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**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**INTERNATIONAL FINANCE CORPORATION**

**MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW  
OF THE COUNTRY PARTNERSHIP STRATEGY**

**FOR**

**THE SOCIALIST REPUBLIC OF VIETNAM**

**FOR THE PERIOD FY12-FY16**

**May 11, 2015**

**Vietnam Country Management Unit  
East Asia and Pacific region**

**The International Finance Corporation  
East Asia and Pacific Department**

**The Multilateral Investment Guarantee Agency**

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**The last Country Partnership Strategy was discussed by the Board in December 2011.**

## **FISCAL YEAR**

January 1 – December 31

## **CURRENCY EQUIVALENTS**

Currency Unit = Vietnamese Dong (VND)

21,542 VND = US\$1

(Exchange Rate Effective March 30, 2015)

## **ABBREVIATIONS AND ACRONYMS**

AAA	Analytical and Advisory Activities	HCFC	Hydro chlorofluorocarbons
ACP	Agriculture Competitiveness Project	HCMC	Ho Chi Minh City
ADB	Asian Development Bank	HIV/AIDS	Human immunodeficiency virus infection and acquired immune deficiency syndrome
ADF	Asian Development Fund	HPUTP	Haiphong Urban Transport Project
ADR	Alternative Dispute Resolution	IBRD	International Bank for Reconstruction and Development
AEF	Aid Effectiveness Forum	ICR	Implementation Completion Report
AF	Additional Financing	IDA	International Development Association
AFD	Agence Française de Développement	IEG	Independent Evaluation Group
AHIP	Avian and Human Influenza Project	IFC	International Finance Corporation
ARP	Agricultural Restructuring Plan	IMF	International Monetary Fund
ASEAN	Association of South East Asian Nations	IPF	Investment Project Financing
BOP	Balance of Payments	LIFSAP	Livestock Competitiveness and Food Safety Project
CAS	Country Assistance Strategy	MARD	Ministry of Agriculture and Rural Development
CC	Climate Change	M&E	Monitoring & Evaluation
CCA	Climate Change Agency	MDG	Millennium Development Goal
CDD	Community Driven Development	MDTF	Multi-Donor Trust Fund
CFAA	Country Financial Accountability Assessment	MIGA	Multilateral Investment Guarantee Agency
CFC	Chlorofluorocarbon	MOC	Ministry of Construction
CGAP	Country Gender Action Plan	MSMEs	Micro and Small-Medium Enterprises
CH	Central Highlands	NGO	Non-Government Organization
CPPR	Country Portfolio Performance Review	NM	Northern Mountains
CPS	Country Partnership Strategy	NMPRP-2	Second Northern Mountains Poverty Reduction Project
DFAT	Department of Foreign Affairs and Trade	NMUP	New-Model Universities Project
DPO	Development Policy Operation	NPL	Non-Performing Loans
DRM	Disaster Risk Management	NTP-NRD	National Targeted Program on New Rural Development
EMCC	Economic Management and Competitiveness Credit	ODA	Official Development Assistance
EN	Escuela Nueva	PforR	Program-for-Results
ESW	Economic and Sector Work	PCPPR	Programmatic Country Portfolio Performance Review
EVN	Electricity of Vietnam	PISA	Program for International Student Assessment
FIRST	Fostering Innovation through Research, Science, and Technology	PLR	Performance and Learning Review
FY	Fiscal Year	PMU	Project Management Unit
GDP	Gross Domestic Product	PPP	Public-Private Partnership
GFDRR	Global Facility for Disaster Reduction and Recovery	REDP	Renewable Energy Development Project
GHG	Greenhouse Gas	SBV	State Bank of Vietnam
GGG	Green Growth Strategy	SDR	Special Drawing Right
GoV	Government of Vietnam		
GP	Global Practices		

SECO	Swiss State Secretariat for Economic Affairs	VAT	Value Added Tax
SEDP	Socio-Economic Development Plan	VBMA	Vietnam Bond Market Association
SEDS	Socio-Economic Development Strategy	VDR	Vietnam Development Report
SIL	Sector Investment Loan	VN	Vietnam
SME	Small-Medium Enterprise	VND	Vietnamese Dong
SOE	State-Owned Enterprise	VWRAP	Vietnam Water Resources Assistance Project
TA	Technical Assistance	WB	World Bank
TFLA	Trade Facilitation and Logistics Audit	WBG	World Bank Group
VAMC	Vietnam Asset Management Corporation	WPA	Work Program Agreement

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**THE SOCIALIST REPUBLIC OF VIETNAM**  
**PERFORMANCE AND LEARNING REVIEW OF**  
**THE COUNTRY PARTNERSHIP STRATEGY**

**1. INTRODUCTION**

1. This document is a performance and learning review (PLR) of the World Bank Group (WBG) Country Partnership Strategy (CPS, FY12-16) discussed by the Board in December 2011. The CPS is aligned with the Government's development vision as laid out in the Socio-Economic Development Strategy (SEDS 2011-2020), which is built around a long-term growth strategy that gives attention to structural reforms, environmental sustainability, social equity and macroeconomic stability to minimize short-term vulnerability. The CPS is also aligned with the Government's five-year Socio-Economic Development Plan (SEDP, 2011-2015) which elaborates objectives for the first five years of the SEDS. These strategies are consistent with the World Bank Group twin goals of eliminating extreme poverty and supporting shared prosperity.

2. The CPS covers the SEDP period. The WBG is supporting the preparation of the successor plan (SEDP 2016-2020) and is also working with Government on the Vietnam 2035 report which will analyze how Vietnam can speed up achievement of its goal of becoming a modern, industrialized economy. Vietnam 2035 will inform a Systematic Country Diagnostic, which will be prepared in early FY16 to feed into preparation of a new Country Partnership Framework, for Board discussion by December 2016.

**2. MAIN CHANGES IN COUNTRY CONTEXT**

**CHANGES IN POVERTY AND SHARED PROSPERITY**

3. Vietnam's record of poverty reduction over the past two decades has been remarkable. Using the old national poverty line, the poverty headcount was 58 percent in 1993 and would be well below 10 percent today. However, as captured in the 2012 Vietnam Poverty Assessment,<sup>1</sup> in 2010 the poverty line and methodology were updated to reflect Vietnam's status as an emerging middle income country. Using the updated approach, Vietnam's poverty rate was 20.7 percent in 2010, falling to 17.2 percent in 2012, despite the recent global slowdown. The drop was most pronounced in rural areas – where it fell from 26 percent to 22.2 percent. It also fell in urban areas, from 6 percent to 5.4 percent. Poverty using the World Bank's \$1.25-a-day international poverty line fell from almost 17 percent in 2008 to below 3 percent in 2012. Vietnam's poverty reduction gains are somewhat fragile as most of the non-poor live very close to the poverty line. There are also growing sources of vulnerability from economic openness, climate change and from health risks. Remaining poverty is largely rural and is increasingly concentrated in upland regions, principally the Northern Mountains and the Central Highlands. Wealth and production are concentrated in the Red River Delta (near Hanoi) and Southeast (near Ho Chi Minh City) and in urban areas along the coast.

4. Poverty is concentrated among ethnic minority Vietnamese. Ethnic minorities account for only 15 percent of the population but they account for half the poor and three out of four of the extreme poor. Living conditions for Vietnam's 53 ethnic minority groups have improved over time but at a slower rate than for the Kinh majority ethnic group. The poverty rate for ethnic minorities overall declined sharply from 66.3 percent in 2010 to 59.2 percent in 2012. The high poverty levels of ethnic minorities reflects a mix of causes: geographical isolation, low levels of education, limited access to quality land, low rates of out-migration and social exclusion, including cultural and language barriers. The aggregate portrait masks diversity across groups and issues. Economic growth, improved public services, and targeted government

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<sup>1</sup> The 2012 Vietnam Poverty Assessment: "Well Begun, Not yet Done: Vietnam's Remarkable Progress on Poverty reduction and the Emerging Challenges" is available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/08/20/000445729\\_20130820124256/Rendered/PDF/749100REVISED00a1000Eng000160802013.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/08/20/000445729_20130820124256/Rendered/PDF/749100REVISED00a1000Eng000160802013.pdf).

programs have moved some ethnic minorities out of poverty. Health and education indicators have improved substantially for ethnic minorities since the early 1990s, as they have for the population as a whole. However, the gap between ethnic minorities and the rest of the population in terms of access to quality services remains large.

5. Vietnam has achieved sustained shared prosperity. Between 1993 and 2012, the mean income of the bottom 40 percent grew at an annual rate of 9 percent, exceeding the overall growth rate. In contrast to other fast growing countries in Asia, Vietnam has achieved rapid growth with only modest increases in income inequality over time: Vietnam's Gini coefficient increased from about 32 in 1992 to 39.3 in 2010, dropping to 35.6 in 2012).<sup>2</sup> Nonetheless, substantial inequality of opportunity remains. Children from poor households are far less likely to attend secondary school and 41 percent of children under 5 in the poorest quintile are stunted, compared to just 6 percent in the wealthiest quintile and, as indicated above, hard to reach pockets of poverty, notably among ethnic minorities, remain.

6. While Vietnam has achieved most and in some cases surpassed many of the numerical MDG targets, the quality of public service delivery, the equity in terms of achievement of the MDG goals and the sustainability in the achievement remain a concern (see Annex 1). The MDGs related to the basic public services of water and sanitation, especially in rural areas, have fallen short of targets. In addition, national numbers hide some important regional and demographic variations. While on track for achieving the MDG goal nationally, child mortality and maternal mortality rates in mountainous rural areas are 3 to 4 times higher than in plain rural and urban areas, and 2 times higher than national average ones, and the child malnutrition rate is still high in the North West and the Central Highlands.

#### **CHANGES IN MACROECONOMIC AND DEBT DEVELOPMENTS**

7. Vietnam's economic growth performance rebounded in 2014 as year-end growth exceeded expectations. GDP grew at an estimated 6 percent in 2014 - its fastest rate since 2011. At the heart of this improved performance were stronger macroeconomic fundamentals, solid foreign direct investments in manufacturing sector and exports from the sector, and key reforms to the business climate.<sup>3</sup> Strong growth in exports in 2014 also reflected a welcome pick up by domestic firms. Export performance of the domestic sector increasing by 11.4 percent in 2014 after sluggish growth in the past two years. Despite the improved growth, Vietnam still performs below its potential, due to slow-moving structural reforms and global uncertainty. Longer-term (or trend) growth remains subdued due to a web of structural problems in state-owned enterprises and the banking sector, policy distortions that continue to thwart domestic private investment, as well as a widening skills gap, and gaps in infrastructure and trade logistic services.

8. Vietnam has undergone a sustained period of macroeconomic stabilization since the beginning of the CPS period, starting at the end of 2011. Headline CPI inflation has stabilized, averaging 4.1 percent in 2014 - the lowest level since 2003 reflecting a more prudent policy stance as well as a conducive external environment (low food and commodity prices and interest rates, in particular) and slow credit transmission by the domestic banking sector. Solid exports, a sustained inflow of FDI and private remittances and soft imports have helped Vietnam to strengthen its external balances. Strong current account balances enabled foreign exchange reserves to build up to an import covers of about 3 months in 2014, up from 2.4 months in December 2013. Macroeconomic stability has helped Vietnam improve its sovereign risk ratings despite regional geopolitical tensions. In August 2014, Moody's Investors Service raised the sovereign bond rating

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<sup>2</sup> For more detailed discussion of inequality in Vietnam, see: "Taking Stock: An Update on Vietnam's Recent Economic Development", July 2014, World Bank. The report includes a special focus on inequality in Vietnam. Available at: <http://documents.worldbank.org/curated/en/2014/07/19791861/taking-stock-update-vietnams-recent-economic-development>.

<sup>3</sup> Several important measures were taken in 2014 to improve the business environment, partly in anticipation of the tremendous opportunity offered by increased global integration, as well as the challenge of increased competition. The Government issued Resolution 19 which prioritizes shortening the time for processing and completion of administrative procedures, reducing administrative costs, and strengthening transparency and accountability of state administrative agencies. At the same time, changes to the Enterprise Law, Bankruptcy Law, and Investment Law have created a more enabling business environment in Vietnam for the coming years.

of Vietnam by one notch from B2 to B1, with a stable outlook. In early November 2014, Fitch raised Vietnam's credit rating to three levels below investment grade, due to the country's improved macroeconomic stability. Vietnam's long-term foreign and local currency debt ratings were raised to BB- from B+, and the outlook was revised from stable from positive.

9. While Vietnam remains at a low risk of debt distress (as per the June 2014 joint Bank-Fund Debt Sustainability Analysis), growing public debt levels are becoming a concern. The Ministry of Finance reported that, by the end of 2014, Vietnam's total outstanding public debt (government, publicly-guaranteed and local government) was estimated at nearly 61 percent of GDP. While external debt has remained steady at around 28 percent of GDP (average for 2010-2014), domestic debt has risen quickly from 23 percent in 2010 to 32 percent of GDP in 2014 which has been driven largely by rapid expansion in short term domestic borrowing. The reason for the recent fast increase in public debt was a sharp increase in government recurrent spending including for social programs and the impact of the global financial crisis and economic recession which together with internal weakness led to slowdown in economic growth and revenue collection. The percentage of recurrent expenditure in total budget expenditure which lead to expenditure for investment has decreased sharply from 25% of total budget expenditure during the period of 2006 – 2010 to 18% during 2011 – 2015. The budget deficit (GoV definition) rose from 0.4% of GDP in 2011 to 5.4% of GDP in 2014 and from 1.1% of GDP in 2011 to an estimated 5.9% of GDP (GFS definition) in 2014. This underscores the need for a credible medium-term fiscal consolidation plan that would reverse the declining trend in revenue collection, stabilize recurrent spending at more affordable levels, and improve the efficiency of spending. Special attention will also be needed on containing the contingent liabilities from SOEs and the banking sector (see below).

10. Using the space provided by declining inflation, the State Bank of Vietnam (SBV) has eased key policy interest rate by as much as 850 basis points since early 2012 in an attempt to boost lending demand and private sector growth. In parallel, the SBV has also lowered the cap on short term deposit rates and the ceiling on lending rates for five priority sectors. Still, credit activity remains subdued due to weak domestic demand and impaired banks' balance sheets. .

11. Vietnam has seen significant progress on private sector development in recent years. However, Vietnam is still struggling to develop a competitive and dynamic private sector that will form its basis for achieving high-income status. The domestic formal private sector is small, static, and plagued by a number of issues, with SOEs still dominating access to resources, markets and capital and with service sector still smaller than Vietnam's current stage of development and per capita income would suggest.

12. Medium term projections reflect further gradual improvement in GDP growth and further consolidation of macroeconomic stability. GDP growth is forecast at 6 percent in 2015, rising gradually to 6.5 percent in 2017 on the back of continued strong performance of the manufacturing sector, trade, foreign investment, and benign macroeconomic conditions. Inflation is projected to be subdued in 2015 as a result of ample supply of food and foodstuff and soft domestic demand. Current account would remain in surplus in the near term on account of strong exports, FDI inflows and robust private remittance. However, stronger domestic economic activity would stimulate import growth and may partly offset the trend of strong current account surplus of the past three years. The fiscal deficit is projected to stay high at about 5 percent of GDP in 2015-2017, underscoring the mentioned need for fiscal consolidation over the medium term together with a credible plan to strengthen the finances of the SOEs and state-owned banking sector to preserve public debt sustainability.

13. Declining oil prices are not expected to have significant net impact on Vietnam. Vietnam produces crude oil, refines some of it at its single refinery, and exports the rest while importing refined petroleum products. Crude oil once constituted a large share of exports— around one fifth from 2003-2007. As exports in other sectors grew dramatically and crude oil exports declined, the share of oil in total exports shrank to just 5 percent (or US\$ 7.2 billion) in 2014. Oil imports that year were \$7.7 billion. Because Vietnam's net oil exports are negligible, the change in the price of oil is not expected to have an appreciable direct effect

on trade balances. The share of oil (in the form of corporate income tax and natural resource tax) in total revenues has also declined, from nearly 30 percent in 2005 to 12.6 percent in 2014 (roughly 2.7 percent of GDP). However, the drop in the price of oil could still reduce government revenues by roughly 1.1 percent of GDP in 2015. However, since lower government expenditures on imported refined petroleum will offset some of that, the overall fiscal effect is ambiguous but probably slightly negative overall. There are also effects via more indirect channels. Crucially, lower oil prices constitute a positive supply shock (lower price of inputs and transport), which will have a positive impact on output levels both domestically and globally. In addition the dampening of price levels will allow central banks, including the State Bank of Vietnam, to maintain lower interest rates for a longer period of time, boosting short-term demand.

### **KEY POLITICAL DEVELOPMENTS**

14. Vietnam has continued to maintain strong political stability—a key attraction for investors. The space for dialogue and public debate has continued to expand. In particular, there is now much more open discussion of corruption and of Government effectiveness. The Government has increased efforts to promote transparency and citizen engagement to improve government accountability, as illustrated by revisions of the Anti-Corruption Law, the Land Law and the Constitution. While the changes did not address all of the critical issues, the consultation process for the revisions provided good opportunities and space for public debate. The landmark revision to the Constitution introduced a clearer definition of State responsibilities in exercising human rights, which provided a stronger framework for the preparation of three important draft laws on Access to Information, Associations and Referendum. The role of the National Assembly as a check on the Executive has continued to strengthen, evidenced in more credible examination of Government spending plans and policy initiatives. In 2012, the National Assembly voted to introduce a yearly confidence vote on the leaders at the central level. A first vote was held in mid-2013 and then again in 2014. This new no-confidence mechanism has attracted public support and could improve the accountability of top government officials. In addition, a Constitution Council will likely be established in the country for the first time to provide a level of oversight of the legislative process.

15. Vietnam has raised its global and regional image over the past few years. In early 2013, a Deputy Foreign Minister of Vietnam assumed the post of ASEAN Secretary General. In early 2014, Vietnam hosted the first ASEAN Health Minister's Conference. Vietnam continues to engage actively in the work of the Mekong River Commission and in preparations towards the establishment of the ASEAN Economic Community in 2015. The disputes on the East Sea in 2014 had some short term impacts on trade, foreign investment, and tourism between Vietnam and China, but this was largely short-lived. Whilst joining other ASEAN member countries in implementing the Declaration on the Conduct of Parties in the East Sea (DOC), Vietnam and China are continuing to increase their diplomatic efforts to address the issues. Vietnam has strengthened its voice in global discussions, notably on Climate Change with active participation and outreach during international events in the context of the Conference of the Parties of the UN Convention to Combat Climate Change. Vietnam formally supported the Carbon Pricing Statement at the UN Climate Summit in September 2014 in New York, with the Prime Minister recording a video statement in the context of an emerging Carbon Pricing Leadership Coalition. The Prime Minister also signed a joint Op-ed with the President of the Philippines and the President of the World Bank on addressing climate change in East Asia.

16. Preparations for the next Party Congress in 2016 have started. Key outcomes will be the adoption of the socio-economic plan for 2016 – 2020 and the selection of a new leadership for the Party. The next election of the National Assembly will take pace in early 2016, followed by the selection of the new Government.

### **3. SUMMARY OF PROGRAM IMPLEMENTATION**

17. This CPS is the World Bank Group's first CPS for Vietnam since it became a lower middle-income country in 2009. The CPS supports implementation of Vietnam's SEDP (2011-2015), supporting selected

elements of Vietnam's transition from a lower middle income country to a successful middle income country: from an agrarian economy toward one that is more urban and industrialized; from a focus on quantity to a focus on quality of production and services; and from a comparative advantage of low-cost labor, with low value added, to one with growing innovation and higher value-added production and services. The CPS pillars are: (i) strengthening Vietnam's competitiveness in the regional and global economy, (ii) increasing the sustainability of its development, and (iii) broadening access to opportunity. Key cross-cutting themes are (i) strengthening governance, (ii) supporting gender equity, and (ii) improving resilience in the face of external economic shocks, natural hazards and the impact of climate change.

### PRINCIPLES OF ENGAGEMENT

18. The CPS laid out principles of engagement to improve the WBG's development impact:

- i. **Strategic Focus and Selectivity.** The Bank continues to gradually increase lending program consolidation. The number of projects in the portfolio has remained roughly stable over the CPS period, growing from 47 to 52 between FY12 and FY14, tapering back to 46 by December 2014. At the same time, net commitments have increased from \$7.8 billion to \$8.5 billion, resulting in an increase in average project size from \$165 million to \$185 million over the CPS period to date. This consolidation has involved the use of more "wholesale" approaches – the Bank has moved away from a series of discrete, retail investment operations, with "islands of excellence" supported by ODA, towards operations that support the strengthening and use of country programs. The Analytical and Advisory Activities (AAA) portfolio is now predominantly programmatic AAA, directly linking a multi-year, integrated AAA program with the overall dialogue and lending programs. The Bank is using clear criteria to assess project proposals for inclusion in the program, criteria which are now more explicitly linked to the WBG's twin goals (see also paragraph 32). In addition, as outlined in the CPS, the Bank is moving out of financing of large IT investments and has ended direct support for rural electrification. IFC's program was also expected to increase during the CPS period as Vietnam transitioned to a more market-based economy with the private sector increasingly a driver of growth. IFC increased significantly its commitments during the period from around \$300 million average in FY08-10 to over \$850 million average per year in FY12-14, including short-term commitments under IFC's Global Trade Finance Program.
- ii. **Improve Operational Efficiency and Effectiveness.** The Bank team put in place a 3-year Programmatic Country Portfolio Performance Review (FY13-15, PCPPR) to improve the operational efficiency of the WB portfolio to achieve results faster. With a set of quantifiable indicators to measure the achievements, the team maintains a continuous assessment of the health of the portfolio with a view to achieving the intended results and acting upon identified problems; addresses, in consultation with the government, obstacles to smooth preparation and faster implementation; and strengthens the capacity of decentralized Project Management Units (PMUs), which are critical for managing the smooth implementation of investment operations. The Bank program has generated strong development outcomes: 63 completed projects have been reviewed by the Independent Evaluation Group (IEG) to date, with almost 91 percent rated Moderately Satisfactory or better. However, it has recently seen a decline in development outcomes. An intensive review of recently evaluated Implementation Completion Reports was undertaken to learn from the IEG reviews. It shows that: (a) acknowledging issues early on of project implementation, (b) taking remedial actions, either through intensive supervision and/or restructuring, and (c) strengthening monitoring and evaluation frameworks are critically important to improve quality and outcomes. These three issues are being addressed through the final year CPPR activities as well as through intensified implementation support activities. To achieve results faster, the team has also established a Strategic Disbursement Action Plan to accelerate project preparation and implementation and has been managing it as part of the overall PCPPR agenda. The team has implemented measures to speed up procurement and contract related actions, and is using a SWAT (strategic weapons and tactics) approach for slow disbursers to improve performance. A systematic training program for project management has been rolled out to all project implementing

agencies. As a result, disbursement has picked up, from 16 percent in FY12 to 19.9 percent in FY13, and 18.6 percent in FY14 (IDA and IBRD projects). The disbursement ratio of IDA projects rose to 21.1 percent in FY13, and 20.8 percent in FY14, exceeding the level of other large IDA recipients. The team continues to work with Government on implementation speed as the regulatory framework for ODA management, including the revised ODA Decree, accompanying circulars and directives for disbursement, is still restrictive and limits the smooth implementation of investment operations funded by ODA resources. The overall success rate of IFC's investment operations during the period averaged 59%, which was below the IFC average of 66% during the same period, while the Development Effectiveness rating of our Advisory Services operations stood at 82%.

#### **PROGRAM PERFORMANCE**

19. **IDA/IBRD.** The volume of IDA lending has been as anticipated in the CPS. Vietnam received (and utilized) a total IDA16 allocation (FY12-14) of 2.7 billion SDRs, and received an indicative IDA17 (FY15-17) allocation of 2.48 billion SDRs, including a FY15 allocation of 857.3 million SDRs. FY12 IDA lending was \$1.05 billion, FY13 lending was \$1.98 billion, and FY14 lending was \$1.34 billion. The volume of IBRD lending to date is \$1.05 billion, as compared to the \$770M envisioned in the CPS. The program included three development policy operations per year, for a total of \$1.3 billion, roughly 30 percent of the entire IDA and IBRD program. Investment Project Financing (IPF) operations are dominant. The portfolio also includes two Program-for-Results (PforR) operations, the only active PforR operations in the EAP region, and three Development Policy Operations (DPOs) which complement investment operations in priority areas such as macroeconomic, energy, and climate change. The portfolio is diverse with operations in: Agriculture, Social, Urban & Rural; Transport & ICT; Water; Energy; Education; Health and Environment. (A summary of the FY12-15 lending program is included as Annex 2; the AAA program is included as Annex 3).

20. **The International Finance Corporation's (IFC's)** commitments in Vietnam in FY12-14 reached \$2.6 billion (including syndications/resource mobilization of \$19 million during the same period). A large share of these investments was on account of short-term trade finance under IFC's Global Trade Finance Program. The current investment pipeline (as of February 2015) includes over \$200 million in long-term finance investments in manufacturing, agribusiness, and finance and insurance sectors. (IFC commitments and advisory services are included as Annexes 4 and 5.) There was a considerable expansion in overall investment and advisory activities in Vietnam over the period.

21. IFC's outstanding investment portfolio in Vietnam as of June 30, 2014 stood at \$721 million in 23 clients. A total of 31 Investment Services projects were self-rated during the current CPS period: 55 percent (17 projects) received a positive rating in terms of overall Development Outcome (8 from Financial Institutions Group (FIG) and 9 from Manufacturing and Services (MAS)), 1 was rated "Too Early to Tell" (from Infrastructure), and 13 were rated negatively (3 F&MFIG, 6 Infrastructure, and 4 MAS projects). While IFC was able to complete landmark transactions such as VietinBank and support the private sector with equity and long-term capital (Masan, TMG, Nam Long Group), IFC did not get the traction it had been expecting at the beginning of the period in banking sector reform, SOE reform and infrastructure sector. In the financial sector, while IFC provided advisory work to strengthen the NPL regulatory framework and the governance framework (jointly with the Bank team in several cases), it has taken much longer than anticipated for the banking sector restructuring to begin in earnest and the government decided to consider increased space to allow foreign capital to enter and recapitalize the banking sector only on a case by case basis. Over the review period, IFC has seen companies such as Masan, TMG, Vinamilk and Nam Long develop as leaders in their sectors operating to international standards, and able to attract international capital. This is important because all these companies operate in sectors where SOEs and state-connected companies have dominated in the past; now these companies have become leaders and/or standard setters. IFC Advisory Services projects had good traction with government and regulatory agencies on enhancing financial infrastructure, improved credit reporting legal framework for private credit bureau and built an online registry system for movable assets collateral registries to facilitate access to finance to MSMEs; on

corporate governance standards (in collaboration with the Bank), reducing administrative burdens and improving the legal framework for businesses. Of the 11 closed Advisory Services projects in VN rated during the current CPS period, 82 percent (9 projects) had positive overall Development Effectiveness rating. One of the unsuccessful projects (VN Business Taxation I), has already seen an overwhelmingly positive progress and results in the second phase of the work with \$198 million in compliance cost savings brought about by reducing tax filing requirements for SMEs.

22. **The Multilateral Investment Guarantee Agency (MIGA)** has significantly expanded its engagement, raising its outstanding gross exposure into Vietnam to US\$677.5 million, as of May 2014. In FY14, MIGA issued a US\$500 million guarantee covering a loan from a syndicate of commercial banks to support the construction of the BT20 National Highway 20 Project. The project consists of the rehabilitation and upgrading of the National Highway 20 that extends from the Dong Nai to Lam Dong provinces of Vietnam, providing a crucial transport network for one of the poorest regions of the country. In FY13, MIGA issued a US\$167.7 million guarantee covering a loan to support the expansion and improvement of MASAN Group's consumer products business in Vietnam. The project will support job creation and rural livelihoods and generate significant tax revenues. (MIGA commitments are included as Annex 6).

### EVOLUTION OF PARTNERSHIPS AND LEVERAGING

23. The Bank continues to use the programmatic series of development policy operations (Economic Management and Competitiveness Credits – EMCC) to provide a platform to harmonize policy dialogue between development partners and the government on key economic policy issues, including: financial sector governance, fiscal management, public administration, state enterprise management, public investment, and business environment policies. Several development partners - the Asian Development Bank, Japan, Sweden, Australia, Canada, and the UK - have been engaged in the design and preparation of the EMCC since the outset, and have provided parallel financing.<sup>4</sup>

24. The Australian Government, through the Department of Foreign Affairs and Trade, remains an important partner for the Bank in Vietnam. This partnership is anchored around an AU\$58 million, FY12-16 Australia-Bank Partnership Trust Fund. This programmatic trust fund is designed to harmonize efforts in: PPP in the transport sector, energy efficiency, climate change, rural water supply and sanitation, including co-financing of a PforR project, analytical work for urban infrastructure financing and development, and analytical work on public finance and economic management reforms. Australia also works closely with the Bank on attracting private sector investment through public private partnerships in the transport sector, and competitiveness reforms through EMCC.

25. The World Bank Group is also collaborating with development partners in other areas:

- The social assistance system strengthening project is a product of a partnership involving UNICEF, the UK Department for International Development and the World Bank. In the social insurance area, there is coordination on policy reform between the International Labour Organization and the Bank, as well as parallel funding for social insurance administration reform from Spanish Aid, the European Union and the Bank.
- The Bank is collaborating with UNICEF in developing a rural sanitation, hygiene and water supply program focused on the lagging and ethnic minority dominated regions of the Northern Mountains and the Central Highlands.

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<sup>4</sup> The Japanese International Cooperation Agency (JICA) has already provided Yen 15 billion of parallel financing for EMCC-1, and Yen 15 billion for EMCC-2. The Asian Development Bank has provided analytical inputs for selected EMCC triggers, and has prepared a parallel financing loan of \$230 million for EMCC-2, which will be considered by its Board of Directors soon. The Swiss Secretariat for Economic Affairs (SECO) is providing CH 24 million co-financing for the entire EMCC series. Foreign Affairs, Trade and Development Canada (DFAT-C) is providing CAD 12 million co-financing for EMCC-2 and 3. The UK's Department for International Development (DFID), the Australian Department of Foreign Affairs and Trade (DFAT), SECO, and DFAT-C are funding TA and analysis to inform dialogue on EMCC prior actions.

- In Public Financial Management, the Swiss State Secretariat for Economic Affairs (SECO) played the leading role on the development partner side for the Multi-Donor Trust Fund (MDTF) with the Ministry of Finance during FY09-14. SECO remains actively engaged and interested in further collaboration through another trust fund, which is expected to provide substantial resources for a number of analytical and advisory assistance activities during FY16-20, including support to the ongoing joint Public Expenditure Review. These aim to support the executive and legislative bodies at central and local levels to improve expenditure effectiveness and fiscal transparency, accountability, and sustainability, through strengthened capacity in analysis, law and policy making, and strategic planning and monitoring.
- SECO is also the largest donor partner of IFC's Advisory Service program, funding several advisory service initiatives including SME tax simplification, debt resolution, green building promotion and financial infrastructure development.
- The Bank has partnered with the Japan International Cooperation Agency, the Agence Française de développement, EXIM-Bank and Australia's DFAT in the past 3 years in the context of a joint development policy lending engagement under the Government Support Program to Respond to Climate Change. The Bank has also worked on programmatic technical assistance (TA) for climate change and green growth with the UK Department for International Development in the context of the UK-funded Vietnam Climate Change Partnership, as well as with DFAT and with the United Nations Development Program on the co-financing of the WB-led Climate Public Expenditure Review for which a joint launch with the government is planned for May 2015.
- The Canadian Government is providing 12 million CAD to co-finance the Economic Management and Competitiveness Credit MDTF and funding a multi-year agri-financing initiative with IFC.

26. Vietnam's entry into middle income country status in 2009 has led to the gradual phase-out of bilateral donor support and access to concessional resources. As a result, the role of ODA in development financing will continue to decline.<sup>5</sup> At the same time, the Government will continue to face challenges in raising revenue, while the demand for public services and infrastructure will continue to grow. More strategic targeting of public investments, improvements in investment efficiency, more effective mobilization of national and foreign resources, and greater use of private financing for development will be critical for Vietnam's future development. Public resources will need to be used to catalyze additional financing from official and private sectors. Limited ODA resources need to be used more strategically and effectively. This will require the Government to be more pro-active in prioritizing development assistance; ensure that those involved in negotiation of development partnerships and funding agreements have sufficient capacity to assess the full costs and benefits of all funding arrangements, especially for loan financed development assistance programs; proactively work with newly emerging, non-OECD donor economies to build new development partnerships; and monitor and benchmark ODA delivery performance. At the same time, foreign investment will become more important, including remittances, diaspora and commercial financing. The use of expanded sources of financing will also require the development of more mature investment and debt management strategies, and more integrated budget processes.

27. The Bank will continue to work with the Government to develop these resource mobilization and debt management capacities, and to more effectively to leverage ODA and own-budget resources, all as part of the Government's own goal of reaching investment grade debt ratings by the year 2020. As part of this process, the Bank is supporting Government efforts to effectively manage the smooth transition from

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<sup>5</sup> Vietnam's gross ODA disbursements have increased in nominal terms, from \$1.5 billion in 2001 to an estimated 5.5 billion in 2014. They have declined as a share of GDP from 4.6% to 3% over the same period, with a spike back up to 4% in 2009 due to the financial crisis. Similarly, ODA as share of total revenues has declined from over 21% to under 14% over the same period, spiking to almost 16% in 2009. Foreign Direct Investment (FDI) disbursements have increased from \$2.4 billion in 2001 to \$11.5 billion in 2008, remaining around that level through 2014. FDI disbursements exceeded gross ODA disbursements by 60% in 2001, by 400% in 2008, levelling off to exceed ODA by about 120% by 2013.

IDA to IBRD financing, exploring the appropriate use of each source of financing during the transitional period and managing the use of on-lending to other levels of Government. Vietnam has also expressed interest in continued access to IDA resources beyond IDA17. As noted elsewhere in the document, Vietnam continues to record strong development outcomes, faces an unfinished poverty agenda, and is working to revamp and step up its poverty programs for even greater impact. In addition, the fiscal situation, albeit still sustainable, has come under increasing pressure in recent years. A sudden shift in financing terms for new borrowing combined with accelerated payment of outstanding IDA debt – as would happen after Vietnam graduates from IDA – would put significant strain on the public debt. In this situation, a transition arrangement that continues to provide some IDA support to Vietnam would help preserve the necessary fiscal space for critical development expenditures.

### PROGRESS TOWARD ACHIEVING CPS OBJECTIVES

28. The CPS remains highly relevant to the country’s development challenges as laid out in the SEDS (2011-2020) and the SEDP (2011-2015), and to the objectives of promoting poverty reduction and shared prosperity. Significant progress has been made on the CPS program objectives and outcomes, as included as Attachment 1. While progress has been broadly good there has been less than expected progress under Pillar 1 (Competitiveness) which necessitated some adjustments, including due to the need to strengthen alignment of the indicators with the CPS objectives.

#### Selected CPS Results to Date

<b>Pillar 1 – Competitiveness</b>	
<p><b>Strengthened macro-economic stability</b></p> <ul style="list-style-type: none"> <li>– Easing inflation, strengthened external accounts, stable foreign exchange reserves</li> <li>– Decline in the annual credit growth rate</li> <li>– Modern approaches to management of public debt and SOE liabilities adopted</li> <li>– Government has issued a new decree on State Banks of Vietnam’s organization and mandate, which now includes a new function of assuring financial stability. As a result, a Monetary and Financial Stability Department has been established to implement SBV’s new function</li> </ul>	<p><b>Increase capacity for innovation/value-added</b></p> <ul style="list-style-type: none"> <li>– 300,000 more students benefitting from improved curriculum and facilities</li> <li>– Almost 35,000 more farmers adopting good agricultural practices, and 8,808 hectares of sustainably managed land</li> <li>– 110,000 to 170,00 jobs created (IFC investments)</li> <li>– \$15 million in annual cost compliance savings from elimination and/or streamlining of 30 different business licenses</li> </ul>
<p><b>Better financial management</b></p> <ul style="list-style-type: none"> <li>– All 63 provinces are using an integrated budget management system</li> </ul>	
<p><b>Improved financial sector</b></p> <ul style="list-style-type: none"> <li>– Enhanced framework for credit risk management and NPL classification adopted</li> <li>– FSAP conducted and Financial Sector Assessment published</li> <li>– Insolvency Creditor Rights ROSC published and bankruptcy legal framework strengthened</li> <li>– Vietinbank: SME banking capacity, corporate governance, and risk management improved</li> <li>– Supported establishment of the VN Bond Market Association, and facilitated \$6.5 billion in corporate bond issuances</li> </ul>	<p><b>Infrastructure quality improved</b></p> <ul style="list-style-type: none"> <li>– 25% reduction in length of power disruptions</li> <li>– Reduction of almost 75,000 m<sup>3</sup>/day water losses in water supply systems</li> <li>– 21% reduction in transport times in key corridors</li> </ul>
	<p><b>Tax</b></p> <ul style="list-style-type: none"> <li>– VAT threshold introduced, with less frequent filing: more than 300,000 MSMEs benefitted with \$104m compliance cost saved</li> </ul>
<b>Pillar 2 – Sustainability</b>	

<b>Strengthened Environmental Protection</b> – 1.4 million more people with access to improved sanitation	<b>Enhanced preparedness for natural disaster and climate change</b> – A new Natural Disaster Prevention and Mitigation Law has been adopted – 10 provinces have disaster risk mgmt. plans – Vietnam now has a framework for prioritization of climate change adaptation in key sectors
<b>Improved natural resource management</b> – Reduction of 10 days in time required for land-related transactions – 70% increase in targeted smallholder lands are certified according to international standards	
<b>Pillar 3 – Opportunity</b>	
<b>Access to basic services for the poor in targeted areas:</b> – 48% increase in access to roads – 37% increase in access to irrigation – 45% increase in access to water	<b>Access to basic services in rural areas:</b> – 10% point increase in access to electricity – 4% point increase in access to all-season road – Additional 2.2 million people with access to improved water source
<b>Education</b> Grade 5 students reaching independent learner status: – 30% point increase in Vietnamese – Almost 30% point increase in math	<b>Health</b> – 51% of the Near Poor have Health Insurance in the Central North region – 100 District Hospitals and district preventive centers in poor provinces are supported with capital and human resource investments
<b>Social Protection</b> – Consolidated social protection program designed – Working conditions and labor relations improved for 230,000 workers	<b>Access to Financial Services*</b> – Microfinance loans: 166,000 loans worth \$288 million – SME Loans: 128,000 worth \$8.5 billion

\* IFC Reach, Investment Operations CY13

Annex 7 includes a detailed description of the WBG program going forward.

29. The WBG program has also experienced some delays in key outcome areas over the CPS period:

**Debt Sustainability and Fiscal Policy Management.** While Vietnam remains at a low risk of debt distress (as per the June 2014 joint Bank-Fund Debt Sustainability Analysis), debt as a share of GDP and debt structure is becoming a concern. A strong shift to short term domestic borrowing mainly through Government Bonds with high interest rate (due to a sharp increase in CPI in 2011 – 2012), has sharply increased Government debt repayment pressures in a short period. Moreover, since Vietnam has become a middle income country the share of long-term, highly concessional ODA has gradually decreased. In addition, significant implicit contingent liabilities have built up on account of the balance sheet weaknesses of SOEs and state-owned commercial banks; the exact size of these, however, is not known. To ensure continued fiscal sustainability, Government needs to focus on medium-term fiscal consolidation (on the revenue and expenditure sides), improving the efficiency of public expenditure, addressing the non-performing loans (NPLs) in the banking sector and restructuring the SOEs. These areas will continue to be covered in the Bank’s dialogue with the authorities, under the policy matrix of the Bank’s DPO series.

**State Owned Enterprises (SOEs).** Progress in SOE reform has been uneven with efforts focused on strengthening the institutional and regulatory environment. Restructuring of SOEs, corporate governance reforms and levelling the playing field between SOEs and private enterprises has been slower. The government equitized 74 SOEs in 2013 (three times the number in 2011 and 2012). Strong measures to accelerate the equitization process were introduced in early 2014, including discipline measures for CEOs and Chairmen of SOEs who do not comply with the progress of equitization of their respective enterprises as outlined in GoV’s decisions, and measures to support the divestment of non-core business at lower than book values to boost SOE divestment from their non-core activities. The

pace of equitization continued in 2014, with the equitization of about 55 SOEs. However, the rate falls far short of the government (and CPS) target of 450 SOEs divested by 2015. The Government has also taken measures to improve corporate governance of SOEs, through measures to improve transparency, issuing a decree in June 2013 which seeks to rationalize and consolidate some of the existing legislative framework for SOE information disclosure. The Bank will continue to support Government efforts to support SOE equitization and reform, through dialogue underpinned by the Bank's DPO series and AAA.

**Financial Sector Reform.** The Government successfully tackled short-run liquidity pressures in the banking sector at the beginning of the CPS period but structural reforms to address more fundamental weaknesses (related to poor portfolio asset quality, inadequate capital and weak governance) have moved at a more gradual pace. There are ongoing concerns regarding uncertainty about level of NPLs in the banking sector. At the end of October 2014, credit institutions reported to SBV an aggregate NPL ratio of 3.8% (the ratio more conservatively calculated by the Banking Supervision Agency was 5.3%). Government indicates that the NPL ratio has declined to 3.25% at the end of December 2014 and 3.49% at the end of January 2015. However, the FSAP analysis indicates that the aggregate figure could be significantly higher than that reported by banks if international accounting and NPL classification standards were applied. SBV issued a circular in 2013 strengthening regulation for banks to adopt policies that are closer to international good practice in calculation of NPLs. Enforcement of the circular is now in full effect since April 1, 2015. This should provide a basis for new estimates of NPL more in line with international practice. The Government is pursuing parallel approaches to resolving NPLs, which includes the establishment of the Vietnam Asset Management Company (VAMC). VAMC's objectives include restructuring bad debts and stimulating credit growth. VAMC has taken a growing share of bad assets. In addition, legal framework for NPLs resolution has been strengthened recently with the issuance of Decree 34/2015/ND-CP by the Government allowing VAMC to issue bonds to buy NPLs based on market prices. However, VAMC still needs to strengthen its capacity to value loans and collaterals to deal with NPL resolution more effectively. Progress in resolution is hampered by gaps in the VAMC establishing Decree, existing State Bank of Vietnam (SBV) regulation as well as weaknesses in the corporate restructuring framework. Participation of foreign investors in resolution is limited by a cap of 30 percent on total foreign holdings in a credit institution. The Government issued a Decree in early 2014 which allows higher ownership in special cases subject to Prime Ministerial approval as specified in Article 7.6 of Decree 01/2014./ND-CP.. The Bank will continue to work closely with SBV to support financial sector reform efforts building on the recommendations of the Financial Sector Assessment Program, a summary of which was published in August 2014. The Bank will continue to work closely with SBV to support financial sector reform efforts building on the recommendations of the Financial Sector Assessment Program, a summary of which was published in August 2014.

### **Cross-Cutting Issues**

30. **Gender.** While Vietnam has made remarkable progress on gender outcomes and has put a strong legal framework in place, important gender differences remain and implementation of policies can be challenging. Women's economic opportunities remain more limited, and their returns to economic activities are lower compared to men. They are also less likely than men to participate in decision-making, whether in the political or economic sphere. Gender based violence and the skewed sex ratio at birth (111 male births for every 100 female births) are of concern and highlight underlying social inequalities. Finally, ethnic minority women and girls experience specific challenges in terms of access to basic services and economic opportunities. As laid out in the Vietnam Country Gender Action Plan (CGAP; FY13-15), the Bank will continue to support four key themes for gender, as laid out in the CPS. The Bank will:

1. *Support Government in implementing the Law & Strategy on Gender Equality*, providing specific support to help strengthen the monitoring and evaluation system, working closely with United Nations Women. This includes support to the Gender Equality Department (GED) situated in the Ministry of

Labor, Invalids, and Social Affairs (the body that was directed to oversee implementation of the Law), but also helping to build gender awareness and capacity within relevant government ministries;

2. *Continue to support the development of a National Gender Data System.* Building on the support provided in the previous DPO series, the World Bank, in close dialogue with Development Partners, will support Government efforts to operationalize the Gender Indicator System, focusing on collecting gender related information by integrating these data collection questions into various national surveys such as Population and Housing Census, Vietnam Households Living Standards Survey, Annual Statistical Book, Population Change Survey, and National Assembly Report;
3. *Continue to apply a gender lens to identify opportunities to integrate gender more systematically into Bank operations,* making the systematic collection of data disaggregated by gender a guiding principle. The latest annual review of progress against the CGAP results framework shows that 100 percent of Bank projects approved in FY14 (10 projects) addressed gender in at least one dimension of the gender flag in accordance with the regional and corporate target (Country Gender Action plan), 90 percent of projects addressed gender in two dimensions; and 70 percent of projects were gender informed according to the new corporate standard (the corporate FY17 target is 66 percent). 100 percent of 13 projects and 62.5 percent of 8 projects in FYs 13 and 12 respectively, addressed gender in at least one dimension, against a target of 100 percent; and
4. *Continue to help close the knowledge gap* through research on gender issues.

31. **Governance.** As outlined in the CPS, the Bank is mainstreaming governance across the CPS pillars, relying on three principles: (i) systematically leveraging the Bank's lending and analytical activities to support improved governance in Vietnam; (ii) improving project performance by better understanding and addressing in a meaningful (as opposed to mechanical) way the issues that pose governance risks to the achievement of projects' development outcomes; and (iii) sustaining the effort, including by making periodic adjustments if the approach is not working.

32. At the project level, the Bank has become proactive in project design to identify and address potential procurement and financial management issues upfront; is introducing innovative procurement arrangements and new approaches/technologies (such as geo-tagging and geo-mapping in CDD type of projects); and is carrying out market analysis to facilitate better procurement strategy and planning. In recognition of increased complaints and fraud allegations, the Bank team has devised an Action Plan to Reduce Fraud and Corruption, and is working with the WBG's Integrity Unit and task teams to handle all fraud and corruption allegations. In addition, the team is taking appropriate actions in project design and implementation arrangements to mitigate fraud and corruption risks identified under projects with high governance risk. The team also continues to work to increase the use of country systems for financial management and for procurement, and is working closely with development partners in Vietnam to harmonize policies and procedures in the areas of public procurement reform, procurement legislation, and capacity development.

33. At the country level, the Bank is helping to strengthen the Government's management of its financial resources: strengthening PFM systems and processes, helping to prioritize and sequence system and policy reform, supporting capacity development in both procurement and financial capacity for the State Audit of Vietnam, supporting the finalization and implementation of the new Procurement Law (passed by the National Assembly in November 2013), and supporting the development of public procurement capacity and institutions. In addition, the Bank is supporting transparency and the interface between state and society. The Vietnam Transparency Project emphasizes the importance of data and evidence to empower constituencies calling for improved transparency. A Land Transparency Study has been completed and launched, and work has started on transparency in health and education. The Bank is supporting user feedback surveys in service delivery in pilot provinces (co-financed by the provinces themselves) with the aim that the surveys would cascade to other provinces through peer learning with little

on-going Bank support. Together with other development partners, the Bank will also continue to support Government’s efforts on anticorruption dialogue and citizen rights, including a conflict of interest study.

#### 4. EMERGING LESSONS

##### MAIN LESSONS – PORTFOLIO/PROGRAM IMPLEMENTATION AND PERFORMANCE

34. While project ratings continue to be strong (see paragraph 18), the Bank team has conducted a review of Implementation Completion Reports (ICRs) and IEG assessments to respond to the recent decline in outcome ratings and to draw lessons to improve impact going forward. The review points out factors such as overly complex project design, weak results framework and delay in taking remedial actions lead to an unsatisfactory outcome in some cases. For Project Management Unit (PMU)<sup>6</sup> capacity, a structured PMU training program was rolled out. The early results from a PMU survey show positive feedback. A series of studies and workshops on the structure of Provincial PMUs led some provinces to begin to consolidate multiple PMUs, or to utilize existing PMUs to undertake new projects. The team will continue to draw lessons from internal and external (IEG) reviews, working to improve the quality of project results framework and monitoring for results, and to accelerate project implementation.

##### LESSONS FROM OTHER COUNTRIES

35. Recent analysis by the Bank shows that roughly 25 years into its growth acceleration, Vietnam has kept pace with other successful East Asian economies such as Korea; Taiwan, China; and the Peoples Republic of China. However, the analysis also indicates that Vietnam stands at consequential juncture: if it can pull up its GDP growth to the peak rates of about 8 percent (7 percent per capita), then, follow the successful regional examples, it can realistically aim to become a modern, industrialized nation within a generation. But if it continues on recent-year growth rates of just over 5 percent (4 percent per capita) a year, then, by 2035, it will only take its average income to levels slightly above those of Thailand, Brazil or Egypt today. These countries saw growth accelerations similar to those of the East Asian Tigers in the first 25 years, only to see their growth rates plummet in the following 25 years.

36. A broad range of lessons may be learned from global experiences, particularly those of the successful economies when they were at Vietnam’s stage of development. For instance, Korea’s development experience, which shows that sustained growth is based on a close working relationship between the government and the business sector in promoting exports, and a clear focus on building human resources. Korea’s experience also suggests a need to pursue SOE reforms together with attention to competition policy, regulatory framework and industrial structure. In similar vein, China introduced a number of reform measures in the early 2000s that began to reform the banking sector and allowed the formal private sector to develop. Global experience further suggests that far greater attention in Vietnam to managing the opportunities and challenges of urbanization, developing a sophisticated services sector and reversing the patterns of environmental degradation and, in many cases, overexploitation of natural resources. These topics and the relevant global lessons will get covered in the *Vietnam 2035* report (see paragraph 2). The policy lessons will be factored into the CPS program going forward.

37. Vietnamese officials have taken advantage of South-South exchanges to learn from other countries:

Travelling to...	To Learn About ...
Colombia, Brazil China, Indonesia	<i>Mature Bus Rapid Transit</i> (BRT) systems and newer BRTs implemented in similar, densely populated cities.

<sup>6</sup> “Project Management Unit” is a legal term and specifically defined by domestic regulation (Decree No. 38/2013/ND-CP issued April 23, 2013 on management and utilization of official development assistance and concessional loans from donors), and that so far all the PMUs in Vietnam are established within the government’s system. There is no PMU which exists outside the administrative structure.

Travelling to...	To Learn About ...
China	<i>Pumped storage development</i> (energy) including: strategy, institutional set up, contractual arrangement, successes and challenges.
Ethiopia, Senegal	Technology for the design, construction and maintenance of <i>rural roads</i> .
Brazil, Bolivia	Different types of crops, alternative <i>Community Driven Development (CDD) approaches</i> to support small-scale producers, and ways to link private sector participants with producer groups.
China	How China developed its capacity to implement <i>clean development mechanisms</i> , exploring methane recovery in wastewater treatment, landfill management/eco-farming, hydropower, and solar power.
Columbia	The policy environment and operations of a successful <i>financing framework for municipalities</i> .
Brazil, China, India, the Philippines	<i>Social assistance reform</i> , including the reform and consolidation of the Bolsa Familia and Cadastro Unico programs, fostering recognition that Vietnam’s safety nets need strengthening if they are to meet their poverty reduction goals.
Colombia	The <i>Escuela Nueva</i> (the New School Model), which encourages community centered, active and participatory learning.
India	<i>Inclusive innovation</i> , to increase awareness and knowledge of tools for identifying national development challenges, platforms for “crowd-sourcing” solutions, strategies for communicating with stakeholders, and good practices.
China	The development of the <i>Green Credit Policy and Environmental and Social Risk Management regulation in lending activities</i> (State Bank of Vietnam).

Additional details in Annex 8.

## 5. ADJUSTMENTS TO COUNTRY PARTNERSHIP FRAMEWORK

38. **Alignment with the Twin Goals.** As noted above, Vietnam’s record of poverty reduction and shared prosperity over the past two decades has been remarkable: less than 3 percent of the population now lives below the \$1.25-a-day international poverty line; and the mean income of the bottom 40 percent has grown at an annual rate of 9 percent, exceeding the overall growth rate. Despite these achievements, hard to reach pockets of poverty and inequality of opportunity remain, both geographically and for ethnic minorities. Therefore, the introduction of the WBG twin goals suggests enhanced WBG attention to 4 priority themes, to guide the CPS program. These themes will be used to help drive program selectivity across all WBG activities, and to provide more explicit attention to the twin goals. They are not expected to produce outcomes for the results framework until the next country strategy period:

- i. *Maintain strong and inclusive growth*: implementing the next generation of growth- and productivity-enhancing reforms and economic transformations, including those that support growth of a dynamic and competitive private sector; and protecting against the reversal of poverty gains;
- ii. *Giving more focused attention to non-income dimensions of poverty*, with emphasis on universal access to health, education, nutrition, and sanitation. The Bank will also facilitate the availability, accuracy and timeliness of socio-economic data; help improve quality of analysis and diagnosis to inform policies; support improved poverty reduction policies; and keep a watching brief on the outcomes for the bottom forty percent to support inclusive growth and shared prosperity going forward;
- iii. *Targeting communities that are getting left behind* with targeted social protection and conditional cash transfer programs and a focus on the equality of opportunity at birth. Given that the remaining challenge of extreme poverty in Vietnam is largely one of ethnic minority poverty, the Bank will

examine the varied experience of different ethnic groups and what works for getting ethnic minorities out of poverty; and

- iv. *Addressing Vulnerability:* Vietnam's poverty reduction gains are somewhat fragile as most of the non-poor live very close to the poverty line. There are also growing sources of vulnerability from economic openness, climate change and from health risks. The Bank will strengthen work to build resilience and help individuals and communities deal with shocks that could pull them back into poverty.

39. **One Bank Group in Vietnam.** IFC-IBRD-MIGA collaboration in Vietnam is being pursued in a focused manner through enhanced organizational mechanisms, with an emphasis on key sectors: agriculture/agribusiness, energy, financial markets/SOEs and corporate governance (additional details included as Annex 9). A Joint Implementation Plan (JIP) has been prepared for the agriculture/agribusiness sector:

*Organizational Mechanisms.* The country team is deepening joint work going forward, through: joint annual programming discussions; a joint learning events to forge stronger partnerships at the technical level among the WB, IFC and MIGA staff in Hanoi; and the WB Country Director and IFC Country Manager on a regular basis to discuss progress of current joint work, and to explore opportunities to deepen and expand collaboration going forward.

*Agriculture/Agribusiness.* A joint WB-IFC initiative supports farmers to adopt sustainable agriculture practices through working with lead firms, NGOs, other development partners, and stakeholders, to identify, assess, and address regulatory and policy constraints to supply chain performance of key agricultural products, including coffee and rice. WB and IFC are sharing knowledge and expertise, to support increasing private sector lending to agriculture. And the WB is preparing a new operation with IFC participation to support implementation of Ministry of Agriculture and Rural Development's agriculture restructuring agenda, with focus on coffee and rice.

*Energy.* The WB, with close coordination with IFC, is providing technical advice on the Government's divestment strategy. The WBG together is playing a central role, in providing technical and financial advice to Electricity of Vietnam (EVN) to develop its ambitious Pumped Storage Program.

*Financial Markets/State Owned Enterprises.* Joint WB AAA and IFC Advisory Services are being provided to help Vietnam mitigate the negative impacts of the country's economic crisis by supporting related state institutions and private sector participants to improve the effectiveness and efficiency of insolvency resolution and risk management. Following the Financial Sector Assessment Program, the WBG will support Vietnam in developing the capital markets with the focus on bond markets.

*Administrative Reform.* IFC and WB are providing coordinated TA to the Ministry of Justice to develop a management information system to monitor and evaluate the administrative procedures simplification reforms. Joint WB-IFC technical assistance is also being provided to government clients on value-added tax (VAT) reform.

40. **CPS Timeframe.** As noted above, the Bank and Government of Vietnam are jointly preparing a Vietnam 2035 study that will recommend how Vietnam can speed up achievement of its aspiration to become a modern industrialized economy. Vietnam 2035 is expected to provide analytical inputs for the preparation of the strategic documents for the 12<sup>th</sup> Party Congress and form the basis for the next Socio-Economic Development Plan (SEDP; 2016-2020). The Vietnam 2035 report will also inform a Systematic Country Diagnostic, which will be prepared in FY16, which in turn will provide the basis for the preparation of the new Country Partnership Framework (CPF). Given this timeline and sequencing, the PLR proposes to extend the current CPS by six months until the end of calendar year 2016.

41. **Results Framework/Updated Plan of Activities.** The CPS structure, pillars and strategic objectives remain relevant to Vietnam's current development strategy (as articulated in the SEDS 2011-2020 and the SEDP 2011-2015). The Government continues to seek WBG support for the objectives and

activities laid out in the CPS, therefore the PLR does not recommend any changes to the CPS strategic objectives. The results framework has been refined to provide a more direct link between CPS outcomes and the WBG program of activities: the current “Outcomes” (points 1.1 to 3.2) have been renamed “Sub-pillars”, and specific “Outcomes” have been introduced that are more directly related to the activities supported, with impacts more directly attributable to WBG activities. In addition, as detailed in Attachment 2, some specific changes to the CPS indicators/milestones are recommended due to: achievement of current targets, refinement of macro-economic and banking sector targets to improve alignment between the Bank program and the CPS indicators, the introduction of project support for social protection (as envisioned in the CPS), and the replacement of education targets due to changes in how the government tracks progress. The updated results framework (Attachment 3) includes an updated plan of activities (both financing/investments and AAA/Advisory) in the right hand column of the matrix.

42. **Instruments and Modalities.** Vietnam will remain eligible for both IDA and IBRD financing over the CPS period. Vietnam’s indicative IDA17 (FY15-17) allocation is 2.48 billion SDRs, including a FY15 allocation of 857.3 million SDRs. Vietnam also plans to utilize about \$1.5 billion in IBRD resources over the July 2015 to December 2016 period. This is consistent with the exposure management framework of IBRD. The actual volume of IBRD lending for FY16-17 will depend on how program performance evolves in the remainder of the CPS period, continued government interest in IBRD financing, and on IBRD’s lending capacity and demand from other borrowers. Based upon these considerations, indicative IBRD allocations will be outlined during annual programming exercises with the Government. Attachment 4 includes the planned lending program for FY15, and the indicative lending program for FY16. The Bank program will continue to include a rich AAA program (with increased focus on programmatic AAA, with one program for each of the main strategic objectives) and a balanced program of investment, P4R and development policy lending. There are no expected changes to the mix of instruments. However, the Bank is systematically increasing the use of multi-sector and cross-GP programs, to better tailor the Bank response.

43. **Transformational Programs.** The Bank, in consultation with Government, has also identified several “transformational” programs to address key cross-sectoral development challenges for the last years of the CPS period. These programs are entirely consistent with the existing CPS principles of engagement (paragraph 16), helping to reinforce and deepen the implementation of these principles and alignment with the twin goals. However, they are not likely to produce results until the next country strategy period:

**Scaling Up Sanitation.** This cross-sector initiative would support the Government’s efforts to significantly reduce open defecation and improve hygiene practices in impoverished ethnic minority areas in Vietnam. The proposed project would support the initial stages of a long term national sanitation program, including the development of an enabling framework, increased capacity and advocacy and campaigns at the national level. The project would also finance basic infrastructure and hygiene behavior change in the poorest regions of Vietnam, introducing innovative approaches to support behavior change, using emotional triggers and marketing approaches and would support an unprecedented scale up of investment into sanitation and hygiene. While sustainable behavior change is very difficult, particularly in poor and isolated areas, the results can transform local communities through improved health and productivity.

**Climate Change/Resilience.** Rapid economic growth in Vietnam in recent decades has created opportunities for people and businesses, but the effects of climate change may slow down, halt, or even reverse some development achievements unless measures are taken to mitigate such effects. In addition, while Vietnam’s greenhouse gas emissions remain relatively low on a global scale, its rate of growth in emissions is one of the highest in the world and significantly higher compared to neighboring countries. The Government has recognized these challenges and has responded strongly by pursuing development of a policy and institutional agenda that aims to address its increasing climate vulnerability and promote a low carbon, green growth development path. The Government is developing a new post-2015 national climate change response support program that would build on the lessons learned to date,

validated by both the Government and Development Partners. The Bank is planning to provide policy support to this new program, closely linked to investment lending programs for energy efficiency and resilience in the Mekong Delta. The Bank's assistance is shifting towards a more integrated programmatic approach, which identifies, prioritizes and potentially finances "low regret" climate resilient infrastructure and accompanying non-structural measures for the Mekong Delta, and to build regional and provincial-level planning capacity to make integrated and resilient decisions. The Bank's program is multi-sectoral (agriculture, urban development, energy, environment, and transport), addresses various temporal scales (from daily operations to long-term climate change concerns), and supports institutional coordination across key Government Ministries (Agriculture & Rural Development; Environment & Natural Resources; Planning & Investment; etc.) and across levels of government, between state governments, and among international governments (through such mechanisms as the Mekong River Commission) given trans-boundary issues related to water resources management.

**Agriculture.** Agriculture is a major driver of shared prosperity and is the primary livelihood of Vietnam's poor. Although urbanizing fast, the number of people in rural areas will likely remain constant, and a buoyant rural economy is essential to moderate rural-urban migration. Vietnam is no longer food insecure, and the agriculture and rural development agenda is changing rapidly. For the successful export sectors, maintaining global competitiveness and successfully navigating changing global consumer preferences (including sanitary and phyto-sanitary standards) will be key (especially for export aquaculture sector) along with efforts to transition to higher-quality, more remunerative markets for what is traditionally a high-volume low-margin business (notably rice and coffee). In the remote areas of the northern mountains, agriculture remains more of a subsistence activity, critical for addressing remaining nutritional deficiencies. Past agricultural growth has been at the expense of the environment, with water scarcity, soil degradation and other cases of natural capital depletion increasingly apparent. Agriculture makes a large share of Vietnam's greenhouse gas emissions. Farming practices need to reflect climate smart agriculture to become sustainable and resilient to future climate change. The Government has two main relevant strategies for agriculture and rural development: *The Agricultural Restructuring Plan (ARP)* constitutes an ambitious statement of intent to reorient the agricultural sector, with greater prominence of the private sector and a shift from a focus on production to sustainability and profitability, with a commensurate adjustment in the role of the state while the *National Targeted Program on New Rural Development (NTP-NRD)* establishes a set of targets for all 9,500 communes to aspire to, and a framework for commune-level planning and resulting multi-sector investments to achieve them. The Ministry of Agriculture and Rural Development (MARD) leads the implementation of the ARP and the NTP-NRD which possess the potential to transform the agricultural sector and rural economy in Vietnam. Successful implementation will require coordinated actions by other ministries and agencies. MARD has requested Bank assistance to operationalize the ARP and the NTP-NRD both at the national level and in a select number of provinces. The Bank will seek opportunities to scale-up support to implement MARD's transformation agenda. To complement the proposed investment project on restructuring the rice and coffee sectors, the Bank will explore the possibilities of supporting key policy and institutional reforms essential for the implementation of the ARP, as well as direct support for a select number of provinces to address the implementation challenges they face in deploying the principles underpinning the ARP.

44. **IDA to IBRD Transition.** As Vietnam moves further into middle-income status, Bank financing to the country will increasingly shift to IBRD as the country moves towards graduation from IDA (consistent with the overall shift in ODA described in paragraph 26). This transition gives Vietnam a wider menu of options from the WBG for the balance of the CPS period, including a wider range of financing options, smarter public debt management instruments, and external financing beyond ODA. However, this may also change the overall nature of the Bank Group's program, as the country may opt to focus more on revenue generating operations and wealthier provinces over social sector operations and poorer regions. The Bank is working with the government and sharing the transition experiences from other countries, like

the Philippines and China, to help rebalance the program in a manner consistent with both the evolving nature of financing available to Vietnam and Vietnam’s ongoing development needs. At the same time, knowledge services are becoming even more the center of our engagement.

## 6. RISKS TO CPF PROGRAM

**Summary Risks** (H: High; S: Substantial; M: Moderate; L: Low)

Risk Categories	Rating
1. Political and governance	M
2. Macroeconomic	M
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	M
6. Fiduciary	S
7. Environment and social	M
8. Stakeholders	M
<b>Overall</b>	<b>M</b>

44. The risks to the program identified in the CPS have evolved. Strengthened macro-economic management has reduced the risks associated with the slowdown in the global economy. However, three other critical risks remain:

**Macroeconomic risks.** The main risk to the Bank program relate to policies that contribute to major macroeconomic imbalances and macroeconomic instability, which would prevent support through Development Policy Operations and other lending instruments. Such macro instability also risks reducing the impact of some of our support and widening inequality. While macroeconomic policies are prudent overall and support stable macroeconomic conditions, there is need for renewed vigilance. Benign monetary conditions, including low inflation, are as much a product of conducive external environment (low food and commodity prices and interest rates, in particular) and slow credit transmission by the domestic banking sector as it is of domestic monetary policy. Moreover, public debt levels, although still well within a sustainable range, have been rising fast in recent years on account of an expansionary fiscal stance that seeks to counter weak domestic private demand. There are also systemic risks from SOEs and the banking sector. In addition to the risks to the overall WBG program, this also poses specific risks for the IFC in terms of both its own equity holdings in banks, and the opportunities to support the next phase of reform in the SOE and banking sector. Similarly, IFC’s expectations for reform have not been met in terms of opportunities opening up for private sector investment in infrastructure - key investments and advisory services attached to investments in the power and port sectors have been dropped due to lack of key policy actions. Based on this experience, infrastructure development is likely to remain on a Build-Own-Transfer (BOT) basis for some time and with strong linkages to ODA and ODA-backed concessional financing. To mitigate these risks, the Bank is engaged actively in policy dialogue on macro-fiscal and structural reforms through the Economic Management and Competitiveness DPO series. The policy dialogue advises the government on critical reforms to manage public debt, restructure the financial sector, and strengthen governance of SOEs. The IFC will take the Government’s policy stance into account vis-à-vis the investment and advisory pipeline going forward.

**Fiduciary Risks.** While Vietnam’s overall public procurement and financial management environments have improved, there remains some important weaknesses, including: weak procurement capacity at various levels of a highly decentralized implementation system; a shortage of qualified procurement

staff; weak law enforcement and oversight; low financial management capacity (particularly at sub-national levels), weaknesses in project internal controls, poor quality and timeliness of reporting; and absence of an effective independent complaint handling mechanism. On Bank-financed operations, the overall procurement performance has improved in the last few years, but weaknesses remain, including: delays due to lack of procurement preparedness, weak procurement capacity, notably in projects involving multiple implementing agencies; delays or noncompliance caused by differences between the national and Bank procurement rules and procedures; high number of procurement complaints and protests (including an increase in fraud and corruption allegations); and weak contract management. The Bank continues to support the Government in improving and strengthening its public procurement and financial systems, in collaboration with other international stakeholders. The Bank carries out a comprehensive annual procurement and contract management training program to strengthen implementation capacity and mitigate risks; implements advance procurement actions; and implements a Strategic Action Plan to Address fraud and corruption risks and enhance procurement fairness and integrity. There is an ongoing program of financial management capacity building with a focus on increased use of country systems, and capacity building for private sector external auditors to help them understand and better align their external audit processes with the Bank's fiduciary assurance model.

***Slow-down in the Implementation of reforms (Political/Sector Strategies and Policies)***. Although overall implementation risk is on average considered moderate, there is considerable variation across different policy areas. For example, there is reasonably good progress on implementation of macro stabilization reforms, fiscal policy reforms, business enabling environment reforms (including tax administration, procurement), and public investment management reforms. But implementation risks for reforms in the banking sector and SOEs remain higher and will need to be monitored closely particularly given their importance to overall competitiveness. Further, as Vietnam heads towards the Party Congress in early 2016, there is a risk that attention will shift away from implementation, particularly for those critical reforms that affect vested interests. With the work currently underway on the Vietnam 2035 report, the Bank is well placed to work with Government to develop the critical reform agenda, to explore the political economy of reform, and to help the government develop a realistic and sequenced reform agenda that can best withstand the political cycle and vested interests. As part of the Vietnam 2035 process, the Bank will also help prepare an integrated communications plan which will aim to engage key stakeholders as the research and analytics are undertaken, and as key recommendations emerge.

## Attachment 1: Updated Results Matrix – Outcomes and Milestones

CPS Outcome Indicators	Milestones
<h3 style="margin: 0;">Pillar 1: Competitiveness</h3> <p style="margin: 0;"><i>SEDP indicators: GDP annual growth of 7.5-8%; inflation in secure limit; labor productivity increased by 50%; Total Factor Productivity; energy loss over GDP reduced to 2.5-3% ;annual export turnover growth of 12.1%; average rate of capital mobilization for State budget reaches 25.1-25.4%; 38% urbanization rate; 55% trained labor rate;300 students over 10,000 people; real income in 2015 will be 2-2.5 times that of 2010; urban unemployment rate reduced to approx. 4%</i></p>	
<h4 style="margin: 0;">Outcome 1.1: Improved Economic Management and Business Environment</h4> <p style="margin: 0; color: #800000;"><b>SEDS Goal 1: Improve Market Institutions in Accordance with a Socialist Oriented Market Economy, Ensure Macroeconomic Stability, and Effectively Mobilize and Utilize Resources</b></p>	
<p>1. Sound macroeconomic framework maintained as evidenced by (i) moderate credit growth and strengthened loan portfolio; (ii) fiscal consolidation through more efficient investment and improved revenue effort. <sup>3</sup></p> <p><i>Baseline:</i>  <i>(i) 31 % annual credit growth rate (2008-2019 average)</i>  <i>(ii) fiscal deficit 5.5 % of GDP per year (2008-2010 average)</i></p> <p><b>Update</b>  <b>(i) 9% credit growth (2013)</b>  <b>(ii) fiscal deficit of 4.8% of GDP (2012 revised) and 5.6% of GDP (2013 estimate)</b></p> <p><i>Target:</i>  <i>(i) &lt;20% annual credit growth rate (FY12-FY16 average)</i>  <i>(ii) fiscal deficit less than 4 % of GDP per year (FY12-16 average)</i></p>	<p><b><u>Macro-Economic Policy Framework</u></b></p> <ul style="list-style-type: none"> <li>- Policy dialogue with Government stakeholders (SBV, MOF, MPI) informed by the Bank’s regular macroeconomic monitoring and reporting <b>[on track]</b></li> <li>- Debt sustainability analysis conducted jointly with IMF annually <b>[on track]</b></li> <li>- Debt Management Performance Assessment conducted by 2012 and input provided to Government Debt strategy <b>[Done - DeMPA completed 2012, input provided]</b></li> <li>- Modern approaches to management of public debt and SOE liabilities adopted including (i) integrated recording of debt; and (ii) processes for identification and analysis of fiscal risks by 2013 (PFM) <b>[Good progress on (i); little systematic progress in assessing and reporting on fiscal risks (ii)]</b></li> <li>- Annual analytical EMCC report on promoting reforms to address binding constraints to competitiveness<b>[on track]</b></li> <li>- Vietnam Knowledge Platform with Government and civil society established to promote dialogue on economic management by 2013 <b>[Done - platform established]</b></li> </ul> <p><b><u>Public Financial Management</u></b> <sup>1</sup></p> <ul style="list-style-type: none"> <li>- Prioritized Implementation Plan adopted by end 2012 for the Financial Development Strategy (2011-20) <b>[Done]</b></li> <li>- Treasury and Budget Management Information System (TABMIS) developed with enhanced functions by 2013 (PFM) <b>[Done]</b></li> <li>- TSA implemented in all Banks serving Treasury by 2013 (PFM)<b>[Watch - roll-out started]</b></li> <li>- Robust Internal Audit function to strengthen internal controls in MOF and at least three key line ministries established by 2013<b>[watch – draft legislation is awaiting approval]</b></li> <li>- Vietnamese Standards on Auditing updated to align with International Standards on Auditing by 2013 <b>[Watch – WB providing support]</b></li> </ul>

CPS Outcome Indicators	Milestones
<p>2. Provinces using the integrated Treasury and Budget Management Information System (TABMIS) <sup>1</sup></p> <p><i>Baseline: 30 (2010)</i></p> <p><b>Update: 63 (2014)</b></p> <p><i>Target: 63 (2015)</i></p>	<ul style="list-style-type: none"> <li>- Simplified procedures and strengthened IT systems for tax administration resulting in increased share of VAT refund requests processed within 15 days from 67% in 2009 to 90% in 2013 and tax audits resulting in additional tax assessments of 70% by 2013 (Tax Administration Project) <b>[Watch - work on simplified procedures and IT application is underway]</b></li> <li>- VAT registration threshold introduced, Risk-based Audit applied resulting in \$19 mil savings for micro and small-medium enterprises (MSMEs) by 2015 (IFC) <b>[Done - VAT registration threshold has been introduced, less frequent filing has been enacted, which helps reduce the burden of tax filing for 315,000 SMEs, with a total savings of \$104 million per year]</b></li> <li>- Simplified accounting regimes for Business Households, SMEs resulting in tax registered businesses increase from 37% to 47% by 2015 (IFC) <b>[on track]</b></li> <li>- Programmatic Public Finance reviews conducted by 2013 <b>[Done]</b></li> </ul>
<p>3. Individuals and firms listed in a public credit registry with information on their borrowing history from the past 5 years</p> <p><i>Baseline: 29.8 % (2011)</i></p> <p><b>Update: 41.8% (Dec. 2014)</b></p> <p><i>Target: 40% (2015)</i></p>	<ul style="list-style-type: none"> <li>- First Public Expenditure and Financial Accountability (PEFA) assessment completed to serve as baseline for monitoring PFM progress by 2013 <b>[Done]</b></li> </ul> <p><b><u>Financial Sector</u></b></p> <ul style="list-style-type: none"> <li>- FSAP conducted by December 2012 <b>[Done; published in Spring 2014]</b></li> <li>- Technical specifications for the modernized IT database system at SBV completed by 2013 (Financial Sector Modernization and Info Management System) <b>[on track - Most of the technical specifications completed]</b></li> <li>- Strategy for Public Credit Registry completed by 2013 <b>[Done. strategy completed]</b></li> <li>- Enhanced framework for credit risk management adopted using both quantitative and qualitative criteria by 2013 <b>[Done – circular issued in March 2013, effective June 2014]</b></li> </ul>
<p>4. Domestic commercial banks have current financial and balance sheet data on their webpage <sup>1</sup></p> <p><i>Baseline: 49% (2011)</i></p> <p><b>Update: 46% (2014)</b></p> <p><i>Target: 74% (2015)</i></p>	<ul style="list-style-type: none"> <li>- All financing institutions participating in rural finance program compliant with accreditation scheme (RF3) <b>[Watch – only 2 of 21 banks had met all 5 criteria]</b></li> <li>- Risk management system for two main state owned commercial banks improved by 2013 (RF3) <b>[Watch – improved, but slower than expected]</b></li> <li>- Best practice on bond trading and bond issuance introduced by 2013 (IFC) <b>[on track – notably with most notably with the establishment of the Vietnam Bond Market Association (VBMA)]</b></li> <li>- Action plan to improve government bond market in place by 2013 <b>[Done – action plan in place]</b></li> <li>- 7 banks with Annual Reports prepared by International Financial Reporting Standards (IFRS) by 2013 up from 5 banks in 2011 <b>[Watch]</b></li> </ul>
<p>5. SOEs divested during the 2011-2015 period</p> <p><i>Baseline: 0 (2010)</i></p> <p><b>Update: 112 (Apr. 2014)</b></p> <p><i>Target: 450 (2015)</i></p>	<p><b><u>Market-based Regulations<sup>1</sup></u></b></p> <ul style="list-style-type: none"> <li>- Time bound plan to separate state-ownership rights from regulatory function in SOEs in place by 2013 <b>[Watch – draft plan presented to Cabinet]</b></li> <li>- Vietnam Development Report (VDR) on SOE published <b>[Done]</b></li> <li>- MOF publishes every six months a report on SOEs operational performance <b>[Done - Decree 61 issued in June 2013]</b></li> <li>- 30 licenses/permits cut-down or simplified by 2013 <b>[on track]</b></li> </ul>

CPS Outcome Indicators	Milestones
	- 20% reduction in compliance costs for MSMEs by 2012 <b>[on track]</b>
<b>Outcome 1.2: Improved Quality and Efficiency of Infrastructure Services</b> <b>SEDS Goal 5: Quickly Develop Infrastructures, Especially Transportation Infrastructures</b>	
<p>6. Duration of interruptions in 500kV transmission system per 100 circuit km</p> <p><i>Baseline: 15.43 minutes (2010)</i></p> <p><b>Update: 25% improvement (2013) (11.5 minutes)</b></p> <p><i>Target: 13% improvement (2015)</i></p>	<p><b>Energy</b></p> <ul style="list-style-type: none"> <li>- No single electricity generation company owning more than 40 percent of capacity by 2015 (Power Sector DPO) <b>[Done]</b></li> <li>- Contracts for 90% of demand for non build-operate-transfer generation based on pricing methodologies and standard format published by MOIT by 2014 (Power Sector DPO) <b>[Done]</b></li> <li>- Scada Energy Management System in place by June 2014 (TD2) <b>[Watch – to be done by June 2015]</b></li> <li>- 502 km 500kV and 180 km 220kV transmission lines constructed in Mekong Delta, HCMC area and greater Hanoi area by June 2014 (TD2) <b>[Done]</b></li> <li>- Expansion of transformer capacity by 2500+3370 MVA (500/220) and 2625 MVA 220/110) by June 2014 (TD2) <b>[Done]</b></li> <li>- Procurement of 260 MW Trung Son dam main contracts completed by 2013<b>[Done]</b></li> </ul>
<p>7. Reduced volume of water physically lost from water supply system in selected cities</p> <p>(i) in HCMC</p> <p><i>Baseline: 27,300 m3/day (2011)</i></p> <p><b>Update: 102,185 m3/day (2013)</b></p> <p><i>Target: 125,000 m3/day (2015)</i></p>	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>- Water companies supported have a working ratio of less than 0.90 (UWSW) <b>[on track]</b></li> <li>- Database of water utility performance published by 2014 (UWSW) <b>[Watch – delayed]</b></li> <li>- Non-revenue water reduction program implemented in HCMC (UWS) <b>[Done]</b></li> </ul>
<p>8. Reduced transport times on targeted transport corridors:</p> <p>(i) Road Network Improvement Program</p> <p><i>Baseline: Details available sep.</i></p> <p><b>Update: 21% decrease (2013)</b></p> <p><i>Target: 15% decrease (2012)</i></p> <p>(ii) Hanoi 2<sup>nd</sup> Ring Road</p>	<p><b>Transport</b></p> <ul style="list-style-type: none"> <li>- 336 km of national roads and short bridges improved and 850 km maintained by 2013 (RNIP + MDTP) <b>[Done]</b></li> <li>- 250 km of Mekong Delta waterways and 200 km waterways between Quang Ninh -Viet Tri and Hanoi-Lach Giang improved by 2013 (NDTP &amp; MDTP) <b>[on track but delayed to 2105]</b></li> <li>- Major arterial urban roads constructed in Danang (7 km), Hanoi (5 km) and Haiphong (10 km) by 2014 (DPIP, HUTP, HPUTP) <b>[On track for Danang, by 2016 for Hanoi, by 2015 for Hai Phong]</b></li> <li>- Contract awarded for Danang – Quang Ngai Expressway and concession awarded for Dau Giay – Phan Tiet Expressway by 2013 <b>[On track for DQEP, Watch for DPEP award now 2015]</b></li> </ul>

CPS Outcome Indicators	Milestones
<p><i>Baseline: 28 min (2011)</i>  <b>Update: NA during construction</b>  <i>Target: 22 min (2015)</i></p> <p>(iii) National Highway 91 (MDTP)  <i>Baseline: TBD by June 2012</i>  <b>Update: NA during construction</b>  <i>Target: TBD by June 2012</i></p>	<ul style="list-style-type: none"> <li>- 50 black spots on 600 km of road treated for improved road safety by 2013 (RSP) <b>[Done]</b></li> <li>- Governance in transport sector review completed by 2013 and Governance and Transparency Action Plans for transport projects satisfactorily implemented <b>[Done]</b></li> <li>- Trade facilitation and logistics audit (TFLA) conducted by 2013<b>[Done]</b></li> </ul>
<p><b>Outcome 1.3: Increased Capacity for Innovation and Value Addition</b></p> <p>SEDS Goal 3: Comprehensively Develop Agriculture Towards Modernity, Efficiency and Sustainability</p> <p>SEDS Goal 4: Strongly Develop Service Industries, Especially Services That Offer High Value, Great Potentials and Enhanced Competitiveness</p> <p>SEDS Goal 9: Improve the Quality of Human Resource, Reform Comprehensively, and Rapidly Develop in the Areas of Education and Training</p>	
<p>9. Higher Education students benefitting from improved curriculum, facilities, laboratories and research activities through TRIG grants (number)</p> <p><i>Baseline: 200,000 (2010)</i>  <b>Update: 500,000 (2013)</b>  <i>Target: 250,000 (2013)</i></p> <p>10. Farmers in targeted areas adopting good agricultural practices (number)</p> <p><i>Baseline: 0 (2011)</i></p>	<p><b><u>Skills and Innovation Systems</u></b></p> <ul style="list-style-type: none"> <li>- 300 curricula revised, 20,000 staff receiving training, 95 laboratories/libraries upgraded etc. by 2013 (HE2) <b>[Done]</b></li> <li>- Vietnamese-German Model University established with an updated charter by 2013 (NMUP) <b>[Watch – charter awaiting approval by Prime Minister]</b></li> <li>- Government research institute conversion to semi-autonomous status according to agreed roadmap (FIRST) <b>[Watch - 15 GRI conversions plans have been shortlisted; two or three will be selected by year-end.]</b></li> <li>- Workforce benchmarking and employer surveys completed by 2013<b>[Done]</b></li> <li>- 100% of higher education institutions disclosing information on the institution's staff, academic programs, finances and expected learning outcomes on their websites by 2013 (up from 90% in 2010)</li> <li>- Technology innovation fund pilot initiated (FIRST), challenge fund launched for at least one area (Inclusive Innovation Project) and virtual incubation pilot program implemented by 2013 (TA) <b>[on track]</b></li> <li>- Policy and plan to establish a multi-tiered higher education structure specifying roles of different types of higher education institutions operating under different ownership models by 2013 <b>[Watch - Decree has been circulated to relevant government organizations but not yet finalized or approved]</b></li> <li>- Decrees supporting the implementation of the Law on Gender Equality and the National Strategy on Gender Equality developed <b>[The decree was issued in 2009]</b></li> </ul> <p><b><u>Agriculture Value Chains and Rural SMEs</u></b></p>

CPS Outcome Indicators	Milestones
<p><b>Update: 33,287 (2014)</b>  <i>Target: 23,500 (2015)</i></p> <p>11. Additional jobs created as a result of investments supported</p> <p><i>Baseline: 32,142 (2011)</i></p> <p><b>Update: 110,000 to 169,000 (2013)</b>  <i>Target: 100,000 (2015)</i></p>	<ul style="list-style-type: none"> <li>- 50,000 farmers trained in new farming practices and 50,000 smallholder producers benefiting from critical infrastructure by 2013 (ACP) <b>[Done]</b></li> <li>- 40% of slaughterhouses supported by the project operation at the national hygienic standards (LIFSAP) <b>[Done]</b></li> <li>- Cumulative investments made by rural enterprises under rural finance project reach \$270 million by 2013 (RF3) <b>[Done]</b></li> <li>- 43,600 SME borrowers from the Rural Development Fund by 2013 (RF3) <b>[Done]</b></li> <li>- Vietnam SME Development Plan and Roadmap for 2015 developed by 2012</li> </ul>
<h2 style="text-align: left; margin: 0;">Pillar 2: Sustainability</h2> <p style="margin: 0;"><i>SEDP indicators: 42.5% forest coverage in 2015; 70% of industrialized and export processing zones with wastewater treatment plants, 85% solid waste collection rate; 85% medical waste collection rate; 80% severe environment polluters regulated</i></p>	
<p><b>Outcome 2.1: Improved natural resources management (“Green”)</b></p> <p style="color: #A52A2A; margin-left: 20px;"><i>SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</i></p>	
<p>12. Increased water productivity in pilot areas</p> <p><i>Baseline: 0</i></p> <p><b>Update: not yet available</b>  <i>Target: 20% improvement (2015)</i></p> <p>13. Time required for land related transactions - transfer <sup>1</sup></p> <p><i>Baseline: 44 days (2007)</i></p> <p><b>Update: 35 days (Oct 2013)</b>  <i>Target: 10 days (2015)</i></p>	<p><b><u>Water Resources Management</u></b></p> <ul style="list-style-type: none"> <li>- 2 provinces have water resources management plans that consider impacts on upstream development and climate change by 2013 <b>[on track but delayed to 2015]</b></li> <li>- Irrigation management transfer piloted in three schemes and irrigation modernization principles introduced in six large schemes by 2013 <b>[Done]</b></li> <li>- Primary and secondary canals rehabilitated in the Mekong Delta to improve conveyance and storage capacity by 2013 <b>[Watch – delayed to 2015]</b></li> <li>- Coastal and marine database systems provide regular and reliable data for fisheries planning and management by 2015 (CRSDPI) <b>[Watch]</b></li> <li>- 1,000 coastal farmers and fishermen trained in good aquaculture/agriculture practices and in sustainable near shore capture fisheries through co-management arrangements by 2015 (Coastal Resources for Sustainable Development Project) <b>[on track]</b></li> </ul> <p><b><u>Land Administration and Management</u></b></p> <ul style="list-style-type: none"> <li>- 86 district land registration offices operational by 2013 (VLAP) <b>[on track but delayed]</b></li> <li>- 1,696,000 ha of cadastral mapping available in digital form by 2013 (VLAP) <b>[on track but delayed]</b></li> <li>- 3,000,000 Land Use Right Certificates in line with Land Law issued by 2013 (VLAP) <b>[on track but delayed to 2015]</b></li> </ul>

CPS Outcome Indicators	Milestones
<p>14. Targeted smallholder plantation area certifiable according to international standards for sustainable forestry<sup>1</sup></p> <p><i>Baseline: 0% (2010)</i></p> <p><b>Update: 70% (2013)</b></p> <p><i>Target: 50% (2013)</i></p>	<p><b><u>Forest and Biodiversity Conservation</u></b></p> <ul style="list-style-type: none"> <li>- 22,000 Ha of additional smallholder plantation area supported (FSDP AF) <b>[on track]</b></li> <li>- Management effectiveness of Special Use Forests will improve as measured by Management Effectiveness Tracking Tool by 2013 (FSDP) <b>[Done]</b></li> <li>- Drivers of deforestation study completed by 2013 (REDD Program) <b>[Watch – delayed to 2014]</b></li> </ul>
<p><b>Outcome 2.2: Strengthened Environmental Protection and Management (“Clean”)</b></p> <p>SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</p>	
<p>15. Additional wastewater treated (m3/day)</p> <p><i>Baseline: 0 (2011)</i></p> <p><b>Update: 0 (2013) under construction</b></p> <p><i>Target: 14,200 (2015)</i></p> <p>16. People with access to improved sanitation (number)</p> <p><i>Baseline: 680,000 (2011)</i></p> <p><b>Update: 2,045,000 (Oct 2013)</b></p> <p><i>Target: 2,500,000 (2015)</i></p>	<p><b><u>Pollution reduction</u></b></p> <ul style="list-style-type: none"> <li>- 8.40 km wastewater interceptor and 59.5 km of sewers completed in HCMC by 2013 (HCMC Environmental Sanitation+Vietnam Urban Upgrading Projects) <b>[Done]</b></li> <li>- Completion of the drainage, wastewater collection and wastewater treatment plants in Nha Trang, Quy Nhon and Dong Hoi by 2014 (CCSP) <b>[Done]</b></li> <li>- Danang wastewater treatment plant constructed by 2014 (DPIP) <b>[Done]</b></li> <li>- 150 km of drainage constructed in low income urban areas completed and 4,144 ha benefitting from improved drainage coverage and flood protection measures by 2013 (Vietnam Urban Upgrading Project, UWSWP) <b>[Done]</b></li> <li>- Inventories of PCBs are carried out in all regions by 2014 (GEF PCB) <b>[Watch]</b></li> <li>- Feasibility studies completed for central effluent treatment plants for supported industrial parks by 2013 (Industrial Pollution Control Project) <b>[Watch - the project has so far cleared financing proposals of three central effluent treatment plants. Two are operational and one is under construction. Additional four are being appraised.]</b></li> <li>- Compliance with the CFC, MBr, HCFC and Halon phase-out schedule stipulated in the Montreal Protocol <b>[on track]</b></li> <li>- 30 health care waste management plans approved by regulatory authority by 2013 (Hospital Waste Management Support Project) <b>[Watch]</b></li> </ul>
<p>17. CO2 emissions reductions compared to business as usual scenario associated with investments</p>	<p><b><u>Climate Change Mitigation</u></b></p> <ul style="list-style-type: none"> <li>- Action plan to improve energy efficiency in key industry launched by 2014 (GEF Clean Production and Energy Efficiency) <b>[Done]</b></li> <li>- Demand side management/demand load control regulation established by 2013 (Power Sector DPO) <b>[Done]</b></li> </ul>

CPS Outcome Indicators	Milestones
<p><i>Baseline: 0</i></p> <p><b>Update: 1 million tons of CO2 equivalent will have been achieved through the HCFC phase-out (Phase I) by Jan. 1, 2015</b></p> <p><i>Target: 1.5 million tons (WB) + 1 million tons (IFC) (2015)</i></p>	<ul style="list-style-type: none"> <li>- Regulations establishing roadmap for energy efficiency measures and operationalize benchmarking in key energy-intensive industrial sectors by Dec 2013 (CC DPO) <b>[Done]</b></li> <li>- Regulation on environmental and social risk management for banking sector issued by SBV by 2013 (IFC) <b>[Watch]</b></li> <li>- Integrated urban transport plans for HCMC and Haiphong by 2013 (Eco2Cities) <b>[on track but delayed]</b></li> <li>- Bus Rapid Transit System developed in three Hanoi corridors by 2015 (HUTP) <b>[on track but delayed, proposing modified milestone: under the Hanoi Urban Transport Project, two of the BRT corridors have been deleted and the third extended. Progress on work to complete the revised scope is heading in the right direction]</b></li> <li>- Line 2 Bus Services in Haiphong (3,400 passengers/day) upgraded by 2015 (HPUTP) <b>[on track]</b></li> <li>- Reference scenario for low carbon development endorsed (CC DPO) <b>[Watch]</b></li> <li>- 400 MW of renewable energy capacity installed by 2013 (REDP) <b>[Off track]</b></li> <li>- Climate innovation center to support adoption of green technology in private sector established by 2013 <b>[Watch]</b></li> </ul>
<p><b>Outcome 2.3: Enhanced Preparedness for Natural Hazards and Climate Change (“Resilient”) <sup>3</sup></b></p> <p style="color: #800000;">SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</p>	
<p>18. Targeted provinces and communes with disaster risk management plans <sup>3</sup></p> <p><i>Baseline: 0 provinces</i></p> <p><i>0 communes (2011)</i></p> <p><b>Update: 10 provinces</b></p> <p><b>0 communes (2013)</b></p> <p><i>Target: 10 provinces</i></p> <p><i>100 communes (2015)</i></p> <p>19. Coherent framework for prioritization of climate change adaptation action in key sectors is available <sup>3</sup></p> <p><i>Baseline: No (2011)</i></p>	<p><b><u>Disaster Risk Management</u> <sup>3</sup></b></p> <ul style="list-style-type: none"> <li>- Law on Natural Disaster Prevention and Mitigation finalized for adoption by 2013 (CC DPO) <b>[Done]</b></li> <li>- 95% of completed sub-projects withstanding subsequent disaster events of same type up to the intensity of a 1-in-30 year event by 2013 (Natural Disaster Risk Management Project) <b>[Done]</b></li> <li>- National level design standards for mainstreaming disaster risk reduction into transport infrastructure investments by 2013 (GFDRR) <b>[Done]</b></li> <li>- Business Plan for Hydro-Met Sector adopted by 2013 (Managing Natural Hazards) <b>[Done]</b></li> <li>- Dam safety guidelines prepared and emergency preparedness plans for 10 irrigation dams available by 2013 (VWRAP) <b>[Done]</b></li> <li>- Identification of gaps for improving Early Warning Systems by 2013 (GFDRR) <b>[Done]</b></li> <li>- M&amp;E system for National Strategy on Disaster Risk Management established by 2013 (GFDRR) <b>[Done]</b></li> <li>- Multisectoral Avian Influenza simulation exercises conducted and reviewed at district level in selected provinces (AHIP AF) <b>[Done]</b></li> </ul> <p><b><u>Climate Change Adaptation</u> <sup>3</sup></b></p> <ul style="list-style-type: none"> <li>- Adaptation methodology to guide prioritization finalized and application initiated by 2013 (CC DPO) <b>[Done]</b></li> <li>- Coordinated program with statutory framework for integrated water management in place by 2013 (CC DPO) <b>[Done]</b></li> <li>- National coordination platform for Disaster Risk Reduction and Climate Change Adaptation established by 2013 (CC DPO) <b>[Partially done]</b></li> </ul>

CPS Outcome Indicators	Milestones
<p><b>Update: Yes (2014)</b> Target: Yes (2015)</p>	<ul style="list-style-type: none"> <li>- Five key ministries update climate change preparedness/response strategies based on improved analysis, clearer prioritization and time-framing, and clearer delineation of the roles and responsibilities of different stakeholders by 2013 (Vietnam CC Partnership TF) <b>[Partially done]</b></li> <li>- Climate change adaptation studies completed <b>[Done]</b></li> </ul>
<h2 style="text-align: left;">Pillar 3: Opportunity</h2> <p><i>SEDP indicators: Average poor household rate reduced by 2-3% per annum; Human Development Index will stay at advanced medium level; 8 doctors per 10,000 people; 30 sick-beds per 10,000 people; 96% rural population provided with hygienic water; 98% urban population provided with hygienic water</i></p>	
<p><b>Outcome 3.1: Increased Opportunities for the Poor and Household Resilience to Shocks <sup>3</sup></b></p> <p style="text-align: center;"><i>SEDS Goal 3: Develop Geographic Regions Harmoniously and Sustainably, and Build Urban and Rural Areas That Meet Our New Standards</i></p>	
<p>20. Households in targeted areas reporting improvements in accessibility to basic productive infrastructure (%)</p> <p><i>Baseline: n/a (2011)</i></p> <p><b>Update: Access to roads – 48%; Access to irrigation – 37%; Access to water supply– 45%; Access to markets – 11% (Dec 2013)</b></p> <p><i>Target: 60 % (2015)</i></p> <p>21. Social Protection indicator <i>(to be established by CPS Progress Report)</i></p>	<p><b><u>Livelihoods</u> <sup>3</sup></b></p> <ul style="list-style-type: none"> <li>- 100 pilot livelihoods subprojects are up and running (NMPPR-2) <b>[Done]</b></li> <li>- 60% of women and ethnic minorities satisfied with public representation and service delivery in targeted Northern Mountains communes (NMPPR-2) <b>[Done]</b></li> <li>- A national database on poor/near-poor households maintained and available on timely basis for usage by relevant ministries, agencies for targeting, monitoring and evaluating purposes <b>[on track but delayed]</b></li> <li>- Full implementation of national gender indicator system by 2013 <b>[Delayed - The National Gender Indicator System composed of 105 indicators was issued in October 2011. More than 60 indicators from the system must be obtained via the reporting system by line ministries. The statistical reporting system for line ministries was issued in February 2014. We propose changing the milestone to “Two thirds of indicators in the national gender indicator system are collected by 2016”]</b></li> <li>- Elaboration of a multi-sector poverty reduction program for Central Highlands by 2013 (Central Highlands Poverty) <b>[Done]</b></li> <li>- 16,000 micro-finance sub-loans to first time borrowers by 2013 with more than 40% of microfinance sub-loans to women borrowers (RF3) <b>[Done]</b></li> <li>- More than 40,000 loans made for house improvements for poor households (disaggregated by gender of household head) by 2013 (VUUP) <b>[Done]</b></li> </ul> <p><b><u>Social Protection</u> <sup>3</sup></b></p> <ul style="list-style-type: none"> <li>- Design of a Consolidated Social Protection program to be piloted completed by 2013 <b>[design done, but piloting delayed to begin in July 2015]</b></li> <li>- National Assembly adopts amendments to the social insurance law based on input from World Bank TA by 2013 <b>[Delayed but now on track ]</b></li> </ul>

CPS Outcome Indicators	Milestones
	<ul style="list-style-type: none"> <li>- Fatality rates on targeted corridors reduced from 8.3 to 6 per 100 million vehicle km by 2013 (Road safety) <b>[Done]</b></li> <li>- Improved working conditions and labor relations for 500,000 workers by 2014 (IFC) <b>[on track]</b></li> </ul>
<p><b>Outcome 3.2: Improved basic infrastructure and public service delivery</b></p> <p>SEDS Goal 8: Firmly Develop Healthcare and Improve the Quality of Medical Provision to the People</p> <p>SEDS Goal 9: Improve the Quality of Human Resources, Reform Comprehensively, and Rapidly Adapt in the Areas of Education and Training</p>	
<p>22. Rural households with access to</p> <p>(i) electricity in project provinces</p> <p style="padding-left: 20px;"><i>Baseline: 87.3 % (2011)</i></p> <p style="padding-left: 20px;"><b>Update: 98% (Sep 2013)</b></p> <p style="padding-left: 20px;"><i>Target: 90 % (2014)</i></p> <p>(ii) an all-season road</p> <p style="padding-left: 20px;"><i>Baseline: 78 % (2010)</i></p> <p style="padding-left: 20px;"><b>Update: 82% (2012)</b></p> <p style="padding-left: 20px;"><i>Target: 81 % (2014)</i></p> <p>23. People provided with access to improved water sources</p> <p>(i) in rural areas in Red River and Mekong Deltas</p> <p style="padding-left: 20px;"><i>Baseline: 0 (2009)</i></p> <p style="padding-left: 20px;"><b>Update: 1,200,000 (May 2013)</b></p> <p style="padding-left: 20px;"><i>Target: 1,100,000 (2015)</i></p> <p>(ii) in targeted urban areas</p> <p style="padding-left: 20px;"><i>Baseline: 393,000 (2011)</i></p> <p style="padding-left: 20px;"><b>Update: 1,367,000 (Apr 2013)</b></p> <p style="padding-left: 20px;"><i>Target: 1,121,000 (2015)</i></p>	<p><b>Basic Infrastructure</b></p> <ul style="list-style-type: none"> <li>- 32,000 km of low voltage lines and 32,000 km of medium voltage lines and 1,706 km of distribution lines rehabilitated or constructed in project areas by 2014 (RE2+RD) <b>[Done]</b></li> <li>- 900 MVA transformer capacity in rural grids installed and more than 250,000 KVA distribution substations rehabilitated or constructed by 2014 (RD+RE2) <b>[Done]</b></li> <li>- 3000 km of rural road constructed or rehabilitated by 2014 <b>[Done]</b> and 315 km of road improved to all-weather standard ) <b>[on track but delayed]</b>and 58 km of waterways improved by 2013 in Mekong Delta<b>[Done]</b> (Third Rural Transport Project+MDTP</li> <li>- 20 rural communities in Red River Delta that have functioning, well operated and maintained water supply schemes by 2013 (Red River Delta Rural Water) <b>[Done]</b></li> <li>- 25 rural water supply systems constructed and expanded by 2013 (MDWMP) <b>[Done]</b></li> <li>- 16,275 new piped household water connections by 2013 (UWSWP+ Danang+Mekong Delta Urban Upgrading Project) <b>[Done]</b></li> <li>- Basic infrastructure for e-government established in MIC, GSO, Hanoi and Danang by 2013 (ICT) <b>[Done]</b></li> <li>- At least 1500 ethnic minority women effectively carrying out road maintenance and erosion prevention by 2013 (Third Rural Transport Project) <b>[Done]</b> only 315km of road improved to all-weather standard in Mekong Delta is left for Dec 2015 timeline.</li> </ul>

CPS Outcome Indicators	Milestones
<p>24. Grade 5 students achieving independent learner status (SEQAP provinces) (disaggregated by gender) <sup>2</sup></p> <p>(i) in Vietnamese  <i>Baseline: 55.8% in 2007</i>  <b>Update: 86.4% (Dec 2013)</b>  <i>Target: 66% in 2015</i></p> <p>(ii) in math  <i>Baseline: 70.5% in 2007</i>  <b>Update: 98.7% (Dec 2013)</b>  <i>Target: 80% in 2015</i></p> <p>25. Health insurance coverage among the poor and near poor</p> <p>(i) Poor  <i>Baseline:</i>  <i>29% Mekong (2008)</i>  <i>Target:</i>  <i>90% Mekong (2012)</i></p> <p>(ii) Near poor  <i>Baseline: (2008)</i>  <i>7% Mekong</i>  <i>10% Central North</i>  <i>20.4% Northern Upland</i>  <b>Update:</b>  <b>60% Mekong</b>  <b>50.8% Central North</b>  <b>34% Nation wide</b></p>	<p><b>Education</b></p> <ul style="list-style-type: none"> <li>- Students receiving at least 30 periods per week in SEQAP provinces reach 57% by 2015, up from 48% in 2010 (SEQAP) <b>[Done]</b></li> <li>- 23% of principals/vice-principals receiving at least 5 days of training per year by 2012, up from 19% in 2010 (SEQAP) <b>[delete - no longer tracked ]</b></li> <li>- 70% of schools in SEQAP provinces with at least 1 toilet cubicle on site by 2015, up from 56% in 2010 (SEQAP) <b>[delete – no longer tracked]</b></li> <li>- Active learning material developed for two primary grades by 2013 (GPE-New School Project) <b>[Done]</b></li> <li>- Baseline school readiness assessment completed by 2013 (School Readiness Promotion Project) <b>[Done]</b></li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>--Different options for health insurance payment mechanism developed by 2013 <sup>3</sup><b>[Done]</b></li> <li>- Share of district hospitals in claims reimbursed by health insurance is 44% or more by 2013 (Central North Region Health Project) <b>[Done]</b></li> <li>- 80% of eligible provincial district health staff have successfully completed training provided (Northern Upland Health Support Project + Mekong Regional Health Support Project + Central North Region Health Project) <b>[Done]</b></li> <li>- 70% of district hospitals provide full set of health services according to national norms by 2014, up from 51% in 2010 (Northern Upland Health Support Project) <b>[Done]</b></li> <li>- 100 district hospitals and district prevention health centers constructed, renovated and/or equipped by 2014 (Northern Upland Health Support Project + Central North Region Health Project + Avian and Human Influenza Project) <b>[On track]</b></li> <li>- 70 standard tests can be performed by preventive health centers by 2012 (Mekong Regional Health Support Project) <b>[Done]</b></li> <li>- Review of health sector governance by 2013 <b>[Done]</b></li> <li>- 90% of provinces prepare high quality HIV/AIDS Provincial Action plans and establish adequate M&amp;E systems by 2013 (HIV) <b>[Done]</b></li> </ul>

<b>CPS Outcome Indicators</b>	<b>Milestones</b>
<i>Target: (2015)</i> <i>50% Mekong (2012)</i> <i>40% Central North</i> <i>70% Northern Upland</i>	



Current Indicator/Milestone	New Indicator/Milestone
Farmers in targeted areas adopting good agricultural practices (number) <i>Baseline: 0 (2011)</i> <i>Update: 33,287 (2014)</i> <i>Target: 23,500 (2015)</i>	Area of rice farming under sustainable farming practices (hectares): <i>(a)Rice Production</i> <i>Baseline: 0 (2014)</i> <i>Target: 10,000</i> <i>(b)Coffee Production</i> <i>Baseline: 0 (2014)</i> <i>Target: 5000</i> Source: VnSAT project
Additional jobs created as a result of investments supported (IFC) <i>Baseline: 32,142 (2011)</i> <i>Update: 110,000 to 169,000 (2013)</i> <i>Target: 100,000 (2015)</i>	Number of farmers reached by IFC investments <i>Baseline: 0 (2012)</i> <i>Target: 7464 (2014)</i> Number of farmers trained through IFC Vietnam Agrifinance project <i>Baseline: 0</i> <i>Target 6100 (2016)</i>
<b>Outcome 2.1: Improved natural resources management (“Green”)</b>	
Targeted smallholder plantation area certifiable according to international standards for sustainable forestry <sup>1</sup> <i>Baseline: 0% (2010)</i> <i>Update: 70% (2013)</i> <i>Target: 50% (2013)</i>	Area of rice farming under sustainable farming practices as measured by reductions in pesticide and fertilizer use (hectares) <i>Baseline: 0 (2014)</i> <i>Target: 10,000 (2016)</i> Source: VnSAT project
<b>Outcome 2.2: Strengthened Environmental Protection and Management (“Clean”)</b>	
New IFC indicators	Reduction in annual GHG emissions through facilitating financing for sustainable energy projects (IFC) <i>baseline: 0</i> <i>target: 257,000 annually (2016)</i> Source: (IFC’s Financing for Sustainable Energy project) Number of buildings complying with the proposed green building code <i>Baseline: 0</i> <i>Target 641 (2016)</i> Source: IFC’s Green Building project
<b>Outcome 2.3: Enhanced Preparedness for Natural Hazards and Climate Change (“Resilient”)</b>	
Coherent framework for prioritization of climate change adaptation action in key sectors is available <sup>3</sup> <i>Baseline: No (2011)</i> <i>Update: Yes (2014)</i> <i>Target: Yes (2015)</i>	Number of provinces and communes integrating disaster risk management into their Socio-Economic Development Plan and River Basin Management Plan <i>Baseline: 0 provinces, 0 communes (2014)</i> <i>Target: 10 provinces, 100 communes (2016)</i> Source: Vietnam Managing Natural Hazards Project
<b>Outcome 3.2: Improved basic infrastructure and public service delivery</b>	
Rural households with access to: (i) electricity in project provinces <i>Baseline: 87.3 % (2011)</i> <i>Update: 98% (Sep 2013)</i> <i>Target: 90 % (2014)</i> (ii) an all-season road: <i>Baseline: 78 % (2010)</i> <i>Update: 82% (2012)</i>	Travel time to farm production areas in project areas is reduced for at least 50% of farmers Source: Second Northern Mountains Poverty Reduction Project – Additional Financing

Current Indicator/Milestone	New Indicator/Milestone
<i>Target: 81 % (2014)</i>	
Grade 5 students achieving independent learner status (SEQAP provinces) (disaggregated by gender) (i) in Vietnamese <i>Baseline: 55.8% in 2007</i> <i>Update: 86.4% (Dec 2013)</i> <i>Target: 66% in 2015</i> (ii) in math <i>Baseline: 70.5% in 2007</i> <i>Update: 98.7% (Dec 2013)</i> <i>Target: 80% in 2015</i>	Number of provinces achieving universal preschool for 5 year-old children <i>Baseline: 10</i> <i>Target: 29</i>  Source: School Readiness Promotion Project

### Replace/Drop of Indicators/Milestone – Other reasons

Current Indicator/Milestone	Proposed Indicator/Milestone	Rationale
Outcome 1. Sound macroeconomic framework maintained: (i) moderate credit growth and strengthened loan portfolio; (ii) fiscal consolidation through more efficient investment and improved revenue effort. Baseline: (i) 31 % annual credit growth rate (2008-2019 average) (ii) fiscal deficit 5.5 % of GDP per year (2008-2010 average) Target: (i) <20% annual credit growth rate (FY12-FY16 average) (ii) fiscal deficit less than 4 % of GDP per year (FY12-16 average)	Maintain public debt below the government target of 65 percent of GDP Target: less than 65 percent of GDP	The current indicator is broader than the Bank's engagement. The proposed indicator relates more directly to the support provided under the EMCC Development Policy Operations.
SOEs divested during the 2011-2015 period Baseline: 0 (2010) Target: 450 (2015)	GOV has implemented Decree 61 with publication of key financial and operational performance of all State Economic Groups.	The current indicator is broader than the Bank's engagement. The proposed indicator relates more directly to the support provided under the EMCC Development Policy Operations.
Health insurance coverage among the poor and near poor (%) (i) Poor Baseline: 29% Mekong (2008) Target:	Utilization of inpatient and outpatient services by the near poor at the level of district hospitals <i>Baseline (2012):</i> <i>In patient 5.1/100</i> <i>Outpatient 11.6/100</i> <i>Update (2012):</i>	The Bank's program does not directly support the enrollment for the poor in health insurance. There is near universal enrollment for this group. Focus instead on use of health services.

<b>Current Indicator/Milestone</b>	<b>Proposed Indicator/Milestone</b>	<b>Rationale</b>
90% Mekong (2012)	<i>In patient 10.1/100 (+98%)</i> <i>Outpatient 11.0/100 (-5%)</i> <i>Target: (Dec 2014)</i> <i>In patient 5.6/100 (+10%)</i> <i>Outpatient 12.8/100 (+10%)</i>	
Road Network Improvement Program Baseline: Details available sep. Update: 21% decrease (2013) Target: 15% decrease (2015)	Drop indicator (target achieved)	The program will focus on specific road investment projects. Indicators and targets for these investments already included in the results framework.
Reference scenario for low carbon development endorsed (CC DPO)	Drop milestone	A low carbon scenario has been developed in the context of the Vietnam Low Carbon Study. The product has been reviewed by the Government, all data has been shared and the trajectories have been discussed. However, reaching a consensus with the Government on the reference scenario has been more difficult than expected. A formal endorsement will require more time and more intensive national discussion. This will likely be related to the international dialogue on the post 2015 global climate agreements.
Milestone: 3,000,000 Land Use Right Certificates in line with Land Law issued by 2013 (VLAP)	New targets: 50 district land admin offices; 987,000ha of cadastral mapping; and 2,000,000 LURC issued. All targets are for 2015.	The milestone is updated to reflect the project restructuring.
Increased water productivity in pilot areas Baseline: 0 Update: not yet available Target: 20% improvement (2015)	New target: 10% improvement (2016)	Consistent with project restructuring
Milestone: Bus Rapid Transit System developed in three Hanoi corridors by 2015 (HUTP)	Bus Rapid Transit System developed in one Hanoi corridor by 2016 (HUTP)	Under the Hanoi Urban Transport Project, two of the BRT corridors have been deleted and the third extended (restructured project). Progress on work to complete the revised scope is heading in the right direction
400 MW of renewable energy capacity installed by 2013 (REDP)	250 MW of renewable energy capacity installed by 2015 (REDP)	Change reflects project restructuring

### Attachment 3: Revised (Post PLR) CPS Results Framework

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p><b>Pillar 1: Competitiveness</b></p> <p><i>SEDP indicators: GDP annual growth of 7.5-8%; inflation in secure limit; labor productivity increased by 50%; Total Factor Productivity; energy loss over GDP reduced to 2.5-3%; annual export turnover growth of 12.1%; average rate of capital mobilization for State budget reaches 25.1-25.4%; 38% urbanization rate; 55% trained labor rate; 300 students over 10,000 people; real income in 2015 will be 2-2.5 times that of 2010; urban unemployment rate reduced to approx. 4%</i></p>		
<p><b>Sub-pillar 1.1: Economic Management and Business Environment</b></p> <p>SEDS Goal 1: Improve Market Institutions in Accordance with a Socialist Oriented Market Economy, Ensure Macroeconomic Stability, and Effectively Mobilize and Utilize Resources</p>		
<p><b>Outcome 1. Maintain Sound macroeconomic framework:</b> Maintain public debt below the government target of 65 percent of GDP <i>Target: 65% of GDP (2016)</i></p> <p><b>Outcome 2. Improved Public Financial management:</b> Revised State Budget Law (2002) to align Vietnam PFM Practices more closely with international good practices. <i>Baseline: 15 top recommendations submitted to the government.</i> <i>Target: At least a third of the recommendations are adopted in the revised State Budget Law (2016)</i></p>	<p><b>Macro-Economic Policy Framework</b></p> <ul style="list-style-type: none"> <li>- Policy dialogue with Government stakeholders (SBV, MOF, MPI) informed by the Bank's regular macroeconomic monitoring and reporting</li> <li>- Debt sustainability analysis conducted jointly with IMF annually</li> <li>- Modern approaches to management of public debt and SOE liabilities adopted including (i) integrated recording of debt; and (ii) processes for identification and analysis of fiscal risks by 2015 (PFM)</li> <li>- Annual analytical EMCC report on promoting reforms to address binding constraints to competitiveness</li> </ul> <p><b>Public Financial Management <sup>1</sup></b></p> <ul style="list-style-type: none"> <li>- TSA implemented in all Banks serving Treasury by 2015 (PFM)</li> <li>- Robust Internal Audit function to strengthen internal controls in MOF and at least three key line ministries established by 2015</li> <li>- Vietnamese Standards on Auditing updated to align with International Standards on Auditing by 2015</li> <li>- Simplified procedures and strengthened IT systems for tax administration resulting in increased share of VAT refund requests processed within 15 days from 67% in 2009 to 90% in 2015 and tax audits resulting in additional tax assessments of 70% by 2015 (Tax Administration Project)</li> <li>- Simplified accounting regimes for Business Households, SMEs resulting in tax registered businesses increase from 37% to 47% by 2015 (IFC)</li> </ul>	<p><b>Ongoing:</b> Fin Sector Modern &amp; Info Mgmt System (FY09) (P088759) Tax Administration Modernization (FY08) (P099376) EMCC 2 (FY14) IFC Tax Simplification for MSMEs (2012-2016) IFC Capital Market Phase II (2012-2016) IFC Credit Bureau Phase II IFC Collateral Registry Phase II IFC Microfinance (2012-2016)</p> <p><b>Pipeline:</b> EMCC 3</p> <p><b>AAA:</b> Programmatic Public Finance Reviews, (including Public Expenditure Review), Country and Sub-National Financial Management Assessments, Vietnam Development Reports, Vietnam Knowledge Platform, Taking Stock, Programmatic Financial Sector AAA, Programmatic Governance and Anti-Corruption TA, Capital Market Development, WBI Training programs for MP's on legislative process and budget oversight, EMCC Programmatic AAA.</p> <p><b>Trust Funds:</b> MDTF for Economic Management and Competitiveness Credit, Financial Sector Modernization and Info Management System, Tax Admin Modernization, Australia-Bank Partnership Trust Fund, VGEMS Trust Fund.</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p><b>Outcome 3: Increased transparency in the banking Sector:</b></p> <p>Domestic commercial banks have current financial and balance sheet data on their webpage <sup>1</sup></p> <p><i>Baseline: 49% (2011)</i></p> <p><i>Target: 74% (2015)</i></p> <p><b>Outcome 4: Increased access to financial services</b></p> <p>Number of individuals/firms receiving access to financial services: a) Micro-finance clients; b) SME clients:</p> <p><i>Baseline: 0 (2012)</i></p> <p><i>Target: a)25,000; b)250,000 (2016)</i></p> <p><b>Outcome 5: Reduced Cost of Doing Business</b></p> <p>Direct Compliance Cost Savings to firms through regulatory reforms</p> <p><i>Baseline: 0 (2010)</i></p> <p><i>Target: \$30 million annually (2016)</i></p> <p><b>Outcome 6: Increased Transparency of SOEs</b></p> <p>GOV has implemented Decree 61 with publication of key financial and operational performance for State Economic Groups (SEGs):</p> <p><i>Baseline: 0% of SEGs (2014)</i></p>	<p><b><u>Financial Sector</u></b></p> <ul style="list-style-type: none"> <li>- Technical specifications for the modernized IT database system at SBV completed by 2015 (Financial Sector Modernization and Info Management System)</li> <li>- All financing institutions participating in rural finance program compliant with accreditation scheme (RF3)</li> <li>- Risk management system for two main state owned commercial banks improved by 2016 (RF3)</li> <li>- Best practice on bond trading and bond issuance introduced by 2016 (IFC)</li> <li>- 7 banks with Annual Reports prepared by International Financial Reporting Standards (IFRS) by 2016 up from 5 banks in 2011</li> <li>- An increase of \$16 billion by 2016 in the value of financing facilitated by IFC Advisory Projects</li> </ul> <p><b><u>Market-based Regulations</u></b></p> <ul style="list-style-type: none"> <li>- Time bound plan to separate state-ownership rights from regulatory function in SOEs in place by 2015</li> <li>- 30 licenses/permits cut-down or simplified by 2015</li> <li>- 20% reduction in compliance costs for MSMEs by 2015</li> </ul>	

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<i>Target: 100% of SEGs (end 2016)</i>		
<b>Sub-pillar 1.2: Quality and Efficiency of Infrastructure Services</b> <i>SEDS Goal 5: Quickly Develop Infrastructures, Especially Transportation Infrastructures</i>		
<b>Outcome 6: Improved Efficiency in electricity in selected areas</b> Additional transfer capacity in WB project areas (percentage) Baseline: 0 Target: 52% (2016)	<u>Energy</u> - Scada Energy Management System in place by June 2015 (TD2)	<u>Ongoing</u> Trung Son Hydropower Project (FY11) (P084773) Renewable Energy Development (FY09) (P103238) Power Sector Reform DPO3 (FY14) Distribution Efficiency (FY13) (P125996) GEF- Clean Production and Energy Efficiency (FY11) (P120867) Transmission Efficiency Project (FY14) (P131558)  <u>Pipeline</u> Power Sector Development Policy Series II  <u>Trust Funds:</u> Cofinancing to Renewable Energy
<b>Outcome 7. Improved Efficiency in the water sector in selected areas</b> Reduced volume of water physically lost from water supply system in selected cities (i) in HCMC <i>Baseline: 27,300 m3/day (2011)</i> <i>Target: 125,000 m3/day (2015)</i>	<u>Water</u> - Water companies supported have a working ratio of less than 0.90 (UWSW) - Database of water utility performance published by 2016 (UWSW)	<u>Ongoing</u> Urban Water Sup & Wastewater (FY11) (P119077) Local Development Investment (FY10) (P094055) Mekong Delta Urban Upgrading (FY12) (P113904) Medium Cities Development (FY12) (P116398) Danang Sustainable City Dev (FY14) (P123384)  <u>Pipeline</u> <u>Trust Funds:</u> Cofinancing to Urban Upgrading
<b>Outcome 8. Improved Efficiency in the Road Sector in selected areas</b> Reduced transport times on targeted transport corridors:	<u>Transport</u> - 250 km of Mekong Delta waterways and 200 km waterways between Quang Ninh -Viet Tri and Hanoi-Lach Giang improved by 2015 (NDTP & MDTP) - Major arterial urban roads constructed in Danang (7 km) by 2015, Hanoi (5 km) by 2016 and Haiphong (10 km) by 2015 (DPIP, HUTP, HPUTP)	<u>Ongoing</u> Mekong Delta Transport (FY07) (P083588) Northern Delta Transport (FY08) (P095129) Expressway Danang- Quang Ngai (FY11) (P106235) Project Preparation Facility (FY10) (P118610) Hanoi Urban Transport (FY10) (P083581) Haiphong Urban Transport (FY11) (P111548)

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p>(i) Hanoi 2<sup>nd</sup> Ring Road Baseline: 28 min (2011) Target: 22 min (2015)</p> <p>(ii) National Highway 91 (MDTP) Baseline: TBD by June 2012 Target: TBD by June 2012</p>	<p>- Contract awarded for Danang – Quang Ngai Expressway and concession awarded for Dau Giay – Phan Tiet Expressway by 2016</p>	<p>Road Asset Management (FY14) (P123961) BT20 National Highway 20 Guarantee (MIGA)</p> <p><b>Pipeline</b> Dau Giay – Phan Tiet Expressway (FY16) (P123961)</p> <p><b>AAA</b> TFLA, Programmatic Infrastructure Finance</p> <p><b>Trust Funds:</b> TF Infrastructure Policy and Sector Support, cofinancing RETFs to Rural Transport 3, Mekong Delta Transport, GEF – Hanoi Urban Transport</p>
<p><b>Sub-pillar 1.3: Capacity for Innovation and Value Addition</b></p> <p>SEDS Goal 3: Comprehensively Develop Agriculture Towards Modernity, Efficiency and Sustainability</p> <p>SEDS Goal 4: Strongly Develop Service Industries, Especially Services That Offer High Value, Great Potentials and Enhanced Competitiveness</p> <p>SEDS Goal 9: Improve the Quality of Human Resource, Reform Comprehensively, and Rapidly Develop in the Areas of Education and Training</p>		
<p><b>Outcome 9: Increase in scientific innovation</b></p> <p>Increase in the number of international scientific publications made by beneficiary organizations (disaggregated by gender)(Annual percentage increase)</p> <p>Baseline: 0 Target: 5</p> <p><b>Outcome 10: Sustainable increase in value added in farming in selected areas:</b></p> <p>Increased use of new practices and Area of rice farming under sustainable farming practices (hectares):</p> <p>(a)Rice Production</p>	<p><b>Skills and Innovation Systems</b></p> <ul style="list-style-type: none"> <li>- Vietnamese-German Model University established with an updated charter by 2015 (NMUP)</li> <li>- Government research institute conversion to semi-autonomous status according to agreed roadmap (FIRST)</li> <li>- 100% of higher education institutions disclosing information on the institution's staff, academic programs, finances and expected learning outcomes on their websites by 2015 (up from 90% in 2010)</li> <li>- Technology innovation fund pilot initiated (FIRST), challenge fund launched for at least one area (Inclusive Innovation Project) and virtual incubation pilot program implemented by 2015 (TA)</li> <li>- Policy and plan to establish a multi-tiered higher education structure specifying roles of different types of higher education institutions operating under different ownership models by 2015</li> </ul> <p><b>Agriculture Value Chains and Rural SMEs</b></p> <ul style="list-style-type: none"> <li>- Vietnam SME Development Plan and Roadmap for 2015 developed by 2015</li> </ul>	<p><b>Ongoing</b></p> <p>School Education Quality Assurance (FY09) (P091747) New Model University (FY10) (P110693) Livestock Comp &amp; Food Safety (FY10) (P090723) Science, Technology and innovation (FY13) (P117394) Inclusive Innovation (FY13)(P121643) MASAN Group Consumer Products Expansion Guarantee (MIGA)</p> <p><b>Pipeline</b></p> <p>Sustainable Agriculture Transformation (FY15) (P145055) Vietnam Regional Industry Competitiveness (144825) Higher Education Livestock Comp &amp; Food Safety Additional Financing (P151946)</p> <p><b>AAA:</b> Programmatic Skills and Education System, Science and Innovation AAA, Programmatic Agriculture Competitiveness Bank-OECD</p> <p><b>Trust Funds:</b> Business Incubation and Green Technology</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p><i>Baseline: 0 (2014)</i>  <i>Target: 10,000</i>  <b>(b)Coffee Production</b>  <i>Baseline: 0 (2014)</i>  <i>Target: 5000</i>  Farmers reached by IFC investments  <i>Baseline: 0 (2012)</i>  <i>Target 7464 (2015)</i></p> <p><b>Outcome 11: Increased knowledge of innovative practices by farmers</b>  Farmers trained through IFC Vietnam Agrifinance project  <i>Baseline: 0</i>  <i>Target 6,100 (2016)</i></p>		
<p><b>Pillar 2: Sustainability</b></p> <p><i>SEDP indicators: 42.5% forest coverage in 2015;70% of industrialized and export processing zones with wastewater treatment plants, 85% solid waste collection rate; 85% medical waste collection rate; 80% severe environment polluters regulated</i></p>		
<p><b>Sub-pillar 2.1: Natural resources management (“Green”)</b></p> <p><i>SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</i></p>		
<p><b>Outcome 12: Improved management of water resources in selected areas:</b>  Increased water productivity in pilot areas</p>	<p><b><u>Water Resources Management</u></b></p> <ul style="list-style-type: none"> <li>- 2 provinces have water resources management plans that consider impacts on upstream development and climate change by 2015</li> <li>- Primary and secondary canals rehabilitated in the Mekong Delta to improve conveyance and storage capacity by 2015</li> <li>- Coastal and marine database systems provide regular and reliable data for fisheries planning and management by 2015 (CRSDPI)</li> </ul>	<p><b><u>Ongoing</u></b></p> <p>Forest Sector Development + GEF(FY05) (P066051)  Mekong Delta Water Management (FY11) (P113949)  Land Administration Project (FY08) (P096418)  Coastal Resources for Sust. Develop. (FY12) P124702)  Regional Mekong Water Resources (FY13)</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p><i>Baseline: TBD at start of MDWM project</i></p> <p><i>Target: 10% improvement (2016)</i></p> <p><b>Outcome 13: More efficient land management</b> Time required for land related transactions - transfer <i>Baseline: 44 days (2007)</i> <i>Target: 10 days (2015)</i></p> <p><b>Outcome 14: Number of Land Use Rights Certificates distributed being registered with name of women land users</b> <i>Baseline: 0 (2007)</i> <i>Target: 2.8 million (2016)</i></p> <p><b>Outcome 15: Increase in use of sustainable farming practices in selected areas.</b> Area of rice farming under sustainable farming practices as measured by reductions in pesticide and fertilizer use (hectares) <i>Baseline: 0 (2014)</i> <i>Target: 10,000 (2016)</i></p>	<ul style="list-style-type: none"> <li>- 1,000 coastal farmers and fishermen trained in good aquaculture/agriculture practices and in sustainable near shore capture fisheries through co-management arrangements by 2015 (Coastal Resources for Sustainable Development Project)</li> </ul> <p><b><u>Land Administration and Management</u></b></p> <ul style="list-style-type: none"> <li>- 50 district land administration offices operational by 2015 (VLAP) [on track but delayed]</li> <li>- 987,000 ha of cadastral mapping available in digital form by 2015 (VLAP)</li> <li>- 2,000,000 Land Use Right Certificates in line with Land Law issued by 2015 (VLAP)</li> </ul> <p><b><u>Forest and Biodiversity Conservation</u></b></p> <ul style="list-style-type: none"> <li>- 8,000 Ha of additional smallholder plantation area supported (FSDP AF)</li> <li>- Drivers of deforestation study completed by 2015 (REDD Program)</li> </ul>	<p><b><u>Pipeline</u></b></p> <p>Irrigation Modernization and Rehabilitation (FY15) Dam Safety (P152309) Vinh Phuc Flood Risk and Water Management (P152460) Program for Improved Land Governance</p> <p><b><u>AAA:</u></b> Programmatic Governance and Anti-Corruption TA</p> <p><b><u>Trust Funds:</u></b> REDD Program, Vietnam Conservation Fund, Cofinancing to Land Administration, Forestry TF, GEF Critical Ecosystem Partnership</p>
<p><b>Sub-pillar 2.2: Environmental Protection and Management (“Clean”)</b></p> <p>SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</p>		
<p><b>Outcome 16. Increased wastewater treated in selected areas:</b></p>	<p><b><u>Pollution reduction</u></b></p> <ul style="list-style-type: none"> <li>- Inventories of PCBs are carried out in all regions by 2015 (GEF PCB)</li> </ul>	<p><b><u>Ongoing</u></b></p> <p>Coastal Cities Sanitation (FY07) (P082295) Urban Water Sup &amp; Wastewater (FY11) (P119077)</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p>Additional wastewater treated (m3/day)</p> <p><i>Baseline: 0 (2011)</i></p> <p><i>Target: 14,200 (2015)</i></p> <p><b>Outcome 17. Improved sanitation in selected areas</b></p> <p>People with access to improved sanitation (number)</p> <p><i>Baseline: 680,000 (2011)</i></p> <p><i>Target: 2,500,000 (2015)</i></p> <p><b>Outcome 18: Reduced GHG Emissions in selected areas</b></p> <p>Reduction in annual GHG emissions through facilitating financing for sustainable energy projects (IFC)</p> <p><i>baseline: 0</i></p> <p><i>target: 257,000 annually (2016)</i></p> <p><b>Outcome 19: Increased use of green building design in selected areas.</b></p> <p>Number of buildings complying with the proposed green building code</p> <p><i>Baseline: 0</i></p> <p><i>Target 641 (2016)</i></p>	<ul style="list-style-type: none"> <li>- Feasibility studies completed for central effluent treatment plants for supported industrial parks by 2015 (Industrial Pollution Control Project)</li> <li>- Compliance with the CFC, MBr, HCFC and Halon phaseout schedule stipulated in the Montreal Protocol</li> <li>- 30 health care waste management plans approved by regulatory authority by 2015 (Hospital Waste Management Support Project)</li> </ul>	<p>Local Development Investment (FY10) (P094055)</p> <p>Project Preparation Facility (FY10) (P118610)</p> <p>Hospital Waste Management (FY11) (P119090)</p> <p>Mekong Delta Urban Upgrading (FY12) (P113904)</p> <p>Medium Cities Development (FY12) (P116398)</p> <p>Danang Sustainable City Dev (FY14) (P123384)</p> <p>HCMC Env. &amp; Sanitation 2 (FY14) (P127978)</p> <p>Industrial Pollution Management (FY13) (P113151)</p> <p>2<sup>nd</sup> Northern Mountains Poverty Reduction (FY14) (P113493)</p> <p>National CFC and Halon Phaseout (FY06) (P083593)</p> <p>HCFC Phase out Project (FY13) (P155762)</p> <p><b>Pipeline</b></p> <p>2<sup>nd</sup> Ho Chi Minh Environmental Sanitation Program (127978)</p> <p>Scaling up Sanitation (FY16)</p> <p><b>Trust funds:</b> GEF PCB Management Project (FY09)(P099460), GEF – Coastal Cities Environmental Sanitation, GEF – Coastal Cities Project</p>
<p><b>Outcome 20: Reduced CO<sup>2</sup> emissions in selected areas</b></p>	<p><b>Climate Change Mitigation</b></p> <ul style="list-style-type: none"> <li>- Integrated urban transport plans for HCMC and Haiphong by 2015 (Eco2Cities)</li> </ul>	<p><b>Ongoing</b></p> <p>Hanoi Urban Transport (FY10) (P083581)</p> <p>Haiphong Urban Transport (FY11) (P111548)</p> <p>Renewable Energy Development (FY09) (P103238)</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p>CO<sup>2</sup> emissions reductions compared to business as usual scenario associated with investments</p> <p><i>Baseline: 0</i></p> <p><b>Update: not yet available</b></p> <p><i>Target: 1.5 million tons (WB) + 1 million tons (IFC) (2015)</i></p>	<ul style="list-style-type: none"> <li>- Bus Rapid Transit System developed in Hanoi by 2016 (HUTP)</li> <li>- Line 2 Bus Services in Haiphong (3,400 passengers/day) upgraded by 2015 (HPUTP)</li> <li>- 250 MW of renewable energy capacity installed by 2015 (REDP)</li> <li>- Climate innovation center to support adoption of green technology in private sector established by 2016</li> </ul>	<p>IFC E&amp;S Risk Management for Banking Sector (2011-2014) Power Sector Reform DPO 3 (FY14) Climate Change DPO 3 (FY14) Danang Sustainable City Dev (FY14) (P123384)</p> <p><b>Pipeline</b></p> <p>Ho Chi Minh City Green Transport (P126507)</p> <p><b>AAA:</b> GHG Assessment for Danang, Green Urban Transport, Programmatic Climate Change AAA</p> <p><b>Trust Funds:</b> GEF Clean Prod &amp; Energy Effic (FY12) (P116846), Vietnam Climate Change Partnership, Eco2Cities, Business Incubation and Green Technology, Integrated Planning for Urban and Transport in HCMC</p>
<p><b>Sub-pillar 2.3: Preparedness for Natural Hazards and Climate Change (“Resilient”)</b></p> <p>SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</p>		
<p><b>Outcome 21: Increased use of disaster risk management in selected areas</b></p> <p>Number of provinces and communes integrating disaster risk management into their Socio-Economic Development Plan and River Basin Management Plan</p> <p><i>Baseline: 0 provinces, 0 communes (2014)</i></p> <p><i>Target: 10 provinces, 100 communes (2016)</i></p>	<p><b>Disaster Risk Management</b></p> <ul style="list-style-type: none"> <li>- Multisectoral Avian Influenza simulation exercises conducted and reviewed at district level in selected provinces (AHIP AF)</li> </ul> <p><b>Climate Change Adaptation</b></p> <ul style="list-style-type: none"> <li>- National coordination platform for Disaster Risk Reduction and Climate Change Adaptation established by 2015 (CC DPO)</li> <li>- Five key ministries update climate change preparedness/response strategies based on improved analysis, clearer prioritization and time-framing, and clearer delineation of the roles and responsibilities of different stakeholders by 2015 (Vietnam CC Partnership TF)</li> </ul>	<p><b>Ongoing</b></p> <p>Northern Mountains Poverty Reduction 2 (FY10) (P113493) Managing natural Hazards (FY13) (P118783) Climate Change DPO 3 (FY14)</p> <p><b>Pipeline</b></p> <p>Dam Safety (P152309) Vinh Phuc Flood Risk and Water Management (P152460) Can Tho Urban Resilience Mekong Delta Climate Change Adaptation Program HCMC Flood Risk Management</p> <p><b>AAA:</b> Programmatic Climate Change AAA</p> <p><b>Trust funds:</b> Eco2Cities, Disaster Risk Financing Strategy (GFDRR), Agricultural Risk Management Information System (GFDRR), Vietnam Climate Change Partnership, Cofinancing TFs to Natural Disaster Mitigation, GFDRR – Disaster Risk Management Capacity Building Program, AHI</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
		Control and Preparedness TFs, cofinancing TFs to Natural Disaster Risk Management, Urban Resilience in CanTho (AusAID)
<h2>Pillar 3: Opportunity</h2>		
<p><i>SEDP indicators: Average poor household rate reduced by 2-3% per annum; Human Development Index will stay at advanced medium level; 8 doctors per 10,000 people; 30 sick-beds per 10,000 people; 96% rural population provided with hygienic water; 98% urban population provided with hygienic water</i></p>		
<h3>Sub-pillar 3.1: Opportunities for the Poor and Household Resilience to Shocks <sup>3</sup></h3>		
<p style="text-align: center;">SEDS Goal 3: Develop Geographic Regions Harmoniously and Sustainably, and Build Urban and Rural Areas That Meet Our New Standards</p>		
<p><b>Outcome 22: Improved access to basic productive infrastructure in selected (poor) areas</b></p> <p>Households in targeted areas reporting improvements in accessibility to basic productive infrastructure (%)</p> <p style="text-align: center;"><i>Baseline: n/a (2011)</i> <i>Target: 60 % (2015)</i></p> <p><b>Outcome 23: Number of beneficiaries that are women</b></p> <p>Sustainable water and sanitation in project areas</p> <p style="text-align: center;"><i>Baseline: 0 (2013)</i> <i>Target: 51% (2016)</i></p> <p>Access to improved urban infrastructure in low income areas in the Mekong</p> <p style="text-align: center;"><i>Baseline: 0 (2012)</i> <i>Target: 51% (2016)</i></p>	<p><b>Livelihoods</b></p> <ul style="list-style-type: none"> <li>- A national database on poor/near-poor households maintained and available on timely basis for usage by relevant ministries, agencies for targeting, monitoring and evaluating purposes</li> <li>- <b>Two thirds of indicators in the national gender indicator system are collected by 2016</b></li> </ul>	<p><b>Ongoing</b></p> <p>Northern Mountains Poverty 2 (FY10) (P113493) Northern Mountains Poverty 2 Additional Financing Social Protection Systems (FY14) (P123960) Coastal Resources for Sust. Develop. (FY12) (P124702) Central Highlands Poverty Reduction (FY14) (P128072) School Readiness Promotion (FY12) (P117393) Mekong Delta Urban Upgrading (FY12) (P113904) IFC Microfinance (2012-2016) IFC Vietnam Better Work Phase II (2012-2013)</p> <p><b>Pipeline</b></p> <p>Scaling up Sanitation (FY16) <b>AAA:</b> Programmatic Poverty Assessment, MOLISA M&amp;E Support, Programmatic Social Protection</p> <p><b>Trust Funds:</b> Gender issues in Labor and Social Protection during Vietnam's transition to a MIC</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
<p><b>Outcome 24: Regular participation of women and ethnic minorities in planning and decision making processes in project areas in the Northern Mountains</b></p> <p><i>Baseline: 0 (2010)</i> <i>Target: 60% (2016)</i></p> <p><b>Outcome 25: Improved systems for targeting social protection</b></p> <p><i>Social Protection</i></p> <p>A pilot beneficiary database is created in project provinces using existing data on poor, near-poor and beneficiary households.</p> <p><i>Baseline: 0</i> <i>Target: 4 province (2016)</i></p>	<p><b><u>Social Protection</u></b></p> <ul style="list-style-type: none"> <li>- Design of a Social Protection program to be piloted completed by 2015</li> <li>- National Assembly adopts amendments to the social insurance law based on input from World Bank TA by 2015</li> <li>- Improved working conditions and labor relations for 500,000 workers by 2015 (IFC)</li> </ul>	
<p><b>Sub-pillar 3.2: Improved basic infrastructure and public service delivery</b></p> <p>SEDS Goal 8: Firmly Develop Healthcare and Improve the Quality of Medical Provision to the People</p> <p>SEDS Goal 9: Improve the Quality of Human Resources, Reform Comprehensively, and Rapidly Adapt in the Areas of Education and Training</p>		
<p><b>Outcome 26: Travel time to farm production areas in project areas is reduced for at least 50% of farmers</b></p>	<p><b><u>Basic Infrastructure</u></b></p> <ul style="list-style-type: none"> <li>- 315 km of road improved to all-weather standard by 2015</li> </ul>	<p><b><u>Ongoing</u></b></p> <ul style="list-style-type: none"> <li>Mekong Delta Water (FY11) (P113949)</li> <li>Danang Priority Investment (FY08) (P086508)</li> <li>Coastal Cities Sanitation (FY07) (P082295)</li> <li>Urban Water Sup &amp; Wastewater (FY11) (P119077)</li> <li>Project Preparation Facility (FY10) (P118610)</li> <li>Rural Sanitation and Water Supply (FY14) (P127435)</li> <li>Mekong Delta Urban Upgrading (FY12) (P113904)</li> <li>Medium Cities Development (FY12) (P116398)</li> <li>Danang Sustainable City Dev (FY14) (P123384)</li> <li>Northern Mountains Poverty Reduction 2(FY14)</li> <li>Northern Mountains Poverty 2 Additional Financing (FY15)</li> <li>Regional Mekong Water Resources (FY13)</li> </ul>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
		<p>Mekong Delta Transport AF (FY13) (P126605)</p> <p><b>Pipeline</b> Scaling Up Sanitation</p> <p><b>AAA:</b> Rural Broadband TA, Programmatic Governance and Anti-Corruption TA</p> <p><b>Trust Funds:</b> Cofinancing RETFs to Rural Distribution, Rural Transport 3, Mekong Delta Transport, Coastal Cities Sanitation</p>
<p><b>Outcome 27. Increased access to preschool education</b> Number of provinces achieving universal preschool for 5 year-old children <i>Baseline: 10</i> <i>Target: 29</i></p> <p><b>Outcome 28: Increased access to health services by the near poor</b> Utilization of inpatient and outpatient services by the near poor at the level of district hospitals <i>Baseline (2012):</i> <i>In patient 5.1/100</i> <i>Outpatient 11.6/100</i> <i>Update (2012):</i> <i>In patient 10.1/100 (+98%)</i> <i>Outpatient 11.0/100 (-5%)</i> <i>Target: (Dec 2014)</i> <i>In patient 5.6/100 (+10%)</i> <i>Outpatient 12.8/100 (+10%)</i></p>	<p><b>Education</b></p> <p><b>Health</b> - 70% of district hospitals provide full set of health services according to national norms by 2015, up from 51% in 2010 (Northern Upland Health Support Project)- 100 district hospitals and district prevention health centers constructed, renovated and/or equipped by 2015 (Northern Upland Health Support Project + Central North Region Health Project + Avian and Human Influenza Project)</p>	<p><b>Ongoing</b> Northern Upland Health Support (FY08) (P082672) Central North Region Health (FY10) (P095275) Supporting Health Systems in the Regions (FY13) (P122629) Hospital Waste Management (FY11) (P119090) School Education Quality Assurance (FY09) (P091747) Project Preparation Facility (FY10) (P118610) Health Professional Education and Training (FY14) (P131825) School Readiness Promotion (FY12) (P117393) GPE-VNEN project (FY13) (P120867)</p> <p><b>Pipeline</b> Renovation of General Education Reform (P150058) Health Service Delivery Reform (P123731) Enhancing Teacher Effectiveness (P150060)</p> <p><b>AAA:</b> Quality Education for All Policy Dialogue, Programmatic Skills and Education System, Programmatic Health AAA, Programmatic Poverty Assessment</p> <p><b>Trust Funds:</b> AHI Control and Prevention TFs, HIV/AIDS Prevention TF, HIV AIDS Return on Investment, EC-financed Vietnam Health Care Support to the Poor of the Northern Uplands and Central Highlands, JSDF – Improving Quality Basic</p>

CPS Outcome Indicators	Milestones	World Bank Group Program ( <i>indicative</i> )
		Education for Ethnic Minority Children in three disadvantaged provinces, cofinancing to Mekong Health Support, IDF – Improving Effectiveness and Sustainability of Social Health Insurance, KTF – Vietnam Health System Governance Strengthening, HRBF – Developing Results focused Health Care financing mechanisms in Vietnam, GPE-New School Project (P120867)

## Attachment 4: IDA and IBRD Lending Program

\$ million

Pillar	Project Name	IDA	IBRD	Total
<b>FY15 - Planned</b>				
1,2	Transmission Efficiency Project (TEP) <b>DONE</b>		500	500
2	2nd Ho Chi Minh Environmental Sanitation Project <b>DONE</b>	200	250	450
3	Northern Mountains Poverty Reduction 2 AF <b>DONE</b>	100		100
1,2	Sustainable Agriculture Transformation Project	250		250
2	Ho Chi Minh City Green Transport	124		124
3	General Education Reform	77		77
1	Livestock Competitiveness & Food Safety Project AF	45		45
	<b>Total FY15</b>	<b>796</b>	<b>750</b>	<b>1,546</b>
<b>FY16 – Indicative*</b>				
1	Vietnam Regional Industry Competitiveness	96		96
1,2	Energy Efficiency for Industrial Enterprises		200	200
2	Dam Safety Program	450		450
2	Vinh Phuc Flood Risk and Water Management		150	150
3	Health Service Delivery Reform	100		100
3	Vietnam Enhancing Teacher Effectiveness	75		75
1	EMCC3	250		250
1	Program for Improved Land Governance	100		100
2	Can Tho Urban Resilience Project	125	125	250
2	Mekong Delta Climate Change Adaptation Program	250		250
1	Local Roads and Bridges	200		200
3	Scaling-up Sanitation Program	200		200
	<b>Total FY16</b>	<b>1,846</b>	<b>475</b>	<b>2,321</b>

\* The FY16 lending program is indicative as discussions with Government are ongoing. The actual lending program will fall within the amounts identified in paragraph 41: “Vietnam’s indicative IDA17 (FY15-17) allocation is 2.48 billion SDRs, including a FY15 allocation of 857.3 million SDRs. Vietnam also plans to utilize about \$1.5 billion in IBRD resources over the July 2015 to December 2016 period.”

## Annex 1: Progress Towards the MDGs

Goal 1	Eradicate extreme poverty and hunger	Progress	Status
Target 1	Reduce by half the proportion of people living in poverty between 1990 and 2015	Poverty reduced by three-quarters between 1990 and 2008	Already achieved
Target 2	Reduce by half the proportion who suffer from hunger between 1990 and 2015	Progress in reducing malnutrition has been significant, falling from 41 percent in 1990 to 11.7 percent in 2011.	Already achieved
Goal 2	Achieve universal primary education	Progress	Status
Target 3	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	By 2012, the net enrolment rate in primary education reached 97.7 percent. Completion rates only stood at 92.1 percent in 2012, indicating 7.9 percent of students did not complete primary education. Primary completion rates remained the lowest in the Central Highlands (83.6 percent in 2012) and in the Mekong River Delta (86.4 percent in 2012).	Likely to be achieved
Goal 3	Promote gender equality	Progress	Status
Target 4	Ratio of girls to boys in primary, secondary and tertiary education by 2015	Vietnam has eliminated gender disparity in access to primary and mostly obtained gender equality in access to lower secondary education. Between 2006 and 2010, there was no significant difference in the net enrolment rate between boys and girls in primary and lower secondary. Disparity in access to education becomes more apparent in upper secondary education, with the gap in net enrolment rates between boys and girls widening over time. Girls experienced a significantly higher level of access to upper secondary education than boys over the period 2006-2010. Inequality in access to advanced levels of education is relatively low. Even at higher education levels, such as the undergraduate level, the percentage of enrolled women and girls was consistently high at 48 percent over the period 2007-2012.	Already achieved
Goal 4	Reduce child mortality	Progress	Status
Target 5	Reduce by two thirds the mortality rate among children under five between 1990 and 2015	In 2012, the under-one mortality rate was estimated at 15 per 1000 live births, which is just 0.2 percent above the 2015 target of 14.8 per 1000 live births. If the current rate of progress continues, Vietnam can accomplish this target. The mortality rate among children under 5 reduced to 23.2 per 1000 live births in 2012, making Vietnam one of the countries with the lowest rates in child mortality in the ASEAN region.	Likely to be achieved
Goal 5	Improve maternal health	Progress	Status
Target 6	Reduce maternal mortality by three quarters, between 1990 and 2015	Maternal mortality decreased by more than 70 percent points between 1990 and 2012, to 64/100,000 live births in 2012. Progress has slowed and Vietnam may fall a little short of the target.	Likely to be achieved
Goal 6	Combat HIV/AIDS and other diseases	Progress	Status

Target 7	Halt and begin to reverse the spread of HIV/AIDS by 2015	Good progress has also been witnessed in preventing and combating HIV/AIDS. In 2012, the number of newly identified HIV infected cases reduced by 22 percent compared to 2011, and by 31.5 percent compared to 2001. The HIV prevalence rate is stable at 0.3 percent of the whole population. The proportion of HIV patients receiving ARV drugs in 2011 is 22 times higher than 2005 and 1.5 times higher than 2009. However, access to interventions for HIV patients remains limited. HIV/AIDS prevention and treatment related services are largely externally financed and, therefore, sustainability is the key concern.	Uncertain
Target 8	Halt and begin to reverse the incidence of malaria and other major diseases by 2015	The number of people infected with malaria has decreased by 85 percent, while there has been a 90 percent drop in the number of malaria-related deaths between 2000 and 2011. The number of newly found cases of malaria is continuously on the decline. Vietnam surpassed the global goal regarding TB control when the country successfully reduced the number of new cases and deaths from TB by 62 percent since 1990. However, in order to meet the West Pacific target, Vietnam still needs to make more effort to obtain a reduction of more than 10 percent in new TB cases and 12 percent in TB-related deaths between 2013-2015, which highlights the importance of increasing investment and more effective use of national resources. Vietnam is also acknowledged to have done a good job in controlling other epidemics such as SARS, H5N1 and H1N1.	Already achieved
Goal 7	Ensure environmental sustainability	Progress	Status
Target 9	Integrate the principles of sustainable development into country policies and program; reverse loss of environmental resources	Viet Nam's socioeconomic development strategy shows strong commitment to integrating the principles of sustainable development into national policies and programs and to reversing loss of environmental resources. Achievements include adoption of Green Growth and Climate Change action plans with significant leadership in support of their implementation strategies and increase in forest coverage from 27.8 percent in 1990 to about 40 percent in 2010. Much more needs to be done to translate strategies into concrete and meaningful programs which will substantially reverse years of significant environmental damage. In particular, quality of forest cover needs to be improved in parallel with expansion efforts.	Uncertain
Target 10	Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015	By 2011, the proportion of the population using an improved drinking water source was 96 percent, up from 58 percent in 1990 and the proportion of the population using an improved sanitation facility was 75 percent, up from 37 percent in 1990.	Uncertain

Source: United Nations DevInfo website (<http://www.devinfo.org/>) (and for Target 10 the Joint Monitoring Program (<http://www.wssinfo.org/> and World Bank Poverty Assessment (2012).

## Annex 2: Total IDA and IBRD Commitments

CPS Pillar	Projects – Development Policy Operations in <i>italics</i>	IBRD \$m	IDA \$m	Total
<b>FY12</b>				
3	Third Rural Transport Project - Additional Financing		97	97
1	Medium Cities Development Project		210	210
1	<i>Vietnam Poverty Reduction Support Credit 10</i>		150	150
2	<i>Vietnam Climate Change Development Policy</i>		70	70
3	Mekong Delta Region Urban Upgrading Project		292	292
2	Forest Sector Development Project - Additional Financing		30	30
1	<i>Vietnam Power Sector Reform DPO2</i>	100	100	200
2	Coastal Resources for Sustainable Development Project		100	100
<b>Total FY12</b>		<b>100</b>	<b>1,049</b>	<b>1,149</b>
<b>FY13</b>				
2	Vietnam - Managing Natural Hazards Project		150	150
1	Distribution Efficiency Project		448	448
2	<i>Vietnam Climate Change Development Policy 2</i>		70	70
2	Vietnam Industrial Pollution Management Project		50	50
3	Rural Sanitation & Water Supply (PforR)		200	200
1	Mekong Transport Infrastructure Development - AF		156	156
1	<i>Higher Education Development Policy Program: Third Operation</i>		50	50
3	School Readiness Promotion Project		100	100
1	<i>Economic Management Competitiveness Credit 1 (EMCC1)</i>		250	250
2	Danang Sustainable City Development Project		203	203
1	Vietnam Inclusive Innovation Project		55	55
3	North East & Red River Delta Regional Health System Support Project		150	150
1	Vietnam Science and Technology Innovation - FIRST		100	100
<b>Total FY13</b>			<b>1,983</b>	<b>1,983</b>
<b>FY14</b>				
2	Regional Mekong Water Resources		25	25
1	Vietnam Irrigation Efficiency Project		180	180
3	Poverty Reduction in Central Highlands		150	150
1	<i>Power DPO 3</i>	200		200
1	<i>Economic Management Competitiveness Credit - 2</i>		250	250
3	Vietnam Social Protection System		60	60
1	Vietnam Road Asset Management Project		250	250
3	Vietnam Health Professional Education and Training Project		106	106
3	Northern Mountains Urban Development Project P for R		250	250
2	<i>Climate Change DPO3</i>		70	70
<b>Total FY14</b>		<b>200</b>	<b>1,341</b>	<b>1,541</b>

<b>CPS Pillar</b>	<b>Projects – Development Policy Operations in <i>italics</i></b>	<b>IBRD \$m</b>	<b>IDA \$m</b>	<b>Total</b>
<b>FY15 to date</b>				
1	Transmission Efficiency Project	500		500
2	2 <sup>nd</sup> Ho Chi Minh City Environmental Sanitation Project	250	200	450
3	Northern Mountains Poverty Reduction Project 2 Additional Financing	100		100
<b>Total FY14/15</b>		<b>850</b>	<b>200</b>	<b>1,050</b>
<b>Total</b>		<b>1,150</b>	<b>4,573</b>	<b>5,723</b>

### Annex 3: AAA Delivered

	CPS Pillar		
	1	2	3
<b>FY12</b>			
<b>ESW</b>			
Vietnam Development Report 2012 - Transition to Market	√		
Vietnam Poverty Analysis			√
Country Gender Action Plan & Assessment			√
Review of State Owned Enterprise Reform in the Transport Sector	√		√
Vietnam Urbanization Review			
Policy - Banks Reform	√		
Enhancing the Role of MSMEs in Vietnam	√		
PSIA in Support of Vietnam Climate Change DPO		√	
DeMPA Assessment - Vietnam	√		
<b>TA</b>			
Vietnam Hydro Environmental & Social Safeguards TA		√	
Governance and Poverty Policy Analysis and Advice Program	√		√
FIRST: Vietnam Strengthening Public Credit Registry	√		
Urbanization Review: Developing the Analytical Tool and	√		√
Financial Sector Assessment Program - Preparatory TA	√		
Vietnam Health Systems Strengthening Support Program			√
Technical Assistance for Rural Water Supply			√
Vietnam Programmatic Social Safety Net Assessment			√
Developing Robust Flood Defenses in HCMC		√	
Vietnam Knowledge Transfer	√		
Programmatic Governance and Anti-Corruption TA	√	√	√
<b>FY13</b>			
<b>ESW</b>			
Financial Sector Assessment Program	√		
Pro-Poor Rural Development Initiatives in Vietnam's Central Highlands	√		√
Programmatic Skills and Education AAA	√		√
Trade Logistics and Multimodal Transport	√		√
<b>TA</b>			
HIV/AIDS strategy and policy dialogue			√
Vietnam Trade Facilitation Assessment and Strategic Planning	√		
Supporting Citizens Rights in Vietnam			√
HIV/AIDS Awareness & Prevention Program			√
Capacity Building to Review Waste-to-Energy Project Proposal		√	
Rural Broadband Strategy - Phase 2			√
Knowledge and Experience Exchange between Indonesia and Vietnam			√

	CPS Pillar		
	1	2	3
Debt Management Reform Plan	√		
Transmission Network Modernization			√
Review of Approaches for Delivery of Water Supply and Sanitation			√
<b>FY14</b>			
<b>ESW</b>			
Vietnam Development Report 2014 - Skills	√		√
Report of the Observance of Standards and Codes (ROSC) Update	√		
Vietnam Science Technology and Innovation Review	√		
Agriculture Public Expenditure Review	√		
Trade Facilitation, Logistics and Transport Efficiency	√		√
Assessment of Financing Framework for Municipal Infrastructure		√	
Performance of the Wastewater Sector in Urban Areas			√
Irrigated Agriculture and Irrigation Systems Management Reform	√		
Monitoring Technical and Social Indicators on Transport Projects			√
<b>TA</b>			
Water Supply and Sanitation TA Program - Advisor			√
Workforce Development TA	√		
Developing Knowledge Partnership	√		
Programmatic Monitoring and Evaluation for Effective Poverty			√
Programmatic Technical Assistance for Health Policy and Health Policy			√
Cumulative Impact Assessment and Optimized Water Management		√	
Ho Chi Minh City Bus Energy Efficiency Improvements		√	
Ho Chi Minh City Integrated Planning for Urban Transport			√
PPP Viability Study for VN Expressway			√
Support for Agricultural Restructuring	√		
Enhancing Impact Evaluation in Selected Projects	√		√
TA Support for Revision of Value Added Tax and Corporate Income	√		
TA on Procurement Capacity Building Strategy	√		
TA to Survey SOE Information flows	√		
TA Workshop on Procurement Law	√		
Vietnam Water Sector Reform/Regulation TA	√		√

## Annex 4: IFC Commitments

FY12-15 (by end November)

\$s Million

Project Name	Sector	Loan	Equity	Quasi-Loan	Quasi-Equity	Guarantee	Risk Mgmt	Total IFC Own Acc't	Syndications	Other Mobilization	Total Own Acc't + Mobilization*
<b>2012</b>											
CCL Products	Other Food	9.0						9.0			9.0
CyberSoft	Computer Systems Design & Related Services		0.0					0.0			0.0
GTFP An Binh Bank	Commercial Banking - Trade					8.8		8.8			8.8
GTFP LienViet	Commercial Banking - Trade					15.1		15.1			15.1
GTFP OCB	Commercial Banking - Trade					20.4		20.4			20.4
GTFP Sacombank	Commercial Banking - Trade					207.4		207.4			207.4
GTFP Techcombank	Commercial Banking - Trade					336.4		336.4			336.4
GTFP Tien Phong	Commercial Banking - Trade					0.4		0.4			0.4
GTFP VIB Vietnam	Commercial Banking - Trade					74.0		74.0			74.0
GTFP Viet Exim	Commercial Banking - Trade					81.5		81.5			81.5
GWFP Techcom	Commercial Banking - Trade & Supply Chain	20.0						20.0			20.0
OCB SME Loan	Commercial Banking - General	15.0						15.0	10.0		25.0
P-VN swap gtee	Motor Bicycle						1.8	1.8			1.8
VI Fund II	Growth Equity Fund		15.0					15.0			15.0
Vietinbank RI 01	Commercial Banking - SME Finance		5.3					5.3		4.3	9.6
WCSS OCB	Commercial Banking, Trade & Supply Chain	10.0						10.0			10.0
WCSS Techcombank	Commercial Banking - Trade & Supply Chain	30.0						30.0			30.0
<b>2012 Total</b>		<b>84.0</b>	<b>20.3</b>			<b>743.9</b>	<b>1.8</b>	<b>850.1</b>	<b>10.0</b>	<b>4.3</b>	<b>860.1</b>
<b>2013</b>											
GTFP ACB Vietnam	Commercial Banking - Trade					5.0		5.0			5.0
GTFP An Binh Bnk	Commercial Banking - Trade					2.3		2.3			2.3
GTFP DongA	Commercial Banking - Trade					38.3		38.3			38.3
GTFP OCB	Commercial Banking - Trade					78.5		78.5			78.5
GTFP Sacombank	Commercial Banking - Trade					38.3		38.3			38.3
GTFP Techcombank	Commercial Banking - Trade					454.1		454.1			454.1
GTFP VIB Vietnam	Commercial Banking - Trade					162.2		162.2			162.2

Project Name	Sector	Loan	Equity	Quasi-Loan	Quasi-Equity	Guarantee	Risk Mgmt	Total IFC Own Acc't	Syndications	Other Mobilization	Total Own Acc't + Mobilization*
GTFP VIETINBANK	Commercial Banking - Trade					25.0		25.0			25.0
InfraV-Methis	Solar - Renewable Energy Generation		0.7					0.7			0.7
InfraV-SN Power2	Large Hydro - Renewable Energy Generation			0.4				0.4			0.4
Veco Swap	Wood Panels & Engineered Wood Products						0.3	0.3			0.3
<b>2013 Total</b>			<b>0.7</b>	<b>0.4</b>		<b>803.6</b>	<b>0.3</b>	<b>805.0</b>			<b>805.0</b>
<b>2014</b>											
GTFP An Binh Bnk	Commercial Banking - Trade					4.5		4.5			4.5
GTFP DongA	Commercial Banking - Trade					41.1		41.1			41.1
GTFP OCB	Commercial Banking - Trade					81.4		81.4			81.4
GTFP Techcombank	Commercial Banking - Trade					391.4		391.4			391.4
GTFP VIB Vietnam	Commercial Banking - Trade					173.2		173.2			173.2
GTFP VIETINBANK	Commercial Banking - Trade					154.0		154.0			154.0
MEF III	Growth Equity Fund		15.0					15.0			15.0
Nam Long Housing	Construction & Real Estate		7.5					7.5			7.5
Thien Minh II	Tour Operators		14.0					14.0			14.0
Vietinbank RI 02	Commercial Banking - SME Finance		5.7					5.7		4.6	10.3
<b>2014 Total</b>			<b>42.2</b>			<b>845.6</b>		<b>887.8</b>		<b>4.6</b>	<b>887.8</b>
<b>2015</b>											
GTFP An Binh Bnk	Commercial Banking - Trade					7.8		7.8			7.8
GTFP DongA	Commercial Banking - Trade					4.3		4.3			4.3
GTFP OCB	Commercial Banking - Trade					34.6		34.6			34.6
GTFP Techcombank	Commercial Banking - Trade					104.4		104.4			104.4
GTFP VIB Vietnam	Commercial Banking - Trade					57.7		57.7			57.7
GTFP VIETINBANK	Commercial Banking - Trade					86.0		86.0			86.0
<b>2015 Total</b>						<b>294.8</b>		<b>294.8</b>			<b>294.8</b>
<b>Grand Total</b>		<b>84.0</b>	<b>63.2</b>	<b>0.4</b>	<b>-</b>	<b>2,688.0</b>	<b>2.1</b>	<b>2,837.7</b>	<b>10.0</b>	<b>8.9</b>	<b>2,847.7</b>

## Annex 5: IFC Advisory Service Portfolio

Project	Timeline	Pillars		
		1	2	3
Licensing Procedure Reform	2009-2012	√		
Business Tax Simplification	2012-2016	√		
Green Building Regulations	2012-2016		√	
Debt Resolution	2013-2016	√		
SME: AnBinh Bank	2011-2014	√		
SME: Vietinbank	2011-2013	√		
Capital Markets Dev.	2008-2013	√		
Microfinance	2012-2016			√
Private Credit Bureau	2008-2016	√		
Secured Transactions	2008-2016	√		
Energy Efficiency. & Cleaner Production	2008-2015		√	
Environment and Social Risk Management for Financial Sector	2011-2017		√	
Coffee Farmer Training	2010-2012		√	√
Vietnam Corporate Governance	2008-2018	√		
Better Work Sustainability	2012-2014		√	√
Provincial PPP	2012-2013	√	√	
Agrifinance	2012-2017	√		√

**Annex 6: MIGA Commitments**

<b>CPS Pillar</b>	<b>Projects</b>	<b>Total (\$m)</b>
<b>FY12</b>		
	-	-
<b>Total FY12</b>		<b>-</b>
<b>FY13</b>		
2	Ma San Group Consumer Products Expansion Project	167.7
<b>Total FY13</b>		<b>167.7</b>
<b>FY14/FY15 to date</b>		
3	BT20 National Highway 20	500.0
<b>Total FY14/15</b>		<b>500.0</b>
<b>Grand Total</b>		<b>667.7</b>

## **Annex 7: Detailed WBG Program Description by Pillar**

### **Pillar 1: Competitiveness**

#### **Outcome 1.1: Improved economic management and business environment.**

1. Macroeconomic stability in Vietnam continues to improve, driven by the strong determination of the Government and SBV to achieve stability. It has been underpinned by moderating inflation, eased pressure on the Vietnamese Dong, and stronger external trade and capital account balances. Sovereign bond ratings have increased and sovereign risk on Vietnam's credit default swap has fallen to levels seen just before the global financial crisis in 2009. However, critical risks remain, including foreign exchange reserve cover at about only 3 months of imports; private sector demand remains sluggish, and the banking sector remains vulnerable to sudden shifts in depositor confidence and to the further deterioration of the balance sheets of the more fragile banks. The Government will need to maintain prudent fiscal and monetary discipline in the face of weak private sector demand, while continuing to support the momentum on key structural reforms. Vietnam is also facing economic and social challenges as a result of a faltering growth rate with an unbalanced growth within the country and continuing obstacles to private-sector led growth, specifically for the micro and SME segment which account for over 97 percent of the country's enterprises.

2. The Bank, in coordination with the IMF, will continue to contribute to improvement of Vietnam's macroeconomic management through regular policy dialogue, annual budget support operations and systematic AAA. The World Bank will work closely with the State Bank of Vietnam (SBV) and the Ministry of Finance to support a comprehensive Financial Sector Advisory Program, building on the recently completed and disclosed Financial Sector Assessment. Areas of focus include: banking sector restructuring, enhancing the role of the capital market as a provider of term financing, and strengthening financial infrastructure and improve access to financial services to the under-banked and underserved through development and implementation of a national financial inclusion strategy. IFC activities will focus on broadening and deepening Vietnam's financial markets. The WBG will foster increased access to finance by the private sector through lines of credit as well as advisory services, including microfinance, mobile-banking, SME finance, agri-finance and risk management.

3. The Bank will continue to support measures to improve public financial management, (including Programmatic Public Finance Review), notably modernization of revenue collection and reform of public expenditure management and oversight (especially through revision of the State Budget Law), fiscal decentralization, and public investment management (supporting for example, implementation of a new Public Investment Law). The Bank will support debt management, strengthening the capacity for the medium term debt strategy, access to international capital markets, improving transparency, and helping to consolidate debt management functions, among other things. The Bank will continue to work with the accounting and audit professional bodies and regulators to strengthen the quality of corporate financial reporting, and provide support to the implementation of the new public Procurement Law (passed by the National Assembly in November 2013). The Bank will build on the Fiscal Transparency Review and the Fiscal Decentralization Review to conduct a joint Bank-GOV Public Expenditure Review in FY16, which will continue to provide evidence on effectiveness of public finance policies.

4. The Bank will work closely with the IFC to address priority reforms to improve the business enabling environment with particular focus on SOE equitization and reform, looking at issues such as SOE corporate governance, improving competition/levelling the playing field and SOE indebtedness. IFC will continue support to introduction of global standards of corporate governance and risk management, and in attracting world-class strategic partners and investors. IFC and WB will continue to support improvement of the business environment through investment climate advisory service

activities focused on trade facilitation, competition, Doing Business based reforms, and regulatory governance to address implementation gaps. WB and IFC will work on initiatives to enhance sectors' competitiveness, better integrate the domestic private enterprises into global value chains.

### **Outcome 1.2: Improved quality and efficiency of infrastructure services.**

5. The WBG will continue to support improvements in the quality and efficiency of: energy, water, and transport-related services.

6. Between 2010 and 2020, electricity demand is expected to increase at an annual rate of 12 percent. Business-as-Usual would require a quadrupling of power capacity by 2030, and investments in generation and network expansion of US\$4-5bn per annum. At the same time, ENV has large accumulated losses and faces considerable challenges to finance its investment program. Given this context, the Bank will support overall sector reform and financing, with continued focus on operational efficiency, market competition, transparent and cost reflective electricity pricing, energy efficiency and renewables. The WBG will remain actively engaged in all critical areas of the sector reform, assisting with the design of the wholesale market, providing technical assistance to EVN on improving its financial performance and advising the GoV on a divestiture strategy for the Gencos bringing in best international experience. Support will continue to be provided through complementary DPOs and sector investment loans (SILs). The IFC will also continue to promote energy efficiency.

7. The Bank will finance investments supporting efforts to improve quality and efficiency of water supply and governance reform (including an improved regulatory environment to attract private sector investment, and increase efficiency and accountability, and support increases in the transparency and predictability in tariff setting, enforcement and the shift of public institutions to become regulators and facilitators.) Support will continue to be provided through programmatic AAA for water and targeted investment projects. The Bank will also continue to support integrated urban development initiatives in larger cities, covering urban planning, municipal management and the integration of major infrastructure and basic services to make these cities more attractive venues for investment. Project design will be informed by ongoing programmatic AAA on urban development.

8. The World Bank Group will continue to support the development of a more competitive transport sector, financing the upgrading of the national road network, and investing in urban transport infrastructure and mass transit systems. Technical assistance is being provided for the management of large-scale infrastructure projects (planning, finance, and long term risks), developing institutional and regulatory frameworks for multi-modal transport, developing policies and tools for more effective road asset management and piloting the use of medium term expenditure frameworks at the provincial level. The WBG will continue to support the Government's plan to scale up public investment by mobilizing private resources for infrastructure development, by providing technical assistance and potential financing for pilot PPP projects. IFC will continue to provide advisory services on PPP transactions and will invest in infrastructure projects, including as an anchor investor in large-scale strategic industrial infrastructure projects. MIGA will continue to support the financing of the national road network, including through potential support for large-scale strategic PPP projects.

### **Outcome 1.3: Increased capacity for innovation and value addition.**

9. Vietnam's fast development in recent years has been driven by substantial capital investments its low-cost labor and its natural resources. As an emerging middle-income country, Vietnam's challenge now is to prepare for a transition from a growth model based on factor accumulation to one of efficiency improvements. The structure of the economy will need to shift towards more innovation-based, higher order manufacturing and services, and labor will have to become more productive if Vietnam wants to sustain high rates of economic growth in the coming decades and adjust to rapid population ageing. Innovation capacity, human capital and Vietnam's ability to produce higher order

skills and competencies are increasingly central to its future efficiency-driven economic growth and development prospects.

10. As highlighted in the CPS, a central element of Vietnam's innovation agenda is strengthening labor market skills by reforming the education and training system. The 2013 Vietnam Development Report (VDR) "Skilling Up Vietnam" documents that employers are facing skills shortages; they are looking for job-specific technical skills usually acquired through higher and post-secondary education and training as well as cognitive and behavioral foundation skills mainly acquired through basic and secondary general education. The report highlights the importance of promoting school readiness through early childhood development, building the cognitive and behavioral foundation in general education; and building job-relevant technical skills through a more connected system between employers, students and universities, and vocational schools.

11. As envisioned under the CPS, Bank support has gradually shift from support for expansion of supply of infrastructure and inputs, towards strengthening the education system as a whole and factors that impact service delivery, with a focus on adjustments to the finance and governance systems. Strengthening capacity for measuring outcomes in the education system through student learning assessments at all levels will also remain central to the program. Linked to the higher education agenda, the Bank will continue to deepen the engagement in science and innovation policy drawing on existing and proposed analytics. The lending program will focus on supporting the new general education curriculum to be adopted around 2015, and on addressing weaknesses in teacher competencies and teacher policy (see also pillar 3 Opportunity). In higher and post-secondary education, the Bank will support implementation of the new Higher education law, with focus on institutional missions and the roles of different higher education institutions, processes for quality, finance and incentives, and responsiveness to employer needs. Going forward, the Bank will provide more integrated support to the education system as a whole.

12. The Bank will continue to support reforms in Vietnam's innovation systems to modernize and expand capacity, providing support investment lending for innovations in selected industries where there is potential to benefit large numbers of the population, and for the development of business incubation programs that leverage regional and sectoral approaches to facilitate development of innovative enterprises. The Bank is also collaborating with IFC to support development of micro, small, and medium enterprises and in building competitiveness in select industries.

13. In agriculture, the Bank supported the development of Vietnam's Agriculture Restructuring Plan, adopted by the Government in August 2013. The plan introduces 6 key principles: sustainable development, a market-based approach, a shift of role for the Government from investor to facilitator, partnership with the private sector and community organizations, national and local roles and continual evolution. The strategy aims to change the way the state interacts with the private sector, farmers, community organizations, the scientific community and international trading partners. It focuses on raising productivity, the application of good agricultural practices and the profitability of small holders, moving beyond national food security, coffee sector rehabilitation, addressing food safety, and the overall institutional reform of both the Ministry of Agriculture and Rural Development and SOEs. The Bank will support the operationalization and implementation of the plan through AAA and lending, and the cascading down from MARD to related government departments and institutions, including at the provincial and local level. Bank-IFC collaboration will continue to strengthen the enabling environment, capacity for agro-industrial development and investment promotion. The Bank will also continue to support climate smart agriculture, as discussed below.

## **Pillar 2: Sustainability**

14. In response to climate impacts and growing international concern over rising emissions, the Government has demonstrated strong commitment to, and continued leadership on green growth, climate change, and disaster risk reduction, adopting a cross-cutting and sectoral approach focused on resource management, adaptation with growing efforts on mitigation. The Government has issued significant guiding documents that set the stage for an increased governmental emphasis on these critical areas,<sup>7</sup> and has become more active in the international dialogue, building on experience gained from its national program and increased capacity. The Government is in the process of developing a post-2015 multi-sector national climate change response support program that would serve as a follow up to current Government programs that are scheduled to end at the end of 2015 (SP-RCC and NTP-RCC). This program would aim to continue the significant policy reforms that have taken place over the past few years under the program and would also increase targeted climate change response investments and strengthen the knowledge base and capacity to make effective decisions to address the country's climate change challenges. Directed by the Deputy Prime Minister as chair of the National Climate Change Committee, the Government has now set up a Post-2015 Climate Change Program preparation team. Over the past few years, the Bank has moved towards a greater focus on the prioritization of highly vulnerable areas, a stronger analysis of the strategic basis for action, and a programmatic support to policy, financing and the institutional reform agenda. The WBG engagement fosters synergy between green growth, climate change, and disaster risk management. Multi-sectoral work is also being undertaken to better understand the rich resources and the multiple climate and disaster-related risks facing the Mekong Delta, and the risks and opportunities currently facing government as they work to protect the Delta (see Box 1). This work cuts across all three engagement areas described below.

### **Outcome 2.1: Improved Natural Resource Management GREEN**

15. The green agenda in Vietnam places a value on natural assets – forests, coral reefs, wetlands, fisheries, land and water. It focuses on nurturing greener, more inclusive growth and poverty reduction while protecting biodiversity and ecosystems. At the policy level, the Bank will help to strengthen policies on forest governance, efforts to support state forest enterprise reform, the development of a new strategy for coastal zone management and reforms on wildlife trade policies. Through the Forest Carbon Partnership Facility, the Bank is supporting the development of Vietnam's Emission Reduction Program which would take a landscape approach and work across key sectors driving deforestation to make substantial achievements through catalytic carbon finance for sustainable forest-agriculture. The Bank is also supporting efforts to improve institutional capacity, including for natural capital accounting, and improved community management of natural resources. Climate smart agriculture is being integrated directly across the overall agriculture program, with early focus on the coffee sector (replanting of coffee integrated with water resource management), adoption of climate-smart agriculture in selected irrigation schemes, and supporting broader sector-wide approaches as laid out in the Government's Agriculture Restructuring Plan.

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<sup>7</sup> Some examples: The GoV issued the 2011 National Climate Change Strategy, the 2012 National Action Plan on Climate Change, and in 2012 adopted the national Green Growth Strategy (GGS) which includes targets for greenhouse gas (GHG) emissions reductions. The Central Committee of the Communist Party of Vietnam issued Resolution 4 of its XI Congress on June 3, 2013 on "Responding to Climate Change, protection of natural resources and the environment". The Law on Natural Disaster Prevention was approved by the National Assembly in 2013, and the Government finalized a National Strategy for Natural Disaster Prevention, Response and Mitigation to 2020.

### **Box 1 – Integrated, Multi-sectoral Support to the Mekong Delta**

The Mekong Delta is critical for the development of Vietnam and also for regional food security; the Delta produces 50% of Vietnam's rice (90% for export) and 70% of its aquaculture products. The wetlands and estuaries of the Delta are important sources of biodiversity. Over the last decade or so, there have been a number of changes, both natural and anthropogenic, which are already placing significant development pressures on the Mekong Delta. Key impacts include:

- ***Subsidence*** (estimated as 3-5cm per year) and sea level rise (the Delta < 2.5m above sea level) which combine to significantly increase flood risk;
- ***Saline intrusion in coastal areas*** (due to a combination of groundwater extraction and sea level rise) impacting on livelihoods and domestic/industrial water supply;
- ***Increased population growth***, urbanization, agricultural development and industrialization pressure on water resources, degrading water quality, and causing flooding, which particularly impacts the poor; and
- ***Upstream development***, for example hydropower and irrigation, affecting flow regimes, natural sedimentation patterns and fish migration.

The Mekong Basin is at a critical point where decisions made now could have irreversible long term impacts on the Delta. The Bank is supporting the Government as it develops a more holistic vision of current risks and opportunities in the Delta. The Bank's assistance in the Mekong Delta is now shifting towards a more integrated and programmatic approach – which will be more strategic to better leverage the Bank analytical and investment instruments, and to improve synergies with other development partners. The Bank's program is multi-sectoral (agriculture, urban development, energy, environment, and transport), addresses various temporal scales (from daily operations to long-term climate change concerns), and supports institutional coordination across key Government Ministries (of Agriculture & Rural Development; Environment & Natural Resources; Planning & Investment etc.) and across levels of government, between state governments, and among international governments (through such mechanisms as the Mekong River commission) given trans-boundary issues related to water resources management. The Bank program builds directly on the considerable lessons learned from other delta systems such as in the Dutch, Nile, Okavango, Ganges, and Mississippi deltas.

### **Outcome 2.2: Strengthened Environmental Protection and Management CLEAN**

16. The Bank continues to support sector-based mitigation actions in Vietnam. Contribution to the reduction of Vietnam's carbon footprint is done through a set of operations that target urban GHG emissions, promote sustainable energy, strengthen forest management efforts, and reduce short-lived climate pollutants. The Bank is involved in the development of low-carbon cities, particularly through the promotion of sustainable urban transport and infrastructure practices. The Bank's energy portfolio supports demand and supply side energy efficiency and the uptake of renewable energy generation in the country. The Bank's portfolio includes primary climate change projects that are increasing the country's energy capacity while working to promote lower carbon forms of energy generation. On the policy side, the Bank is supporting policies that would strengthen energy efficiency practices in large energy users of the industrial sector. The IFC supports the complementary development of energy efficiency and renewable lending capacity by providing dedicated capital lines and advisory services in the banking sector (subject to market conditions). IFC will also continue to mobilize Clean Technology Fund financing for direct investments in RE beyond hydropower and is active in promoting Green Building. The Bank is supporting the reduction of forest-based GHG emissions by supporting small-holder plantation and biodiversity conservation. The Bank is also supporting the safe

disposal of hospital waste, investments and capacity building for pollution control enforcement at selected industrial parks, the introduction of compressed natural gas public buses, improved systems for waste water and solid waste management, and measures to manage livestock waste and promote safer use of pesticides.

### **Outcome 2.3: Enhanced Preparedness for Natural Hazards and Climate Change RESILIENT**

17. The Bank will continue to support efforts to enhance the climate resilience of infrastructure, and agriculture and water sectors as well as supporting the resilience of mountain and coastal livelihoods. The Bank will continue to support ex-ante preparedness and mitigation measures, including support to strengthen hydro-meteorological services and early warning systems, investments to reduce storm and flood risks in highly vulnerable areas (including Ho Chi Minh City, Can Tho and Vinh Phuc), scaling up of community-based disaster risk management, improvements in area-based and urban disaster risk planning and mapping, support to improve dam safety, the implementation of a DRM awareness-raising campaign, and the piloting of an agro-weather advisory services. On the policy side, the Bank is supporting an adaptive legal framework for integrated water resources management that would improve the climate resilience of Vietnam's water resources. Technical assistance is being provided to support Vietnam in the development of an effective approach to domestic and international resource mobilization to enable the planning and implementation of the Government's climate change and green growth response program. The WBG continues to respond to growing client demand for protection against natural disasters, as reflected by rising financial commitments for DRM and CCA; increasing the integration of DRM in investment operations; and providing a growing number of specialized analytical services. Examples of recent knowledge products include the establishment of a national M&E system for the implementation of the National Disaster Prevention, Response, and Mitigation to 2020, and the mainstreaming of climate resilience into Socio-economic Development Plans.

### **Pillar 3: Opportunity**

#### **Outcome 3.1: Increased Opportunities for the Poor and Household Resilience to Shocks**

18. The Bank will continue to support Government in its efforts to further strengthen poverty reduction and social protection policies, and to improve the livelihood and earning opportunities for the remaining poor and vulnerable, many of whom are ethnic minorities. Complementary support will be provided by both IFC and the Bank to strengthen financial inclusion and the provision of and access to micro-finance and other financial services for the urban and rural poor as well as rural micro enterprises and SMEs. IFC investment and advisory engagements will continue to focus on: supporting development of a viable commercial microfinance industry to improve access to finance for Vietnam's base of the pyramid and rural population; and increasing opportunities for the base of the pyramid by supporting investments with supply chains linkages into rural economies and by increasing private sector-oriented education.

19. Vietnam's economic and social transitions from a lower to a middle income country and from a young to an aging society are focusing the attention of policy makers towards systematically strengthening the formal social protection system. In 2012 the Central Committee of the Communist Party of Vietnam adopted Resolution 15 on developing a social protection system. This includes strengthening social assistance through reducing fragmentation and overlaps of programs, the further development of social insurance, modernization of employment and human resource policy and strengthening of monitoring and evaluation. It sets an ambitious target of expanding pension coverage from the current 19 percent of the workforce to 50 percent by 2020. The Bank is supporting of the implementation of these strategies. The Bank will focus on supporting the policy dialogue on social insurance with the aim to inform the amendment of the Social Insurance Law and to re-start the

dialogue social insurance administration reforms. It will also provide hands-on TA and advice on social assistance, and possible engagement around minimum wage policy, other labor market institution issues and the interface between education and social protection and labor. The Social Assistance System Strengthening Project (approved in FY14, \$60m IDA) supports Government efforts to develop solutions for system modernization and consolidation of programs and processes including on M&E, pilot them through a new social assistance cash transfer program for poor households with children in three provinces which would replace existing cash transfers; and lay a solid foundation for further consolidation and deployment of the modern delivery system across Vietnam.

### **Outcome 3.2: Improved Basic Public Service Delivery and Access**

20. Bank support will continue to focus on reducing the risk of transmission of poverty from the current to the next generation by supporting better access to basic services, better access of children from disadvantaged backgrounds to early childhood education and development services, and support Government's efforts to expand coverage and utilization of health insurance, in particular by the poor and the near-poor.

21. The Bank will continue to support the provision of basic infrastructure and related services in rural and urban areas. The Bank will continue to finance investments in rural areas to connect communities to basic access and improved all-weather roads and strengthen the management and maintenance of the rural road network in provinces throughout northern and central Vietnam. Efforts will continue to sustainably increase access to water supply and sanitation services (including through results-based approaches), and upgrade the living conditions in poor urban neighborhoods.

22. The Bank will also focus attention on critical gaps in access to sanitation and the link to health outcomes for ethnic minorities, given that they tend to have both higher poverty rates, and lower MDG status (see pages 5 and 6 above). In the case of sanitation, the gap in access between the ethnic minority-dominated areas and the rest of country is significant. The Northern Mountains (NM) and Central Highlands (CH) regions are among those with the highest percentages of ethnic minorities and the lowest sanitation access rates in the country. While only 2 percent of the country's population practice open defecation, the rate in the NM and CH regions is significantly higher; more than 15 percent overall and 27.5 percent for ethnic minorities in this area. There is adequate evidence that lack of access to sanitation and hygiene has serious health consequences, particularly for children below 5 years who are the most susceptible to diarrheal diseases. The NM-CH regions have the highest morbidity rates in Vietnam for diarrhea and parasitic infections which are the number two leading cause of morbidity in the northern mountainous regions. In order to successfully address this challenge and target ethnic minorities in the hardest-to-reach regions, the Bank will develop a multi-sectoral approach to commune-wide sanitation, linking government health programs to mainstream hygiene promotion and improved access to sanitation at health facilities, developing integrated education/awareness programs, ensuring proper sanitation facilities in schools, and linking them to nutrition and feeding programs in the NM and CH regions.

23. The challenge for the education system in the coming decade will be to reach the last un- or underserved groups in basic education, who are extremely poor, children with disabilities and ethnic minorities, and to enhance their learning outcomes and to produce graduates at secondary and tertiary level with the right set of cognitive, behavioral and technical skills for an increasingly knowledge-based economy (see also Pillar 1 on Competitiveness). Progress on both will require increasing attention to ensuring that children and young people not just enroll and progress in education but that they actually learn. In addition, it will require thinking more broadly and creatively about the constraints faced by individuals from disadvantaged backgrounds in acquiring education.

24. Efficiency of public resource use in education will become an ever more prominent part of education system strengthening as the demands for education services grow and spending is already considerable both as share of the budget (around 20 percent) and GDP (close to 5 percent). The Bank's education engagement will be informed by an analysis of the impact of demographic change on the education system and teacher efficiency. The analysis will help understand the extent to which the current financing system reduces or exacerbates inequalities of opportunities in access to high quality education. The Bank's lending engagement will focus supporting the implementation of the new general education curriculum to be adopted around 2015 and on addressing weaknesses in teacher competencies and teacher policy.

25. Vietnam has been very successful in improving basic health indicators for the majority of the population. Vietnam is on target to reach 4 out of 5 health-related MDG goals, with the exception being access to Anti Retro-Viral treatment for HIV/AIDS. Gaps in health outcomes remain: child mortality and maternal mortality rates in mountainous rural areas are 3 to 4 times higher than in plain rural and urban ones, and 2 times higher than national average ones; and the child malnutrition rate is still high in the North West and the Central Highlands. At the same time, two-thirds of the burden of disease affecting the nation now reflects its middle income status, economic transition and aging demographics with rising non-communicable, chronic diseases as well as injuries. The combined effect of the economic growth, disease/injury pattern, and the expansion of health insurance coverage has increased the demand for more and better quality health services at a growing cost to government and to households. A very large share of private out-of-pocket expenditures hinders access to essential health care: about 3 percent of the households that fall in to poverty due so because of health related expenditures. About one-third of the population is still not covered by any health insurance protection, including those just above the poverty line, agricultural and informal sector workers. Given these challenges, the Bank will support the effective delivery of health services through maximizing the value of the public resources already being spent.

26. The Bank will continue the transition from supporting essential health infrastructure, basic medical training and subsidized access delivered through regional projects and from single issue/disease projects towards an engagement in the national level health policy and systems strengthening, focusing on health service delivery and health financing/health insurance. Support will continue to be provided through programmatic AAA and selective lending, with the latter likely focused on an increase in the access to quality health services and the implementation of measures that would help to rebalance the health system away from a top-heavy hospital centered delivery system towards a stronger grass roots level health system.

## **Annex 8: Lessons from South-South Exchanges**

*Transport-Bus Rapid Transit (BRT)* – Vietnamese municipal and national government planners travelled to Colombia and Brazil to learn from mature BRT systems, and to China and Indonesia to study newer BRTs implemented in similar, densely populated cities. The Vietnamese delegates learned how to plan, design, and implement BRT systems. They were exposed to different PPP arrangements and ways to improve the quality of service. These study tours demonstrated the importance of developing robust institutions to sustain urban transportation systems.

*Energy, Pumped Storage* – Representatives from Electricity of Vietnam, the Electricity Regulatory Authority of Vietnam and the Ministry of Industry and Trade travelled to China to learn about pumped storage development including: strategy, institutional set up, contractual arrangement, successes and challenges. The Vietnamese counterparts met with provincial leaders on pumped storage development experiences in Zhejiang and Jiangsu Provinces, with site visits to the Tianhuangping and Yixing Projects.

*Transport, Rural Roads* – Representatives from the Ministry of Transport and the provinces travelled to Ethiopia and Senegal to share experience on technology for the design, construction and maintenance of rural roads, including building institutional capacity in public and private sectors for sustainable road economic and maintenance.

*Country Driven Development (CDD)* – Vietnamese government representatives visited Brazil and Bolivia, with field visits to producer groups/alliances in both the high and low-lands regions of the country for exposure to different types of crops, briefings on alternative approaches for supporting small-scale producers; strategies linking private sector participants with producer groups, and field visits on the strategies used to improve linkages between local productive alliance partners (including producer groups, SMEs, public/private technical service providers, financial institutions, and NGOs).

*Clean Development Mechanisms (CDMs)* – Vietnamese government representatives visited Hubei, China to explore how China developed its capacity to conduct CDM projects, its institutional and policy framework for CDM, and specific CDM projects. Field trips covered methane recovery in wastewater treatment, landfill management/eco-farming, hydropower, and solar power.

*Municipal Infrastructure Financing Framework* – Following successful completion of the AAA on Assessment of Financing Framework for Municipal Infrastructure, a high level Government Delegation, led by Vice Minister of Finance including Ministry of Planning and Investment and State Bank of Vietnam, visited Colombia to learn: (i) national level legislation and associated regulations/policies for the establishment and operation of FINDETER, a second tier lending institution, and related operations of commercial banks; (ii) operational policies, procedures, guidelines, operational and management structure and risk management of FINDETER; and (iii) the perspectives of commercial banks and municipalities that deal with loans for infrastructure investments that are backed by rediscounted loans from FINDETER. The experience exchange helped increase knowledge and capacity in Vietnam on the policy environment and actual operations of a successful financing framework for municipalities.

*Social assistance reform* – The World Bank arranged a study visit for Ministry of Labor, Invalids and Social Affairs (MOLISA) counterparts to a learning event hosted by the Chinese government. A subsequent study visit was undertaken to Brazil to learn from the Brazilian government's experience in reform and consolidation of the Bolsa Familia and Cadastro Unico programs. Additional learning visits were organized to India and the Philippines, among others. The knowledge exchange/country learning visits were coupled with continuous dialogue with the counterpart. This proved crucial in

helping to foster recognition within the Government that Vietnam's safety nets needed strengthening if they were to meet their poverty reduction goals.

*New School Model* – Representative from the Ministry of Education and Training visited schools and met with teachers, students and parents in rural and urban areas in Colombia to learn more about the Escuela Nueva (EN) or New School Model. EN encourages community centered active and participative learning and the visit was helpful for the implementation of the Vietnam Escuela Nueva (VNEN) project, funded by the Global Partnership for Education (GPE).

*Public Expenditure Management Network for Asia* – PEMNA is a network of MOF officials from East Asian countries that aims to strengthen capacity of members through peer to peer learning. Vietnam's MOF Budget and Treasury Departments have been active participants, sharing knowledge on planning and budget, cash management, cash flow forecasting and other technical subjects. As a mark of its commitment, Vietnam has recently agreed to make a financial contribution to PEMNA.

*Inclusive Innovation* – Vietnam's National Foundation for Science and Technology visited India to learn about inclusive innovation from its Council of Scientific and Industrial Research and the Global Research Alliance. Senior staff participated in workshops and increased their awareness and knowledge of tools for identifying national development challenges, platforms for "crowd-sourcing" solutions, strategies for communicating with stakeholders, and good practices. Delegates learned how to leverage partnerships by visiting a private company with experience exporting inclusive innovation products and a research university. The exchange was particularly valuable in moving from a broad awareness of inclusive innovation to understanding the intricacies of managing and operating a program.

*Green Credit Policy* – IFC arranged a study visit to Beijing for the State Bank of Vietnam to learn about the development of the Green Credit Policy and Environmental and Social Risk Management regulation in lending activities in China. The study helped to facilitate the development of Green Credit Policy for Vietnam as a response to the country's Green Growth Strategy.

## **Annex 9: One Bank Group in Vietnam**

IFC-IBRD-IDA-MIGA collaboration in Vietnam is being pursued in a focused manner through enhanced organizational mechanisms, with an emphasis on key sectors: agriculture/agribusiness, energy, financial markets/SOEs and corporate governance.

**Organizational Mechanisms.** The country team is using key mechanisms to implement and deepen the joint work going forward:

- Joint annual programming discussions, starting with this year's budget/WPA exercise, with joint engagement notes and focused discussions on key sectors.
- A joint learning event in May 2014 forged stronger partnerships at the technical level among the respective WB<sup>8</sup>, IFC and MIGA teams, developed a stronger common understanding of the whole menu of WBG instruments and stimulated additional brainstorming within the teams on how they can use stronger collaboration/coordination to maximize development impact.
- The WB Country Director and IFC Resident Representative continue to meet on a regular basis to discuss progress of current joint work, and to explore opportunities to deepen and expand collaboration going forward.
- The team also continues to implement and jointly monitor the current Joint World Bank Group Country Partnership Strategy, and have jointly prepared the CPS Performance Learning Assessment.

### **Agriculture/Agribusiness**

**Best Practices and Policy Reform.** A joint initiative supports farmers to adopt sustainable agriculture practices through working with lead firms, NGOs, other development partners, and stakeholders. It will identify, assess, and address regulatory and policy constraints to supply chain performance of key agricultural products, including coffee and rice. The concerned regulatory and policy areas include, but are not limited to: seed licensing, land-holding limits, contract farming, farmer groups, quality standards and certifications, import-export policies and procedures for agriculture products, competition issues, fraudulent and informal trading practices, credit support, and incentive schemes. It will also support increased adoption and financing for standard post-harvest handling technologies.

**Agri-lending Risk Assessment, Client Identification, and Financial Products.** WB and IFC share knowledge and expertise, to support increasing private sector lending to agriculture by (i) IFC Advisory Services to 5 client banks and (ii) a proposed WB credit line for agriculture finance.

**Agriculture Restructuring Agenda.** Preparation of a new WB operation with IFC participation to support implementation of Ministry of Agriculture and Rural Development (MARD) agriculture restructuring agenda, with focus on coffee and rice (\$250m IDA credit).

### **Energy**

**Divestment of Electricity of Vietnam (EVN) Generation Assets.** The WB, with close coordination with IFC, is providing technical advice on divestment strategy.

**Pumped Storage Hydropower Development.** The WBG will play a central role, in providing technical and financial advice to EVN to develop its ambitious Pumped Storage Program. A two track approach for engagement will be carried out: the first track is a programmatic approach for assisting the GoV on advising on the implementation of the whole Pumped Storage Program in Vietnam; the second track, which is carried out simultaneously, is a project-specific approach focusing on

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<sup>8</sup> WB includes both IBRD and IDA.

identifying and preparing a specific Pumped Storage Program project. The WB will lead the effort on both activities working closely with IFC.

### **Financial Markets/State Owned Enterprises**

**Strengthening Debt resolution, Bankruptcy Regime and Risk Management.** Joint WB AAA, IFC Advisory Services. As a result of the rapid credit growth, poor risk management and excessive lending to state owned enterprises and property sector, Vietnam banking sector is in crisis with non-performing loans (NPLs) estimated to be very high (10-20 per cent depending on estimates). The Program aims to help Vietnam mitigate the negative impacts of the country's economic crisis by supporting related state institutions and private sector participants to improve the effectiveness and efficiency of insolvency resolution and risk management. The program seeks to achieve this goal through: (i) legal and regulatory reform; (ii) institutional capacity building for bankruptcy and promotion of using Alternative Dispute Resolution (ADRs) in debt related disputes; and (iii) institutional capacity building on risk management and NPL management.

**Capital Markets Development.** Following the Financial Sector Assessment Program, the WBG will support Vietnam in developing the capital markets with the focus on bond markets. A deep and well-functioning bond market is needed for increased growth, stability of the financial sector. The WB is supporting the MOF and relevant authorities to implement the Government Bond Market Development Roadmap 2020. The expected improvement in enabling environment, enhanced legal framework, better infrastructure and diversified products will help to facilitate both the Vietnam Government and Corporates to issue bonds for public sector and private sector investment, reducing the reliance on the banking sector. The target is to increase the total outstanding of the bond market to GDP from 19 percent in 2013 to 38 percent by 2020. IFC aims to invest in local currency structured products and IFC local currency bond issue in Vietnam.

### **Other**

**Administrative Procedures Simplification.** Provide coordinated TA to the Ministry of Justice to develop a management information system to monitor and evaluate the administrative procedures simplification reforms. This work is funded by the Economic Management Competiveness Credit AAA, supporting the business environment pillar of the Economic Management Competiveness Credit DPL. The work is built on IFC work to support the Government's administrative reform initiative, Project 30.

**Tax Simplification.** Joint WB-IFC technical assistance to government clients on VAT reform.