

## COUNTRY STRATEGY AND PROGRAM MATRIX 2002–2004

|                              | Development Issues/Challenges   | National Development Goals, Strategies, and Targets  | ADB's Strategy and Program   |  | Monitorable Indicators  |   |
|------------------------------|---|--|--|--|---|---|
| <b>Poverty Reduction</b>     | <ul style="list-style-type: none"> <li>Although poverty incidence has declined, it still remains quite significant (35% according to Viet Nam Living Standards Survey).</li> <li>Gains in poverty reduction across regions have been uneven with the Northern Uplands, Central Region, and Mekong Delta lagging.</li> </ul>   | Between 2000 and 2010, reduce poverty according to the international poverty line by two fifths and according to the national poverty line by three quarters (equivalent to reduction by 12 percentage points under either poverty line).  | Support the Government's goal of poverty reduction by selective focus on each of four pillars of poverty reduction<br>1. sustainable growth,<br>2. socially inclusive development,<br>3. good governance, and<br>4. balanced regional development through geographic focus on the relatively impoverished Central Region.  | See below.   | The Government adopts a holistic approach to poverty reduction, one that mainstreams poverty issues in policies and programs, i.e., growth, poverty, and equity concerns are simultaneously addressed.  | <ul style="list-style-type: none"> <li>Monetary measure of welfare - Headcount index</li> <li>Nonmonetary measures (see relevant sections)</li> </ul>   |
|                              | <b>1.1 Rural Development</b>  |  |  |  |   |   |
| <b>1. Sustainable Growth</b> | <p><b>1.1.1 Agricultural Productivity</b><br/>With limited scope for further expansion in sown area, agricultural productivity has become a critical bottleneck for higher agricultural growth.</p> <ul style="list-style-type: none"> <li>A key constraint is access of small farmers to information and knowledge needed to improve productivity, diversify production, add value to their products, and exploit market opportunities.</li> </ul> | <ul style="list-style-type: none"> <li>Achieve growth rates of 4–4.5% for agriculture.</li> <li>Agricultural growth is to rely on diversification, higher productivity, improved technology, and stronger linkages to industry.</li> </ul> | <ul style="list-style-type: none"> <li>Help to raise agricultural productivity through – encouraging adequate allocation of public resources to agricultural research and extension.</li> <li>– institutional strengthening of agricultural research and extension services</li> <li>– improved market channels and institutions</li> <li>Improve targeting of poor, female, and ethnic groups in extension activities.</li> </ul> | <ul style="list-style-type: none"> <li>Agriculture Sector Development Program Loan II (2002) and supporting technical assistance (TA) (2003)</li> <li>Possibly Japan Fund for Poverty Reduction for targeting of extension services</li> </ul> | <ul style="list-style-type: none"> <li>Quantity and quality of public spending on agricultural research and extension services.</li> <li>Relevance of agricultural research and extension services to the livelihoods of poor farmers.</li> </ul> | <ul style="list-style-type: none"> <li>Share of budget allocated to agricultural research and extension</li> <li>Extension outreach (no. of farmers and types of crops)</li> <li>Agricultural crop diversification indices</li> </ul> |
|                              | <p><b>1.1.2. Rural Nonfarm Employment</b></p> <ul style="list-style-type: none"> <li>The very limited nonfarm activities engaged in by the poorest are in the nature of “last resort” activities associated with low labor productivity.</li> </ul>   | Achieve annual rate of growth of rural industry and services of 10–12% by promoting off-farm employment and rural industrialization.   | Promote private small and medium agro-enterprises by removal of constraints including: <ul style="list-style-type: none"> <li>availability of land in rural and peri-urban areas</li> <li>access to medium and longterm credit</li> </ul>  | <ul style="list-style-type: none"> <li>Agriculture Sector Development Program Loan II (2002) &amp; related TA (2003)</li> <li>Small and Medium Enterprises</li> </ul>  | Government has identified and is committed to implementing a specific set of measures to create an enabling environment for   | Growth in rural nonfarm activities: <ul style="list-style-type: none"> <li>Employment</li> <li>Value added</li> </ul>   |

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| 1. Sustainable Growth (continued) | <ul style="list-style-type: none"> <li>The agro-industry sector, which is currently undeveloped, has significant potential for creating jobs and raising rural incomes.</li> </ul>   |  | <ul style="list-style-type: none"> <li>simplification of complex tax rules, permits and licensing requirements</li> <li>information on markets and technology.</li> </ul>  | Development (2004) & related TA (2004)<br><ul style="list-style-type: none"> <li>Rural Enterprise Development Project Preparatory TA (PPTA) (2003)</li> </ul>   | rural nonfarm employment.   |  |
|                                   | <b>1.2 Private and Financial Sector Development</b>  |  |  |   |   |  |
|                                   | <b>1.2.1. Domestic Private Sector</b> <ul style="list-style-type: none"> <li>Formal domestic enterprises suffer from discriminative policies that favor state-owned enterprises (SOEs) resulting in:               <ul style="list-style-type: none"> <li>difficult access to land and credit, and</li> <li>higher transaction costs due to the cumbersome and arbitrary administrative regulations and taxation system.</li> </ul> </li> <li>Inadequate infrastructure is a bottleneck to accelerating private sector growth</li> </ul> | Private sector development and foreign investment will be promoted through easing of barriers to entry and liberalization of the business environment. At the same, leading role of state sector in key sectors will continue. | <ul style="list-style-type: none"> <li>Support improved business environment:               <ul style="list-style-type: none"> <li>national level removal of constraints in the areas of taxation, regulations on registration and licensing, and customs regulation;</li> <li>local level promote flexible approaches to solving constraints related to land, credit, and other factors controlled by local authorities;</li> <li>processes for maintaining dialogue between the Government and the domestic private sector.</li> </ul> </li> <li>Promote private sector participation for infrastructure development in power and water supply sectors through use of private sector operations (PSO) demonstration/pilot projects to disseminate best practices.</li> </ul> | <ul style="list-style-type: none"> <li>Small and Medium Enterprises (SME) Development (2004)</li> <li>Capacity Building for SME Development TA (2004)</li> <li>Agricultural Sector Development Program Loan II (2002)</li> <li>Rural Enterprise Development PPTA (2003)</li> <li>Tax Implementation (Economic and Sector Work)</li> </ul> | There is a change in attitude of decision makers toward private sector development.                 | <ul style="list-style-type: none"> <li>Private sector share in gross domestic product (GDP)</li> <li>Number of new private SMEs</li> <li>Progress in SOE equitization</li> </ul> |
|                                   | <b>1.2.2. Financial Sector</b> <p>Financial sector constrained in the intermediation of funds to the private sector due to:</p> <ul style="list-style-type: none"> <li>banking sector burdened with nonperforming loans mainly</li> </ul>  | <ul style="list-style-type: none"> <li>Restructuring of state-owned commercial banks</li> <li>Separation of policy from commercial Lending</li> </ul>  | Focus on three areas: <ul style="list-style-type: none"> <li>building financial infrastructure;</li> <li>development and strengthening of financial intermediaries outside the</li> </ul>  | <ul style="list-style-type: none"> <li>Financial Sector Program Loan (FSPL) II (2002)</li> <li>Strengthening of Financial Markets Institutions TA</li> </ul>  | Key stakeholders including Government, ADB, and World Bank reach consensus on detailed action plans | <ul style="list-style-type: none"> <li>Transaction volume on the money and capital markets.</li> <li>Progress in phasing out lending</li> </ul>                                  |

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| 1. Sustainable Growth (continued) | <p>owed by SOEs</p> <ul style="list-style-type: none"> <li>• lack of diversified sources of longterm financing.</li> </ul>   | <ul style="list-style-type: none"> <li>• Development of nonbank financial sector</li> </ul>   | <p>banking sector, such as leasing and insurance; development of money, capital, and housing mortgage markets;</p> <ul style="list-style-type: none"> <li>• support for state-owned commercial banks restructuring through improvements in their credit culture, capacity for risk assessment and internal operations, within the framework of the Poverty Reduction and Growth Facility (PRGF)/Poverty Reduction Support Credit (PRSC).</li> </ul>   | <p>(2003)</p> <ul style="list-style-type: none"> <li>• Housing Finance component of Central Region Urban Development loan (2003)</li> <li>• Social Safety Nets and Financial Markets Development TA (2004)</li> </ul>  | <p>and division of labor among multilateral financial institutions.</p>   | <p>rate caps posed on commercial banks.</p> <ul style="list-style-type: none"> <li>• Volume and sector share of credit received by the private sector</li> </ul>   |
|                                   | <b>2.1 Education</b>   |   |   |  |   |  |
| 2. Socially Inclusive Development | <ul style="list-style-type: none"> <li>• <b>Enrollment and completion rates</b> in secondary education are low. This reduces productivity and employability of labor force, reducing growth and generating underemployment.</li> <li>• <b>Access</b> of the poor to secondary education is limited, which tends to marginalize them and reduce their opportunities for gainful employment.</li> <li>• <b>Low system efficiency</b>, due to deficiencies in teaching, curriculum and instructional method, raises costs.</li> <li>• <b>Technical and vocational education</b> is mainly state-driven and does not systematically respond to the needs of the labor market.</li> </ul> | <ul style="list-style-type: none"> <li>• Consolidating universal primary education and illiteracy eradication by 2005</li> <li>• Achieving universal lower secondary education and expanding upper secondary education</li> <li>• Targeting difficult areas and ethnic minorities</li> <li>• Developing vocational education</li> </ul> | <p>Support the Government's goal of universal lower secondary education by 2010 and gradually expanding upper secondary education:</p> <ul style="list-style-type: none"> <li>• lower secondary education – support universal access with particular focus on disadvantaged areas including the Mekong Delta, Central Highlands, and the Northern Uplands</li> <li>– improve quality through continued support for the national program for modernization of curricula and textbooks</li> <li>– support decentralization in education management</li> <li>• upper secondary education, in addition to access, quality, and decentralized</li> </ul> | <ul style="list-style-type: none"> <li>• Upper Secondary Education Development (2002)</li> <li>• Lower Secondary Education Development II (2004)</li> <li>• TA for Capacity Building in Upper Secondary Education (2003)</li> <li>• ESW and TA for Public-Private Partnership in Skills Development</li> </ul> | <ul style="list-style-type: none"> <li>• Resource implications of quality improvements such as school hours, school shifting, teachers' salaries, and learning outcomes are worked out</li> <li>• There is adequate institutional capacity for planning and implementation with increasing decentralization</li> <li>• The financial capacity of local governments to provide educational services is adequate, or complemented by</li> </ul> | <ul style="list-style-type: none"> <li>• Net and gross enrollment rates (disaggregated by gender and ethnicity)</li> <li>• Completion rates (disaggregated by gender and ethnicity)</li> <li>• Incidence of benefits including access of the poorest to postprimary education 20%</li> </ul> |

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| 2. Socially Inclusive Development (continued) |   |  | management, develop approaches to "position" upper secondary education in terms of curriculum structure and career pathways to meet the more diverse needs of a market-oriented economy  |   | central budget allocations  |
|   | <b>2.2 Health</b>   |  |  |   |   |
|   | <p>Persisting inequities in health status and vulnerability of the poor to health related shocks</p> <ul style="list-style-type: none"> <li>• <b>Inequitable Public Expenditure.</b> Public spending on hospital care absorbs excessive share of public spending on health and subsidizes nonpoor.</li> <li>• <b>Demand for Health Services.</b> The high direct and indirect costs of health care, combined with user fee system and focus of health insurance on urban nonpoor limits access of poor to health. In addition, quality of health services in poor areas has deteriorated.</li> <li>• <b>Nutrition.</b> Child malnutrition has declined but remains significant.</li> <li>• <b>Women's Health.</b> Limited access to reproductive health care services for the poor and ethnic minorities. Abortion rates remain unacceptably high.</li> <li>• <b>New challenges.</b> New diseases are emerging including HIV/AIDS,</li> </ul> | <ul style="list-style-type: none"> <li>• Greater equity in the access to and use of health care services</li> <li>• Reduction of the infant mortality rate (MR) to 25/1000 by 2010</li> <li>• Reduction of under-5 MR to 32/1000 by 2010</li> <li>• The reduction of maternal mortality ratio to 70/100,000 by 2010</li> <li>• Achievement of universal access to contraceptives and other reproductive health services</li> </ul> | <p>Increase access of the poor to quality health services and reducing their vulnerability to health shocks:</p> <ul style="list-style-type: none"> <li>• improving quality of and access to health services in remote and poor areas</li> <li>• enhancing affordability of health services by the poor through more equitable health financing</li> <li>• strengthening provincial preventive health care</li> <li>• improving the quality of human resources in the health sector</li> </ul> | <ul style="list-style-type: none"> <li>• Health Sector Development Loan (2004)</li> <li>• TA for Policy Support for Health Sector Development (2004)</li> <li>• Health Financing for the Poor (2003) (ESW)</li> </ul> | <p>Government is able to prioritize its health sector interventions and appropriate level of resources are made available. All major financing agencies continue to support health sector development</p> |

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|                           | accidents, noncommunicable diseases and drug-resistant tuberculosis.  |  |   |  |   |  |
| <b>3. Good Governance</b> | <p>Reorientation in the systems and machinery of Government has been partial. Remaining agenda includes:</p> <ul style="list-style-type: none"> <li>• upgrading organization, remuneration, and skills of civil service to design appropriate policies and deliver related services</li> <li>• removing inconsistencies in existing legal framework and filling gaps in legislation and regulations</li> <li>• well-functioning courts, trained officials, effective information systems</li> <li>• capacity-building at the local level</li> <li>• improved financial management with expenditure that is consistent with resources available</li> <li>• reduced corruption</li> </ul> | <ul style="list-style-type: none"> <li>• Public administration reform (PAR) for – restructuring of Gov't. at all levels with emphasis on decentralization – salary reforms</li> <li>• Public financial management – budget reforms – audits of administrative agencies</li> <li>• Legal reforms</li> </ul> | <ul style="list-style-type: none"> <li>• Support PAR implementation with emphasis on redefinition of role and mandate of central level agencies (GCOP, MOF, MOI, SBV) , policy-making coordination and service delivery improvements</li> <li>• Support civil service reform</li> <li>• Selectively support development of legal framework, particularly for private enterprise development</li> <li>• Support capacity building of local administrations in areas and sectors where ADB is active</li> <li>• Promote definition of standards of service quality and accessibility in areas and sectors where ADB is active</li> <li>• Selective action to improve financial accountability in ADB projects and sectors of involvement</li> </ul> | <ul style="list-style-type: none"> <li>• Institutional Support for Policy Formulation and Coordination (2003)</li> <li>• Governance and Public Administration Reform (2002 and 2003 TAs and possible 2004 standby loan)</li> <li>• Support for PAR TA (2004)</li> <li>• Legal Needs Assessment (ongoing with other financing agencies)</li> <li>• Legal Sector Capacity Building and Reform TA (2002)</li> <li>• Coordination of operations in the Central Region (ESW)</li> <li>• Financial implications of civil service reform and public administration restructuring (ESW)</li> </ul> | <ul style="list-style-type: none"> <li>• Constitutional amendments completed</li> <li>• PAR Strategy draft is finalized and endorsed by Communist Party of Viet Nam and Government and ADB support is sought</li> <li>• Legal needs assessment is successfully completed in early 2002 and Govt. is committed to its implementation</li> <li>• Administrative decentralization is accompanied by corresponding fiscal decentralization or resource allocation</li> <li>• Government commitment to implementing the announced systemic approach to deal with corruption</li> </ul> | <ul style="list-style-type: none"> <li>• Approved constitutional amendments and other legislation</li> <li>• Civil service – size – compensation package – guidelines</li> <li>• Surveys on progress in reducing corruption</li> </ul> |

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| 4. Geographic Focus on Central Region | <p><b>4. Balanced Regional Development</b></p> <ul style="list-style-type: none"> <li>Regional growth patterns have been uneven. If past growth patterns continue into the future, growth would exacerbate regional inequalities and hence be less propoor.</li> <li>The Central Region includes provinces with the highest incidence of poverty.</li> </ul> | Key economic zones to lead growth but public investment will be prioritized toward lagging regions | Focusing geographically approximately one third of lending operations on selected poor provinces within the Central Region using a two-tiered approach combining – community-level interventions under livelihood improvement projects covering a few contiguous provinces with – higher level investment in the region (in roads, water resources, urban development) | <ul style="list-style-type: none"> <li>Central Highlands Livelihood Improvement (2003)</li> <li>Central Region Coastal Livelihood PPTA (2003) and ensuing loan (2005)</li> <li>Central Provinces Water Resources Sector (2003)</li> <li>Central Region Urban Development and Housing Finance (2003)</li> <li>Central Region Road Sector (2004)</li> <li>Provincial/district Towns Development in the Central Region PPTA (2003) and ensuing loan (2005).</li> <li>Components of the power, education, and health loans (2002–2004)</li> </ul> | Necessary interprovincial coordination takes place to ensure appropriate selection of the sector investment | <ul style="list-style-type: none"> <li>Share of budget allocated to Central Region.</li> <li>Regional economic indicators</li> </ul> |

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| 5. Cross-cutting Concerns | <b>5.1 Environment</b>   |  |   |  |  |   |
|                           | In the mountainous areas, resource degradation due to population pressure has aggravated poverty   | National Strategy for Sustainable Development                | Institutional development and poverty-linked forestry, water resource and coastal management activities in the Central Region | Forests for Livelihood Improvement in the Central Highlands  | Government is committed to incorporating environmental concerns in local plans | Successfully completed projects in smallforestry and watershed management in Central Region   |
|                           | <b>5.2 Gender</b>  |  |   |  |  |   |
|                           | <ul style="list-style-type: none"> <li>Increasing feminization of agriculture as a result of slower outmigration</li> <li>Less opportunities for women in state sector but more in foreign direct investment sector</li> </ul> | Plan of Action for the Advancement of Women 2001–2005 (POA2) | Provide access and narrow gaps in all areas of intervention.  | <ul style="list-style-type: none"> <li>Upper Secondary Education Development (2002)</li> <li>Lower Secondary Education Development (2004)</li> <li>Health Sector Development (2004)</li> </ul> |  | <ul style="list-style-type: none"> <li>Girls/boys in secondary school</li> <li>Percentage of women with access to basic health insurance</li> </ul> |

ESW = economic and sector work, GCOP = Government Committee on Organization and Personnel, MOF = Ministry of Finance, MPI = Ministry of Planning and Investment, SBV = State Bank of Viet Nam, TA = technical assistance.