level seems to have been reduced, albeit slowly. The same continues to be entrenched in many districts and communes in the same regions (Table 3). The SEDP envisages a set of regional development initiatives, linking also with subregional and bilateral cooperation on cross-border poverty issues.

Table 3: Viet Nam – Trends in Poverty Reduction

Poverty incidence	(2004)	(2002)	(1998)
Viet Nam	24.1	29.8	37.4
Red River delta	21.1	22.6	34.2
Northeastern	31.7	38	65.2
Northwestern	54.4	68.7	
Northcentral	41.4	44.4	52.3
Southern central coastal	21.3	25.2	41.8
Central highland	32.7	51.8	52.4
Southeastern	6.7	10.7	13.1
Mekong Delta	19.5	23.3	41.9

Source – Compiled from the draft SEDP, June 2005.

26. Related to this is the issue of addressing poverty at local level through more effective implementation of the Government's decentralization and planning process reform. A recent study⁹ indicated that higher concentration of ODA in poorer provinces in the Central Region has not led to faster economic growth and poverty reduction. Provinces tend to have a very low export orientation, they seem to have been making little use of infrastructure development and regional (cross-border) trading opportunities, they have low resource mobilization, and they are experiencing also a slow growth of SMEs.

27. On the other hand, various studies show that the effective and expeditious implementation of policy and institutional reform at the provincial level remains a challenge in many cases. One of the frequently reported problems is the lack of recurrent budget to support maintenance of existing social and economic infrastructure at local levels. This calls for a substantive re-orientation of provincial level planning process and policy making, e.g., to strategic planning, local resource mobilization, and interface with subregional economic cooperation initiatives such as GMS, which would provide opportunities to accelerate their economic growth rates and poverty reduction through increased trade and investment flows.

28. Environmental sustainability should be looked at from sector, national and regional perspectives. The issues relate to the protection and/or appropriate management of natural resources (marine, forests, land), and control of pollution from industrial and farming activities. At the regional level there are issues like biodiversity management, control of communicable diseases, and illegal trade.

⁹ A joint study of Development Strategy Institute and ADB – How to accelerate poverty reduction and growth in Central Region, Hanoi, 2005.

IV. FEEDBACK FROM THE PREVIOUS CSP AND CSP UPDATES

29. Feedback from the Board of Directors discussion on CSP update 2004¹⁰ (August, 2004) was to: (i) Be innovative in terms of lending and nonlending modalities; (ii) Be more focused in terms of sector coverage; (iii) Align CSP with the Government's new SEDP; (iv) increase interface between ADB's public sector operations with its private sector operations; (v) Explore public-private sector partnership; (v) Consider ordinary capital resource (OCR) in meeting some of the urgent investment requirements of Viet Nam.

30. The self-assessment of the previous CSP (2002-2004) identified the following needing careful attention:¹¹ (i) ADB's geographic focus was too large, as Central Region covers 2/3 of the country in terms of area and population; (ii) High transaction costs of operations by having to cover all the provinces in the central region; (iii) difficult to oversee ADB projects particularly those spread all over the Central Region; and (iv) Central Region is a poor performer in poverty reduction and growth although with large amount of ODA concentration and government resources. The latter was also corroborated by the findings of a joint study in early 2005¹².

V. PROPOSED STRATEGIC FOCUS

New CSP Orientation

31. The new CSP will support the Government's socioeconomic development objectives under new SEDP. The overall goal of the new CSP would be to contribute to Viet Nam's rapid but sustainable economic growth, poverty reduction, and environmental sustainability. The immediate purpose of the CSP would be to assist the Government towards meeting the development challenges and investment requirements as outlined in the new SEDP. While ADB may not be able to assist the Government in meeting all the challenges and investment requirements, it will follow a selective approach with focus on addressing the physical infrastructure bottlenecks, social development and poverty reduction, natural resource management and livelihood improvement, and improving governance, and aim at maximizing development results of its assistance. ADB will mobilize its public, private and regional cooperation operations, including ordinary capital resources (OCR) and other new financial products while ensuring a fair share in Asian Development Fund (ADF) allocation for Viet Nam in relation to performance rating on its policy and institution, governance and portfolio.

32. The new CSP will be cast in a results-based framework. It will assist Viet Nam in a plausible way to contribute to identified development goals, outcomes, outputs, and inputs including financial resources to meet the investment gap. In addition, it will ensure quality at entry of ADB projects and knowledge products and services; reduce transactions costs, improve implementation performance; and monitor ADB's progress in order to ensure that ADB remains on the right track and producing intended development results.

33. ADB will gradually move towards adopting a range of new modalities new modalities including program-based approaches and harmonized procedures to reduce transaction costs in line with 2005 Paris Declaration on aid effectiveness. Pursuing support for basic rural infrastructure and social services investments through the use program based approaches (developed jointly by the Government and the ODA partners), utilizing direct budgetary support will ensure continuing progress in poverty reduction in remote areas,

¹⁰ Minutes of the Board Discussion

¹¹ Assessment of Country Strategy and Program (CSP) for Viet Nam, January 2005, prepared by VRM with the help of a staff consultant

¹² Development Strategy Institute, *How to Accelerate Socioeconomic Development in the Central Region - A review of Policies, Progress, Opportunities and Solutions for Poverty Reduction and Growth-*, in collaboration with Asian Development Bank, April 2005, Hanoi.

while also reducing transaction costs for donors and government in preparation, processing and, more importantly, implementation. Issues to be addressed in adopting this approach will be (i) ensuring fiduciary controls, (ii) setting and monitoring key deliverables and milestones, and (iii) ensuring that internationally acceptable environmental and social safeguards are applied.

Proposed Country Strategy

34. The CSP following the framework of the SEDP will have a strategic focus on economic growth, socially inclusive development, environmental sustainability, good governance and cross cutting issues, and regional cooperation (Table 4). Since the SEDP agenda is very broad, and its programs will consist of indicative public investment programs, ADB's focus will be to identify areas where it can successfully contribute to the greatest development impact. What is important, however, is that any focal area in the CSP needs to be able to link (through the results chain) to the SEDP. The sector and thematic roadmaps will describe those linkages and provide results indicators. The new CSP will place its geographic focus on GMS economic corridors, and encourage, where appropriate, provincial level assistance to address social equity and poverty reduction issues together with sustainable development in remote and poor areas.

35. The new SEDP has identified three strategic priorities: economic growth (through a market driven economy), socially inclusive development embracing social equity/poverty reduction to achieve the MDGs, and environmental sustainability to ensure the sustainability of development, quality of life, and the nation's natural resource legacy. Good governance and gender are two cross cutting issues highlighted in the SEDP as crucial to achieving the goals and targets. These strategic priorities and cross-cutting issues developed in the SEDP provide an excellent framework for ADB focus its strategy for assistance Viet Nam. Given the limitations on ADB's staff and concessional fund resources, ADB's strategy would be to be aligned with the Government's overall priorities, but focused on where ADB can add the greatest value.

Table 4: Summary of Strategic Focus

SEDP Strategic Areas	CSP focus
Economic growth	<ul style="list-style-type: none"> • Support for a conducive private sector policy environment (SME, Financial sector) • Infrastructure development (Power, Transport; Urban Infrastructure Development) and facilitate public-private partnerships in these sectors) • Catalyze and facilitate private sector investment in employment generating, growth and social sectors
Socially inclusive development	<ul style="list-style-type: none"> • Preventive health care and control of communicable diseases • Secondary education • Support Government's poverty reduction programs
Environment	<ul style="list-style-type: none"> • Natural resources (forestry, biodiversity, water resources, conservation and livelihood) • Support private sector initiatives in clean and efficient technologies • Improved and accessible water supply and sanitation
Governance, Gender and Cross-cutting areas	<ul style="list-style-type: none"> • Good governance (public administration reform, anticorruption, capacity building, gender equality) • Gender
Regional Cooperation	<ul style="list-style-type: none"> • GMS (infrastructure development; cross border trade and investment; control of communicable diseases; biodiversity conservation; etc.)

Table 5: Sector Selectivity in ADB's Operations

Sectors	2002-04 CSP	2005-06 CSPU	2007-10 CSP (preliminary)
Agriculture, Natural Resources	Water, Agriculture sector reform Forests	Water Agri Science and Technology Forests Rural infrastructure Livelihood in coastal provinces	Rural Infrastructure Natural Resource Management
Governance and Finance	Financial Sector reform SME development Public Admin Reform Anticorruption	Nonbank Financial Sector SME PAR	Private Sector Development Governance and Public Administration Reform
Social, Urban	Upper Secondary Education Lower Secondary Vocational Health Care Housing Finance Central Region Urban Sector Development	Preventive health HIV/AIDS Secondary Education Development Provincial urban development	Secondary Education Preventive Health Care
Infrastructure	Power Transmission Provincial Roads	Power Transmission Power generation Transport (roads)	Energy Transport Urban
Multi sector and Program-based	PRSC III	PRSC IV	PRSC
Regional Cooperation (GMS)	Mekong River Tourism Kunming – Haiphong transport corridor	Communicable Disease Kunming – Haiphong Southern Coastal Flood management Pro-poor Tourism	North-South Economic Corridor Southern Coastal Corridor East-West Economic Corridor Biodiversity Tourism

Source- based on the CSP, CSPUs, CPI and feedback from country consultations.

Note: Lending modality for socially inclusive development, targeted interventions for poverty reduction, environmental sustainability and governance may eventually adopt program-based or sector-wide approaches in line with the Government's approved national programs and readiness for such approaches. Similar approach may be taken for rural infrastructure and provincial roads, water supply and sanitation projects/programs, as and when appropriate.

36. The Government's continuing progress towards a market economy has demonstrated that this transition is an effective path to realize poverty reduction, including the VDGs and MDGs in Viet Nam. Ensuring a more conducive environment for the growth of the private sector is therefore central to the Government's priorities and also focal area for the new CSP. Continued growth of the private sector requires that (i) legal and regulatory frameworks are further strengthened to encourage investment, ensure the rule of law, and remove administrative bottlenecks and corruption; (ii) essential public infrastructure is in place that makes Viet Nam a competitive location regionally for doing business; and (iii) the human resources of Viet Nam are developed to ensure the country can compete in a global economy. As the economy grows, however, particular attention needs to be paid to social equity and poverty reduction issues including access to quality education, health care services and provision of essential social infrastructure in chronically poor rural areas. And, similarly, growth needs to be maintained within environmentally sustainable limits. The SEDP in the regional sections points to a strategy of subregional interconnectedness with neighboring countries as a way to promote economic growth and reduce poverty.

37. There are three main new features in the proposed CSP. First it will have an enhanced ADF level and its appropriate utilization will be for policy reform, governance strengthening and poverty reduction. Second, it will include large increase in OCR lending for supporting the Government in ensuring high level of economic growth through infrastructure development. Third, the CSP envisages to support a larger role for private sector through private sector development and public-private partnerships. The CSP also take note of the limited success of traditional project-based modality for supporting e.g., rural infrastructure, livelihood improvement, education and health sectors and related inefficiency in producing development results. To address this problem, the new CSP will make a gradual but progressive shift from the traditional project-based approach to a variety of other lending modalities and enhancing results orientation, taking also into account the capacity and readiness of the government executing agencies. The following table summarizes strategic areas and proposed financing sources.

Table 6: Strategic Areas and Financing Sources

Indicative Financing source	Growth	Social Inclusive development	Environmental sustainability	Governance, Gender, and Cross Cutting Issues
Grant ADF Funds		<ul style="list-style-type: none"> HIV/AIDS Communicable Disease Control 		
ADF Lending (about \$220-\$300 million annually)	<ul style="list-style-type: none"> Private Sector Development Provincial urban sector/roads 	<ul style="list-style-type: none"> Preventive Health Secondary Education 	<ul style="list-style-type: none"> Forestry, biodiversity and water resources conservation and livelihood improvement. 	<ul style="list-style-type: none"> Support to PAR implementation
GMS up to \$40 million annually)	Range of investments to support Connectivity; Competitiveness; and Community development.			
OCR (for financing of revenue generating projects at an annual average of \$500 million or appropriate level determined by the Government.)	<ul style="list-style-type: none"> Power Transport (roads, railways, mass transit system) SOE restructuring and equitization 			
Private Sector Operations (potentially \$100 - \$350 million annually)	<ul style="list-style-type: none"> Various infrastructure projects, including support to energy sector (power, oil, gas), transportation, urban development (including water supply sanitation), ports, airports, communications, education and health, agri -businesses, and forestry 			
TA Grants – national and regional Special projects: Markets for Poor Public Policy Training	Capacity building, project preparation, agriculture research, anti-corruption, anti-money laundering, anti-human trafficking, gender, NGO support. Public policy research and training.			

Note: Lending modality for socially inclusive development, targeted interventions for poverty reduction environmental sustainability and governance may eventually adopt program-based or sector-wide approaches in line with the Government's approved national programs and readiness for such approaches. Similar approach may be taken for rural infrastructure and provincial roads, water supply and sanitation projects/programs, as and when appropriate.

VI. CORE THEMATIC PRIORITIES

A. Strategic Areas

1. Support economic Growth driven by a market economy (private sector)

38. The Government's continuing process towards market economy has already demonstrated that it is an extremely effective path to achieve VDGs and MDGs in Viet Nam. Ensuring an enabling environment for the growth of the private sector is therefore central to the new CSP. This will require further improvement in policy reform, institutional strengthening, financial sector development, and infrastructure development.

39. Continued improvements in the legal and regulatory frameworks, financial sector, and continued efforts to strengthen good governance, including strong measures towards anticorruption will be needed. ADB has played an important part and will continue to support policy dialogue on SME development, non-bank financial sector, and public administration reform, and - through the OECD/ADB anticorruption initiative implementation - of an action plan on anticorruption, these will continue over the next five years.

40. Increased investment will be needed in essential infrastructure (power, transportation, urban development) to ensure the growth of private sector is not constrained. Maintaining 7.5 to 8.0 percent growth will require investment from public and private sources of about 37 to 38 percent of GDP. Investment requirements for viable infrastructure projects will outstrip ODA and the Government's own domestic resources requiring new sources of financing. ADB will continue to support investments in power, transport, and urban development. ADB will make available OCR resources for revenue generating infrastructure projects and also leverage private sector investment and expertise through public-private partnerships.

41. ADB may (i) pilot test sub-sovereign lending in Viet Nam to city/provincial governments; and (ii) also provide long term capital to large general corporations which are economically and financially viable. Mobilizing both domestic private investment and attracting new foreign direct investment will be crucial to achieving the necessary investment levels. ADB will proactively employ its existing and new financial instruments to support this process, including OCR, loan guarantees, risk insurance, trade facilitation, and equity fund investments.

a. Enhancing private sector policy environment

42. The role and contribution of the private sector in Viet Nam has continued to rise. About half of the total investment during the new SEDP is expected to come from private sector (see Table 2). ADB will continue to support private sector development through its assistance to governance and public administration reform, SME development, nonbank financial sector development, and public-private participation and/or catalyzing private sector investment at sector levels. A private sector assessment report is being finalized by VRM jointly with RSDD/PSOD/MKGF.)

b. Power

43. Generation of capacity in Viet Nam needs to grow 15 percent annually. Installed capacity has to increase from 10,871 MW in 2004 to 20,666 MW by 2010. Transmission and distribution capacity must increase commensurately. GMS power trade agreements will lead to further opportunity for regional power sector development. Investment requirement for the next 5 years or so is estimated to be around \$17 billion, of which about one-third should come from external sources. (Power Sector Road map will strengthen this write up.)

c. Transportation

44. ADB will assist the Government in addressing transport related infrastructure bottlenecks. Lengthen national highways to 110,000 km. Provincial road improvement and rail and road alignments in North – South transport corridors will promote GMS connectivity. Highways and expressways can be revenue generating and financial sustainable. They also have potential for attracting private sector interest (a roadmap for the transport is under preparation by MKID).

d. Urban development

45. Big cities need to stay ahead of rural urban migration, water supply & sanitation, and urban environment management. Some big cities have plans for developing mass transit systems (e.g. Tramway System in Hanoi, Metro Rail System in Ho Chi Minh City. There is a potential for private sector participation in urban infrastructure development projects (e.g., Song Da – Hanoi Water Supply Project has public-private sector participation; mass transit projects are other candidates). Urban areas are also the growth centers in GMS economic corridors, hence they need to be developed in tandem with GMS initiatives. The Government has identified Thanh Hoa as a candidate city for a comprehensive socioeconomic development which will also link Lao PDR and Hanoi markets. There is a need to divert migration to large cities need to achieve a balance between urban and rural development. (urban sector development road map is under preparation by MKSS and MKID).

2. Socially inclusive development (social equity/poverty reduction)

46. ADB will continue to support the Government's targeted poverty reduction programs such as PRSC program, and consider supporting special programs for poor communes and health care for the poor following a program-based approach. Support will also be provided directly to provinces to improve their socioeconomic planning and implement new SEDP effectively for faster and sustainable poverty reduction and economic growth in their provinces. Two ADTAs (for 3 provinces in the Central Region) have already been approved in 2005 for a start.

a. Health

47. The focus of the CSP will be on preventive health, and control of communicable diseases including HIV/AIDS and Avian Flu. It will follow a sector-wide/program-based approach, where possible. The Government has indicated that its focus in the next five years would be on developing and/or strengthening provincial level preventive health care facilities. A study on pro-poor health policies for Central Region is also underway. (Health Sector Roadmap will refine this section).

b. Education

48. ADB, a leading ODA partner in education sector over the last decade, will continue to support the Government's commitment to universal secondary education and gender parity in secondary education, which is also one of key targets of the SEDP as well as VDGs. The first program-based approach ADTA will be mobilized by early 2006 to prepare a master plan for secondary education and establish a more effective ODA harmonization framework. The ADTA will also produce an ODA coordination matrix and a draft action plan for targeted assistance to girls and disadvantaged students. The new master plan is expected to provide a base line policy covering 2006-2010 and the basis for an eventual adoption of program-based approach in the subsector. (Education Sector Roadmap will refine this section.)

c. Rural infrastructure

49. ADB will support rural infrastructure development following a program-based approach, jointly with other ODA partners and the central and provincial governments/authorities. In the SEDP, rural infrastructure is viewed as crucial to improving rural productivity and the quality of rural life. During 2001 to 2005 the rural economy began a transition, rural non-farm employment increased, and the share of industry and services in the rural economy increased by 6 and 4 percent respectively while the share of agriculture was reduced by a corresponding 10 percent. The situation in rural areas has improved markedly for many districts with the provision of public infrastructure (roads, bridges,) and social services (health clinics, schools, and water supply and sanitation). Poverty rates have been reduced substantially in many regions within Viet Nam. For example, the poverty rate in the Central Highlands has come down from 52.4 percent in 1998 to 32.7 percent in 2004, a 37.6 percent reduction in just 6 years, albeit also highly sensitive to international price of coffee.

50. Nevertheless, significant pockets of entrenched poverty remain in Viet Nam and targeted poverty reduction programs are needed to reach these areas and address the particular local constraints. In this regard, ADB has played a significant role in rural infrastructure and rural social services investments in Viet Nam, as have a plethora of other donors often acting quite independently. Similarly, The Government has also developed its targeted poverty reduction programs (e.g., the P135 program) that focus on providing basic rural infrastructure to the poorest communes in Viet Nam and DFID has already joined that initiative by providing GBP 10 million for direct budget support in 2005. In addition, there is a growing interest among donors (including Danida and others) for a coordinated approach on rural water supply and sanitation (the SEDP is targeting provision of clean water and sanitation for 75 percent of the rural population by 2010).

3. Environmental sustainability

51. Environmental sustainability is recognized as one of the three axes in the SEDP necessary for sustainable development. The institutional and regulatory framework for environmental management has evolved substantially since formulation of the current CSP. The years 2001-2004 have seen exceptional growth and change in environmental management: A new environment agency was formed, a five year plan for that agency was drafted, four key development strategies were formed, seven laws were passed that are relevant to environmental management, and dozens of environmental circulars, decrees, regulations and standards were issued to clarify the functions of the environment agency and the aforesaid laws.

52. The immediate future will see continued institutional and policy change in environmental management. A new law on Environmental Protection was issued in 2005, which according to Ministry of Natural Resources and Environment (MoNRE) constitutes a 90 percent revision of the earlier Law of Environment Protection 1994. A biodiversity law and a clean air law are planned in the next few years. The Government is also planning to revise numerous other laws as it prepares for its accession to WTO. With the formation of local environment departments, provinces will be able to employ environmental officers at both district and even commune level. These changes will create numerous opportunities to: (i) integrate environmental considerations into development agencies; (ii) integrate environmental considerations into proposed laws; and (iii) build capacity of Viet Nam's environmental agency, MoNRE, to regulate development in a more sustainable manner.

53. Current investments in the environment sector is becoming more complex. Environmental management is becoming more streamlined but support to environmental management by ODA partners is becoming more complex. Bilateral and multilateral donors are now providing significant investments into environmental management. A recent UNDP

study found that there are about 282 ongoing ODA projects worth \$2.6 billion that are supporting environmental management in a wide range of policy, program, and project activities. And this investment is growing rapidly: in 2004 alone, DANIDA, SIDA, and Netherlands developed environmental technical assistance grant packages worth well over \$100 million over the next 5 years. (A country environment analysis is under finalization by MKAE/VRM jointly with the World Bank).

54. There are three broad areas for ADB support in ensuring environmental sustainability of Viet Nam's development effort. First, ADB has been active natural resources management (forestry, water, coastal, and more recently biodiversity conservation and livelihoods), which need further support in the context of the SEDP. Nevertheless, assistance in these areas can probably best be channeled through program based approaches that support national programs that have clear and monitorable goals, outcomes, outputs, and actions. These programs can be developed in concert with other key donors (e.g., the Netherlands for water resources, Germany for forestry, etc.). Second, in the area of urban environmental management ADB will remain engaged in water supply and wastewater treatment, drainage, solid waste management, road safety and mass transit (which reduce air pollution). Third, there is a potential through private sector policy initiatives and investments to support industrial shifts to cleaner and more efficient production technologies. Although ADB has been active in this regionally, it has not been a focus in Viet Nam to date, but with the rapid industrial growth in Viet Nam it is an area where ADB can add value. (A country environment analysis is being finalized by VRM/MKAE).

4. GMS corridors and the Government's regional plans

55. The Government's SEDP recognizes the importance of cross border linkages with PRC, Lao PDR, Cambodia, and Thailand as crucial to the development of the border districts, which remain among the poorest in Viet Nam. The CSP, through its support for energy, transportation, urban development, will support further connectivity and the development of efficient urban growth centers on the GMS corridors. These initiatives will be tied to the RCSP and neighboring country CSPs.

B. Good Governance, and Cross-Cutting Initiatives

1. Good governance, anticorruption, capacity building

56. While Viet Nam has made good progress in improving governance and public administration reform (PAR) in recent years, there is still need for deepening the PAR process and improving public service delivery and further reducing opportunities for corruption or wasteful use of resources. (A governance and public administration reform assessment is being finalized by VRM/MKGF/RSDD). ADB will continue supporting the implementation of the Government's public administration reform master program (2001-2010). It will continue to support anticorruption under the ongoing ADB-OECD Anticorruption Initiative for Asia and Pacific and through nonlending technical assistance. Governance and capacity development issues will be addressed at sector level operations as well. (PAR sector road map is being prepared by VRM).

57. On the capacity building, in addition to project related technical assistance, two special programs – markets for poor (cofunded by DFID), and public policy training (Japan funded) – will support the Government in developing capacity of its agencies and officials.

2. Gender

58. ADB is already supporting the drafting of a law on gender equality. During the CSP period, it will support implementation of the law. Gender mainstreaming will be encouraged in civil service, sector ministries and provinces through various operational and knowledge

products and services. The initial findings of the country gender analysis indicate that women in Viet Nam face difficulties in accessing credit. (A country gender analysis is being finalized – MKOC/VRM)

3. Private Sector Development

C. Private Sector Operations

59. The CSP will bring ADB's private sector operations more closely interfaced with its public sector operations to maximize synergy and complementarity. The private sector operations will be inclusive in terms of both type of projects (e.g., infrastructure, health and education, and agribusinesses) and assistance modalities (e.g., lending, equity investment, currency swaps, municipal finance, and guarantees)¹³.

D. Improving Implementation

60. The harmonization initiative among the 5 banks have, in response to Government of Viet Nam's request to improve ODA effectiveness, agreed to undertake to harmonize procedures and practices in the areas of procurement, common reporting procedures, financial management, environmental and social safeguard policies and practices, portfolio management, and economic and sector work. The banks identified short-term priority actions and others that should be considered in the longer term.

61. Significant progress has been made, particularly in the areas of procurement, where development of standard national competitive bidding documents for both goods and works are well advanced. Harmonization of financial management, particularly in financial reporting, has progressed well with the implementation of a pilot-reporting format now being pilot tested among PMUs of projects funded by the 5 banks. A joint assessment of private auditors has also been undertaken leading to a shortlist of eight auditing firms eligible to audit projects. In the area of environmental and social safeguards, in which ADB/VRM is taking the lead, a study has provided a comprehensive comparison of the 5 banks and Government procedures and an Action Plan developed indicating ways in which to address the gaps among the banks and between the banks and the government through the MoNRE over the coming years. Harmonization of portfolio management continues to be undertaken with the Third Joint Portfolio Performance Review (JPPR 3) completed in May 2005.

62. The five banks have also provided support to the Government in formulating the Comprehensive Harmonization Action Plan on ODA, which is the basis for all donor harmonization initiatives. As a result of the Paris HLF2, and based on commitments resulting from this forum, the donors and Government agreed to localize the Paris Declaration and its indicators and targets in the Vietnamese context and to incorporate these into the Vietnamese Harmonization Action Plan.

63. Despite these initiatives, implementation of projects spread across many provinces and being implemented at the local level remain difficult. Examples include health, education, and rural infrastructure where the transaction costs of learning ADB procedures and following our reporting and accounting mechanisms are significant and lead to delays in implementation. The Paris Declaration recognizes these high transaction costs and suggests greater use of government systems and programs. In this regard, the CSP will propose greater use of program based approaches for health, education, rural development, and natural resource management projects as a means to not only broaden ADB's impact (i.e., nationwide) but reduce transaction costs and speed implementation of ADB's portfolio. Fundamental to achieving this will be to ensure the Government adopts environmental and

¹³ However, it may not be possible to provide a list of private sector projects in the pipeline for inclusion in the CSP.

social safeguards for implementing its programs that are acceptable to ADB and the donor community. The earlier work on harmonization by the 5 banks has built a strong foundation for this next step, and the Government in their Hanoi Core Statement (as a follow up to the Paris Declaration) has acknowledged that they need to accomplish implementation of these safeguards to provide a framework for donors to move to use of program based approaches. In addition, harmonization should also be extended to simplification and/or cutting down government procedures including parallel and duplicative procedures among government ministries and agencies.

E. Managing for Development Results

64. ADB and MPI together with other ODA partners have been working on a results framework for the SEDP since October 2004 and also are developing methodology and mechanism for estimating sectoral and thematic result indicators. ADB has thus taken the lead in Viet Nam in moving towards managing for development results. Initiatives thus far included (i) consultation on a common set of highest level of result indicators; (ii) common strategy and a result framework for the SEDP; (iii) training workshops for government officials/experts on results framework and monitoring; and (iii) support to the Government in developing a results framework for the SEDP, methodology and estimating result indicators in sector and thematic areas. In addition to preparing a results-based CSP, ADB has brought along the World Bank for joint processing of the CSP for Viet Nam. Several ODA partners intermittently participated in the country consultation mission conducted in Nov-Dec 2005, whilst the preparation of an ODA coordination matrix is underway. In addition, UNDP has just mobilized consultants to assist the Government in strengthening national level statistical capacity building for result monitoring. These initiatives will continue and appropriate consultation and coordination with ODA partners will be ensured during the preparation and also the implementation of the new CSP.

65. With the help from SPRU, a rapid assessment of results monitoring capacity of the Government was carried out during the last country consultation mission. The assessment confirmed that Viet Nam has a strong political commitment; and administrative organizations at both central and local levels in place for results orientation of its SEDP. Its result monitoring capacity is being rapidly developed. Initial findings of the rapid assessment were discussed with the Government and ODA partners to further improve results orientation in the planning and M&E process of the SEDP in Viet Nam. The findings of the rapid assessment will be appropriately reflected in the new CSP preparation.

F. Role of Government

66. The Government has a strong vision such as making Viet Nam a newly industrialized country by 2020 and graduating from an underdeveloped country status to a country with more than \$900 per capita income. It has strong ownership in the country's development programs. In response to increased market-orientation, it is also moving towards changing its role of regulator/facilitator instead of producer and suppliers as in the past under the centrally planned system of planning, and has made a good progress in public administration reform.

G. Donor/ODA Coordination

67. The new CSP is planned to go to ADB's Board of Directors at about the same time the World Bank will bring its CAS to its Board (previously in June 2006, now rescheduled for September 2006). Results framework for SEDP will allow better donor/ODA coordination of country strategies. Greater use of program-based approach will allow better coordination and reduces transaction costs for donors and government (see also the feedback from consultation with ODA partners in para. 73-74.)

H. Risks

68. Initially, five major risks have been identified. First, a risk related to absorptive capacity and low productivity may arise if growth is pursued only with high level of capital investment and without little improvement in productivity gains. Second, as the country will be going through not only structural adjustments under the ongoing move towards market economy but also new commitments under the WTO (most likely), there may emerge social costs which need to be mitigated. Third, shocks may come due to both internal (public health outbreaks, natural calamities) and external (drop in international price of soft commodities like coffee, rice, rubber, etc.). Fourthly, if the Government does not simplify and improve its project processing and implementation procedures, the planned investments may not materialize on time, leading to less than expected development impact. To address this problem, ADB will support capacity building for central planning ministry in public investment planning, harmonization, and public administration reform initiatives. Lastly, training of project officers and project analysts of ADB as well as those of the Government's project management units in the implementation of the new CSP and results monitoring will be undertaken.

VII. FEEDBACK FROM THE COUNTRY CONSULTATION

A. Consultation with Government

69. The government representatives supported ADB's general approach and the strategic focus of the new CSP. They commended ADB's intention to align its new CSP with the Government's new SEDP, which is expected to be Viet Nam's new national strategy for poverty reduction (NPRS) and its support for having a common set of result indicators for monitoring. They welcomed ADB's plan to gradually move towards adopting a program-based approach to reduce transaction costs and to enhance development effectiveness in congruence with the Paris Declaration, and Hanoi Core Statement.

70. The government officials asked ADB to continue to take lead in the GMS economic cooperation program, and to mobilize other donors to finance the GMS program. As to the geographic focus, the government officials suggested that ADB program should not necessarily be limited to the Central Region; it could go to poorer areas in the Mekong Delta and Northern Mountains, and along the transport corridors where there is a need to link poorer areas with large infrastructure and cross-border markets. Regarding ADB's support to urban sector development, they suggested that ADB might like to pick a good size city/provincial town (e.g., Thanh Hoa) and support its development comprehensively, going beyond the traditional support such as limiting to only one or two sectors like water supply, environment. On the sources of financing, the government officials said that ordinary capital resource (OCR) should not crowd out other donors and could be considered only for investment projects (not for program loans) and on a case by case basis.

71. The government officials also indicated that they would share with ADB the five-year plans and programs for their respective ministries and agencies once they are duly approved by the Government by end January 2006. ADB's sector roadmaps will be aligned with these sectoral plans and programs.

B. Consultation with Non-government and Civil Society Organizations (NGOs/CSOs)

72. NGO/CSO representatives¹⁴ appreciated ADB's initiative to engage them at the upstream in the development of its CSP, and supported the general direction of the CSP and its alignment with the SEDP. They suggested the new CSP could : (i) consider ethnic

¹⁴ It also included a representative of the Viet Nam Chamber of Commerce and Industry (VCCI).

minority and disable groups; (ii) ensure balance between economic growth and social equity; (iii) chart in the role of NGOs/CSOs; (iv) build in tripartite collaboration between NGOs/CSOs, ADB and the Government; (v) clarify the rationale for focusing on natural resources under the agriculture sector operations, and the scope of ADB's support to governance and cross cutting issues; and (vii) specify more clearly the areas of ADB intervention for supporting the poor and vulnerable groups.

73. Some NGO representatives also suggested that ADB could help in the implementation of Decree 88 (registration of domestic NGOs) by the Government for which the Ministry of Home Affairs (MOHA) is mandated. A separate meeting was also held with the Viet Nam Chamber of Commerce and Industry (VCCI), which, amongst others, indicated that it would need ADB technical assistance to educate business community on the WTO rules after Viet Nam's accession to the WTO in 2006. A representative from the Blinds Association pointed out that the HIV/AIDS prevalence is high amongst blind youth for which they would appreciate ADB's support.

C. Consultation with ODA Partners

74. Individual as well as collective meetings with ODA partners were held during the country consultations. Meetings were held with the World Bank officials including the country director and task manager for their new Country Assistance Strategy (CAS) and discussed matters regarding joint processing of the CAS/CSP. The mission noted the rescheduling of the Board date for the World Bank's CAS (i.e., September 2006). Both sides agreed to continue working closely and sharing relevant documents and information on the CAS/CSP. A sector level retreat in February 2006 has been proposed which would discuss matters regarding harmonization of sector roadmaps and joint CAS/CSP processing. A consultation meeting with the IMF country representative was also held and issues relating to macroeconomic performance and debt sustainability were discussed in addition to briefing on the new CSP. The mission also had a separate meeting with the AFD country director and sector specialist on cofinancing possibilities. It also met with IFAD country representative and noted IFAD's interest to implement a 'markets for the poor' project using the tools and products of the ADB RETA Making Markets Work for the Poor. Representatives/staff of the AFD, EC, DFID, and KfW participated intermittently in ADB's consultation meetings with government ministries/agencies.

75. A collective consultation meeting with ODA partners was conducted at VRM. A short presentation was given at the meeting on the new CSP's strategic focus, sector selectivity, result orientation, and consultation process to a group of representatives of the ODA community. They commended ADB's consultation with ODA community at early stage of its CSP preparation with total transparency which is useful for both knowledge sharing and ODA coordination. They appreciated ADB's support to the Government in introducing a results framework and monitoring indicators to the SEDP. They noted that CSP's alignment with SEDP is useful but SEDP itself is very broad and inclusive. They underscored the importance of joint processing and joint monitoring of results and move towards program-based approach.

VIII. FEEDBACK FROM THE BOARD OF DIRECTORS

76. The mission seeks feedback and guidance from the Board of Directors on strategic focus, sector selectivity, and results orientation for the new CSP.

The Country Team and Processing Schedule
(revised January 2006)

	CORE	SUPPORT
VRM	O. Shrestha, Country Team Leader Vo Truc Dien, Economist/Programs Officer; DV Dung (PAR, Trade); LD Thang (Energy and Transport); Huang (urban sector, water supply) BT Nghia; (Finance, SME, SOE) NT Binh (portfolio); NM Tuyen (Gender, Social) ; Ngo Huong (Poverty analysis); W. Costin (Infrastructure, education, donor coordination); L. Studdert (health) K. (Gem) Lao-Arroya (Governance, Private Sector, PRSC)	VRM – Country Director; MKOC - Christopher Hnanguie, Programs Economist, MKOC (including coordination and peer review); R. Butiong, Economist, MKOC (for RCSP coordination). MKGF – R. Adhikari, Principal Economist (for peer review)
MKAE	Ian B. Fox, Principal Project Economist	Javed Hussain Mir, Forestry Specialist (Alternate) Herath Gunatilake, Environment Management Specialist Masahiro Otsuka, Principal Project Economist Olivier Serrat, Senior Project Economist.
MKGF	V. Subramanian,, Senior Financial/Capital Markets Specialist	Jin W. Cyhn, Economist (alternate), R. Tan, Staff Consultant
MKSS	E. Izawa, Education Specialist	Xiaoyan Ye, PAU Head, Principal Project Specialist (Alternate), Vncent De Wit, Health J Hakim, Urban Sector S. Brar, Education
MKID	Anthony Jude, Senior Project Specialist	Paul J. Vallely, Transport Specialist (Alternate) Pradeep Perera, Finance (Energy Sector) Specialist Peter Broch, Transport/Project Economist Hubert Jenny, Urban Infrastructure Specialist
PSOD		
OGC	Shinsuke Kawazu, Counsel Interdepartmental Anchors (proposed)	Rita O'Sullivan, Counsel
SPD	Gil-Hong Kim, Principal RB-CSP Specialist	Per Bastoe, Principal Results Management Specialist
RSDD	Shilo Chatterjee, Principal Economist	
OED	George Njoman Bestari, Prin Eva Specialist	
ERD	Peter Chownoski, Principal Economist	

CSP Processing Schedule
(to be revised following MMT guidance)

(i)	Informal Board	IV January 06
(v)	MRM with the President	I March 06
(vi)	CSP Confirmation with the Government	I April 06
(vii)	Final Draft CSP	II April 06
(viii)	CSP Editing	I May 06
(ix)	CSP Approval by President	II May 06
(x)	Board Endorsement	III June 06
(xi)	CSP Publication	IV July 06