



Asian Development Bank & Viet Nam

FACT SHEET

Table 1. Viet Nam: Development Indicators

Non-MDG	
Population in millions	86.25 (2008)
Annual population growth rate (%)	1.2 (2006–2008)
Adult literacy rate (%)	90.3 (1999)
Percent of population in urban areas	27.4 (2007)
MDG	
Percent of population living on less than \$1.25 a day	21.5 (2006)
Percent of population living below the national poverty line	16.0 (2006)
Under-5 mortality rate per 1,000 live births	15 (2007)
Percent of population using an improved drinking water source	92 (2006)

MDG = Millennium Development Goal.

Sources: ADB, 2009. *Basic Statistics 2009*. Manila.
UNESCO, 2009. Institute for Statistics Data Centre.
World Bank, 2009. World Development Indicators Online.

Viet Nam has been one of Asia's fastest growing economies over the last 20 years, with growth of real gross domestic product (GDP) averaging 7.4% during 1989–2008. Strong economic growth, combined with improved social safety nets, has enabled Viet Nam to reduce poverty dramatically. Poverty incidence has declined from 58.1% in 1993 to 16.0% in 2006.

Viet Nam has been able to sustain strong economic growth for a long period and to significantly improve the efficiency of social safety nets by carrying out a broad range of economic and institutional reforms fostering economic growth and improved targeting of social security provision. Viet Nam is in transition from a centrally planned to a market economy, and from a social protection system that relied heavily on price subsidies to one based on targeted programs. Market-oriented reforms have involved partial privatization of state-owned enterprises, liberalization of markets and recognition of private property rights, which has resulted in the emergence of a vibrant private sector.

Furthermore, Viet Nam is becoming increasingly integrated into the global economy and an attractive destination for foreign investments. It joined the Association of Southeast Asian Nations in 1995 and the World Trade Organization (WTO) in 2007. The ratio of merchandise exports and imports to GDP exceeded 150% in 2007. Net inflows of foreign direct investment (FDI), which ranged between \$1.3 billion and \$1.8 billion in 2002–2006, soared to \$6.6 billion in 2007 and an estimated \$9.0 billion in 2008 in disbursement terms.

Inflation and the current account deficit surged in the first half of 2008 but declined sharply in the second half of the year. Year-on-year inflation dropped to 19.9% by December 2008, after reaching 28.3% in August 2008. The current account deficit narrowed to an estimated 9.3% in 2008 from 9.9% in 2007. At the same time, real GDP growth moderated to 6.2% in 2008, from more than 8% in the preceding 3 years, due largely to anti-inflationary measures taken by the Government and weakening of external demand. In the first half of 2008, the Government tightened monetary and fiscal policies significantly to curb inflation and the current account deficit. In the last quarter of 2008, however, the Government started loosening macroeconomic policies in an effort to mitigate the adverse impact of the global economic downturn on growth in Viet Nam. A number of fiscal stimulus measures are being introduced and announced in early 2009.

The main near-term economic challenge for the Government is to limit the slowdown in growth while keeping the fiscal and current account deficits in check. Over the medium term, Viet Nam needs to ratchet up growth without fueling inflation and increasing the current account deficit. To this end, infrastructure bottlenecks need to be removed, the supply of skilled labor increased, and the efficiency of public investment improved. Also, market-oriented reforms, which slowed in 2008 due to macroeconomic turmoil and unfavorable market conditions, now need to be accelerated.

Despite these challenges, the economy's medium- to long-term prospects are good. New FDI commitments increased from \$20 billion in 2007 to \$64 billion in 2008. The external debt burden is moderate, with the stock of external debt equivalent to about one third of GDP and external debt service amounting to about 4% of exports of goods and services. Concessional loans from development agencies account for the bulk of the external debt.

Relationship with ADB

Viet Nam was among the Asian Development Bank's (ADB) founding members in 1966, but operations were suspended between 1979 and 1992, before resuming again in 1993. Cumulative assistance since ADB resumed its operations in Viet Nam includes 78 sovereign loans totaling \$6.03 billion, 225 technical assistance projects amounting to \$176.69 million, and 23 grant projects totaling \$135.6 million. ADB has also approved nine nonsovereign loans, two political risk guarantees, and one B-loan totaling \$305 million. It has financed a number of regional technical assistance projects for the Greater Mekong Subregion (GMS).

Viet Nam is currently one of the largest recipients of resources from the concessionary Asian Development Fund (ADF). The country is also an important ordinary capital resources (OCR) borrower.

Impact of Assistance

ADB's operations initially focused on rehabilitation and support to economic reforms. From 2002, ADB supported government efforts to reduce poverty, focusing on sustainable growth, inclusive social development, good governance, and a geographic focus on the central region. An assessment in 2005 determined that ADB projects under the Country Strategy and Program (CSP) for 2002–2004 were responsive to Viet Nam's development strategies and contributed to its development objectives. It recommended sharpening the focus of ADB interventions to enhance development effectiveness and reduce transaction and overhead costs.

In the area of infrastructure, the importance of ADB's support is borne out by the country's economic transformation and the rapid increase in foreign and domestic investment in manufacturing. In particular, economic activities that have developed along key transport corridors following upgrading of the Ha Noi–Lang Son Highway, GMS East–West Economic Corridor, and Ho Chi Minh City–Phnom Penh Highway have helped generate employment and significantly reduce poverty in those areas. ADB is also helping to address inadequate power supply—a critical constraint to continued fast economic growth—with investments in hydropower and thermal power generation and transmission networks.

Table 2. Viet Nam: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	540	620	700	790	...
GDP growth (% change per year)	7.8	8.4	8.2	8.5	6.2
CPI (% change per year)	7.7	8.3	7.5	8.3	23.0
Unemployment rate (%)	5.6	5.3	4.8	4.6	4.7
Fiscal balance (% of GDP)	-1.3	-3.6	-1.2	-5.5	-4.7
Export growth (% change per year)	31.4	22.5	22.7	21.9	29.1
Import growth (% change per year)	26.6	21.2	22.1	38.3	28.1
Current account balance (% of GDP)	-3.4	-0.9	-0.3	-9.9	-9.3
External debt (% of GNI)	40.5	36.9	33.9	34.7	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.
ADB staff estimates.
World Bank. 2009. World Development Indicators Online.

Table 3. Viet Nam: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
764.7	25.0	26.9	5.2	821.8

Cumulative Lending (as of 31 Dec 2008) : \$6,294.1 million
Cumulative Disbursements (as of 31 Dec 2008) : \$2,633.7 million

ADB support for private sector development through policy-based lending and the development of nonbank financial institutions has helped the Government's own efforts and led to rapid growth in the number, and registered capital, of private companies.

ADB assistance in rural development and irrigation has helped raise agricultural productivity and farmers' incomes through improved access to markets and inputs, diversification to high-value crops, and improved water resources management practices.

Assistance has also had an impact in social areas, such as in preventive health care, cross-border disease control, and in secondary and professional education since the 1990s. ADB has helped the Government upgrade the quality of public officials through training and the modernization of public administration, and it has supported the Government's fight against corruption and moves toward gender equality.

Future Directions

ADB's current CSP for the period 2007–2010 is aligned with and supports implementation of the Government's Socio-Economic Development Plan for 2006–2010 (SEDP). The CSP addresses infrastructure bottlenecks, social development, poverty reduction, and livelihood improvement. It aims for business-led pro-poor economic growth, socially inclusive development, and improved management of natural resources. Good governance and gender equality and promotion of regional cooperation are also key elements.

Table 4. Viet Nam: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	19	842.97	13.39
Education	8	330.50	5.25
Energy	9	980.14	15.57
Finance	10	467.00	7.42
Health, Nutrition, and Social Protection	7	241.20	3.83
Industry and Trade	4	108.50	1.72
Law, Economic Management, and Public Policy	6	196.40	3.12
Multisector	8	355.69	5.65
Transport and Communications	18	2,378.90	37.80
Water Supply, Sanitation, and Waste Management	9	392.82	6.24
Total	98	6,294.12	100.00

^a Total may not add up because of rounding.

Table 5. Viet Nam: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	50.0	8
Education	100.0	2
Energy	66.7	3
Finance	100.0	3
Health, Nutrition, and Social Protection	100.0	1
Law, Economic Management, and Public Policy	100.0	3
Multisector	75.0	4
Transport and Communications	100.0	6
Water Supply, Sanitation, and Waste Management	75.0	4
Total	79.4	34
By Year of Approval		
1970s	0.0	5
1990s	91.7	24
2000s	100.0	5

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

The CSP features a large role for private sector development, including public–private partnerships, and will gradually shift assistance away from the traditional project-based approach to a variety of other lending modalities. There will be a strong focus on addressing emerging bottlenecks to accelerate growth in private sector investment, including efforts to (i) develop physical infrastructure, (ii) improve the business-enabling environment, (iii) strengthen financial and related market institutions, and (iv) boost human resource development. ADB’s investment program promotes social inclusiveness and enhanced management of the environment. A Midterm Review of the CSP is being undertaken in early 2009 to review CSP achievements to date and consider any adjustments needed to more effectively achieve Viet Nam’s development priorities during the remainder of the CSP period and help guide formulation of the next CSP for 2011–2015, based on the forthcoming SEDP for 2010–2015 and ADB’s new strategic agenda, Strategy 2020.

Viet Nam remains one of the largest ADF recipients, with an indicative ADF allocation of \$713.8 million for 2009–2010. OCR is also provided as an additional source of funding for projects with higher rates of return, such as infrastructure, with an allocation of about \$1 billion in 2009. The demand for OCR resources, however, is much larger and is expected to remain high in the medium term.

As Viet Nam is among the countries most vulnerable to the effects of climate change, ADB is preparing to support implementation of the Government’s national program to address its impacts, jointly with other development partners.

Operational Challenges

Project implementation delays—a persistent problem in Viet Nam’s portfolio—are attributable to several factors, among them, delays in recruitment of consultants, lengthy and cumbersome decision-making, the weak capacity of project management units, and weak project preparation.

To improve the situation, ADB and Government loan and technical assistance grant processing procedures have been established to

Table 6. Viet Nam: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)	39	
Contract Awards/Commitments	261.0	390.5
Disbursements	229.9	264.6
Loans at Risk (%)	4.8	10.3

Table 7. Viet Nam: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Hyundai-Donganh Steel Tower Manufacturing Company	Energy	19.75
LS Vina Cable Company, Ltd.	Energy	16.66
Power Construction Installation Co., Ltd. No. 1	Energy	15.87
Construction Company No. 47	Water Supply, Sanitation, and Waste Management	15.01
Licogi 9 – LHC	Water Supply, Sanitation, and Waste Management	14.10
Infrastructure Development Construction Corp. – Licogi	Energy	13.21
Ticco-ICC040-SCC-Dreco	Water Supply, Sanitation, and Waste Management	10.66
Nexans Viet Nam Power Cable Company	Energy	9.86
Waco-Sembcorp Engineers and Constructors JV	Water Supply, Sanitation, and Waste Management	8.12

ensure that proper consultation and decision-making will be undertaken in a coordinated manner to help speed up approvals. Guidelines on financial management and procedures have been prepared to serve as a reference for project execution. ADB’s project implementation capacity has been strengthened with further project delegation to the resident mission.

ADB continues to work with five other international financial institutions under the Six Banks group—Agence Française de Développement, Kreditanstalt für Wiederaufbau (KfW), Japan International Cooperation Agency (JICA), Korea Export–Import Bank (KEXIM), and the World Bank—as well as other development partners, under the Government–Donor Partnership Group on Aid Effectiveness. This aims to improve aid effectiveness through better harmonization and alignment with Viet Nam’s own systems. A significant achievement in 2008 is the agreement on common feasibility study guidelines, which will meet the requirements of the Government and Six Banks, in order to expedite project preparation. ADB is leading efforts to harmonize the Government’s and Six Bank’s guidelines for environmental and social impact assessments.

Partnership

As part of its regular operations, ADB maintains close coordination with Viet Nam’s development partners, to improve the effectiveness, efficiency, and impact of its lending and nonlending programs. The goal is to mobilize both financial resources and expertise from other partners. ADB is cofinancing the World Bank-led and multi-ODA partner-supported poverty reduction support credit program, and related policy reforms. In preparing its CSP for 2007–2010, ADB has

Table 8. Viet Nam: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
HEC-1 and 2	2	1.39
Mediconsult Planning and Consulting Services	1	0.90
Song Hong Hydraulic Construction JSC	1	0.84
Southern Institute for Water Resources	3	0.74
SMEC International Pty., Ltd./ SMEC Holding, Ltd. (VIE)	2	0.58
GOPA Consultants	1	0.43
Ha Noi Medical University	2	0.31
Dien Bien No. 5 Construction Pte. Co.	3	0.30
Vietnamese Individual Consultants*	29	0.29
JV Thanh Hoa and Quang Binh WRS JSC	1	0.27
Construction and Tech Transfer Co.	1	0.27

* Consultant may have one or more contracts within the period covered.

Table 9. Viet Nam: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Vietnamese Individual Consultants*	245	3.97
VICA Consultants, Ltd.	3	0.95
Centre d’Etude et de Cooperation I	1	0.83
GRET-VIE	1	0.77
SNV-VIE	1	0.77
Catholic Relief Services (CRS)-VIE	1	0.77
Center for Rural Development (CRD)	1	0.71
Ernst and Young (Ho Chi Minh)	1	0.61
PricewaterhouseCoopers Viet Nam, Ltd.	1	0.24
Care International in Viet Nam	1	0.23
CHF-VIE	1	0.22

* Consultant may have one or more contracts within the period covered.

consulted with development partners to align strategies with Viet Nam's own SEDP and to adopt a set of common indicators at the national level for monitoring purposes. ADB has also worked closely with other development partners in helping the Government to prepare National Targeted Programs (NTPs) for the Water Sector and for Climate Change. ADB also plays a lead role in the Health Partnership Group as the largest donor in the sector.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

In 2008, Japan provided \$517.6 million loan cofinancing for the Ho Chi Minh City–Long Than–Dau Giay Expressway Construction project.

As of year-end 2008, cumulative direct value-added cofinancing for Viet Nam since 1996 amounted to \$846.7 million for 15 investment projects and \$51.4 million for 63 TA projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at www.adb.org/Documents/Fact_Sheets/VietNam/cofinancing.asp.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 274 contracts were awarded to Vietnamese consultants worth \$25.0 million.

From 1 January 1993 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 426 contracts were awarded to Vietnamese consultants worth \$11.7 million.

A summary of procurement contracts awarded to companies and consultants from Viet Nam for goods and works, and consulting services can be found at www.adb.org/Documents/procurement.asp.

About Viet Nam and ADB

Viet Nam is the 21st largest shareholder among regional members and the 29th largest overall.

ADB Membership

Joined	1966
Shares held	12,076 (0.34%)
Votes	25,308 (0.57%)

Kyung-Hoh Kim is the Executive Director and **James Tsuen-Hua Shih** is the Alternate Executive Director representing Viet Nam on the ADB Board of Directors.

Ayumi Konishi is the ADB Country Director for Viet Nam. The Viet Nam Resident Mission (VRM) was opened in 1997 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. VRM engages in policy dialogue and acts as a knowledge base on development issues in Viet Nam.

The Viet Nam government agency handling ADB affairs is the State Bank of Viet Nam.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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