

VIETNAM-WORLD BANK: LONG-TERM COMPANIONS IN DEVELOPMENT

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ABBREVIATIONS

AAA	The Asian Development Bank
ADB	The French Development Agency
AFD	The French Development Agency
CAS	Country Assistance Strategy
CDF	The Comprehensive Development Framework
CG	The Consultative Group
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DPL	Development Policy Loan
FDI	Foreign Direct Investment
GBS	General Budget Support
HCS	Hanoi Core Statement
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
INGO	International Non-governmental Organizations
JICA	Japan International Cooperation Agency
JPPR	Joint Portfolio Performance Review
KfW	Kreditanstalt für Wiederaufbau

Korea Eximbank	The Export-Import Bank of Korea
MDG	Millennium Development Goals
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
NHNN	The State Bank of Vietnam
ODA	Official Development Assistance
PBA	Program Base Approach
PD	Paris Declaration
PIR	Public Investment Reform
PPP	Public-Private Partnership
PRGF	The Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
SAC	Structural Adjustment Credit
SEDP	Socio-Economic Development Plan
SEDS	Socio- Economic Development Strategy
TBS	Targeted Budget Support
UNDP	United Nations Development Programme
VACI	The Vietnam Anti-Corruption Initiative Program
WB	The World Bank
WTO	World Trade Organization

FOREWORD

The World Bank Group is one of the most reputable international financial institutions in the world. Its mission is to help countries reduce poverty, especially through promoting policy change, institutional reform and socio-economic development. The World Bank Group delivers its support both in the form of technical assistance and policy advice as well as financing for development investment programs and projects. The World Bank Group has been a close companion to Vietnam over the last decades in support of its development path with enormous contributions not only for Vietnam's efforts to transition from a poor, low income country to a Middle-Income Country, but also supporting Vietnam to go two-thirds of the way to achieve the Millennium Development Goals as of 2010.

The year 2011 marked 35 years for the Socialist Republic of Vietnam of collaborating with the World Bank Group. On this occasion, the Government of Vietnam has assigned the State Bank of Vietnam to celebrate this important event between Vietnam and the World Bank in cooperation with the Ministry of Planning and Investment, Ministry of Finance, local authorities, and other concerned agencies.

The Government and the World Bank want to mark this event through an overall assessment of the partnership between the two sides during the history of bilateral relations of more than three decades, pointing out positive impacts of this partnership on socio-economic development and poverty reduction in Vietnam. On that basis, it will summarize the experiences and draw useful lessons for the development of the continued strategic partnership between Vietnam and the World Bank in the new stage of development of Vietnam.

The report "**Vietnam – World Bank: long-term companions in development**" is based on research, synthesis, analysis and assessments of WB activities in Vietnam and consultations with experts on the relationship between Vietnam and the World Bank. The sources of these documents are the State Bank of Vietnam, Ministry of Planning and Investment, Ministry of Finance and a number of ministries, agencies and local authorities, as well as the World Bank Country Office in Vietnam.

On behalf of the Team from the State Bank of Vietnam and consultants involved in drafting this report, the State Bank of Vietnam would like to thank the comments on this report and documents provided by Vietnamese agencies and the World Bank Country Office in Hanoi during the drafting process of this report.

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VIETNAM-WORLD BANK:
LONG-TERM COMPANIONS IN DEVELOPMENT

EXECUTIVE SUMMARY

In 2011, it has been 35 years since the Socialist Republic of Vietnam resumed relations with the World Bank. 2011 is also the year Vietnam begins to implement the 10-Year Socio-Economic Development Strategy 2011-2020, after the successful implementation of the Development Strategy 2001-2010 which brought Vietnam out of the group of low-income developing countries to join the group of Middle-Income Countries (MIC). With the support of the previous Development Strategy, the country also and completed two-thirds of the way of to the Millennium Development Goals (MDGs) with an impressive achievement of reducing the poverty rate by more than 50% between 1990 and 2010.

The achievements that Vietnam has gained are thanks to appropriate development policies of the Party and State, the efforts of hard work and creativity of the people and authorities, as well as to the sympathy and support of international friends, including the World Bank Group.

The Partnership Celebration is an opportunity for Vietnam and the World Bank group to look back and conduct an overall assessment of the cooperation between the two sides during the long history of more than three decades of bilateral relations, pointing out positive impacts of this partnership on socio-economic development and poverty reduction in Vietnam. On that basis, this Partnership assessment will summarize experiences, and draw useful lessons for the development of the future strategic partnership between Vietnam and the World Bank in the new stage of development of Vietnam.

Generally, the relationship between Vietnam and the World Bank Group can be divided into two phases. In the first period, , the relationship between Vietnam and the World Bank enter a very difficult stage, starting in 1978 when Vietnam embarks on a military intervention in Cambodia to help people of the neighboring country escape from persecution. Therefore, Vietnam was subject to blockade and embargo for decades. Domestically, the centrally planned subsidized mechanism was implemented widely together with inappropriate and hasty development policies tending to focus overly on developing heavy industry while neglecting rural development, production of consumer goods and export. Thus, it brought the economy into deep crisis, resulting in hyperinflation and high poverty rates; and the country could not afford to pay off loans to the International Monetary Fund (IMF), and the World Bank, as well as a number of bilateral creditors and commercial banks. In that situation, IMF and other international financial institutions suspended the right to borrow for Vietnam. Internationally, the second half of 1980s saw historic events in Eastern Europe and the (former) Soviet Union. The great aid from this area started to decline during that period and finally ended in the late 1980s.

In the context of such difficulties, both the Vietnam and the World Bank sides have attempted to utilize

modalities in accordance with the actual situation so that benefits could be reaped when opportunities arose later. Vietnam and the World Bank maintained the exchange of official delegations to learn about Vietnam and obtain a better understanding WB and its support activities in poor countries. During this period, a number of studies on the macro economy in Vietnam, and sector specific research were conducted and published by the World Bank. With the spirit of openness and flexibility towards new ideas to overcome differences, both sides have demonstrated that the World Bank can work with a socialist country in Asia. This is the main result of the first phase of the collaboration and an important "capital base" for Vietnam and the World Bank to develop their partnership from as they moved into the second phase of the partnership

Facing with the imperative demands for development and reforms from the grassroots level, the Sixth Congress of the Communist Party of in 1986 launched a comprehensive drive towards innovation of socio-economic life in Vietnam. "Doi moi" in Vietnam infused a new vitality into its socio-economic life and therefore, the country has gained many achievements in relation to economic development and social progress since then. Moving out of the long-lasting economic crisis, the economy started showing high growth rates, the country started producing enough food for domestic consumption and began to export rice; the material and spirit life of the people was significantly improved, and Vietnam's external relations were widened. In addition, with the support of international friends, including the World Bank, a bridge loan had been arranged for Vietnam to settle overdue debt to the IMF. These positive changes led to the Vietnam Donors Conference in Paris in 1993 with the participation of representatives from donor countries, international financial institutions, and UN agencies, and it was chaired by representatives of the World Bank. The Vietnam Donors' Conference resulted in strong commitments from the international donor community on policy support and a roadmap for the reform process in Vietnam. The conference committed US\$ 1.8 billion in aid for Vietnam. This important event closed the first phase of the relationship between Vietnam and WB and opened a new phase for the relationship between the two sides where the cooperation developed into a strategic partnership.

The second phase of the Vietnam-World Bank relationship started with the WB's Country Assistance Strategy (CAS) in 1994. This CAS was based on research results, reviews and consultancies on Vietnam and Vietnam's economy made by the Bank, especially in the late 1980s. The CAS set out five prioritized areas, including: *(i) To work closely with the IMF to strengthen macro-economic management; (ii) To support the transition to a market economy through the development of major policies and institutions; (iii) To take the lead on donor coordination to support GoV in planning and financing for infrastructure development; (iv) To support GoV in formulating and implementing the poverty reduction strategy; and (v) To support the Government in formulating and implementing the strategy of sustainable utilization of natural resources.* These five priorities were also reflected and further deepened and broadened in content and scope as well as further diversified in terms of aid modalities in the following CASs.

In this second phase, the relationship between Vietnam and the World Bank developed from a "normal" relation between WB and a member country to a mutual partnership. As of September 2011, the World Bank has provided USD 13.8 billion for Vietnam to implement 117 programs and projects. The total amount disbursed was USD 8 billion (*Source: SBV*).

Looking back on the last decades, the relationship between Vietnam and the World Bank has become more and more solid, going from creating mutual understanding to trust and together pushing the bilateral relations to a strategic partnership between Vietnam and the World Bank. Therefore, this relationship has had a profound and effective impact on socio-economic development and poverty reduction in Vietnam. Key results of World Bank's support to Vietnam over more than 3 decades are shown in the following areas:

Support for policy and institutional reforms and economic structural adjustment to transform to a market economy has been one of the very effective domains of support from the World Bank for Vietnam.

Right after resuming credit relations in 1994, the World Bank provided Vietnam with a Structural Adjustment Credit (SAC) worth USD 150 million with specific conditions and objectives to help Vietnam to transform the subsidy-based, bureaucratic, centrally planned economy to a market economy. Although the negotiation for the Structural Adjustment Credit 2 (SAC-2) for the next two years was not successful, the World Bank continued to support Vietnam in the implementation of institutional reforms such as public finance reform, banking reform, trade reform, international integration and access to the World Trade Organization, State-owned Enterprises (SOEs) reform and private sector development. The support of the World Bank to Vietnam on policy, institutional reform and economic structural adjustment were implemented through new approaches in policy lending such as the Poverty Reduction Support Credit series (PRSC) and two Public Investment Reform (PIR) operations.

The World Bank's contribution in Analytical and Advisory Assistance (AAA), the series of Vietnam Development Reports as well as sectoral notes and reports (health, education, governance, urban development, transport, energy, irrigation...) have been as valuable as the financial support that World Bank provided.

World Bank is the leading donor in supporting Vietnam's infrastructure and social development.

In the CAS introduced in 1994, the World Bank priority in its activities in Vietnam was to support the planning and financing of infrastructure development. This orientation was further concretized in the next CASs and WB became one of the leading donors to Vietnam in this field. Funding for socio-economic infrastructure development, including transport, communications, energy, urban development, irrigation, health and education, accounted for 62% of total WB loans extended to Vietnam during that period. The special feature of WB's support in infrastructure development has been the integration into all programs and projects the support for policy, institutions, and strengthening management capacity. The WBG also supported the development of an institutional framework that mobilizes the participation of private sector in investment in infrastructure development through Public-Private Partnerships (PPP).. This comprehensive approach to infrastructure aims to ensure the sustainable development of the infrastructure sector as well as ensuring that the consumers, especially the poor, get qualified public services at competitive prices. Vietnam is acquiring the knowledge and experiences from this support to develop social-economic infrastructure, an area identified as one of three breakthroughs outlined in the 10-year Socio-Economic Development Strategy 2011-2020.

The World Bank is a companion in Vietnam's fight against poverty and hunger and has made important and practical contribution to help the country achieving an impressive poverty reduction success.

Supporting the fight against poverty is the principal operational objective of the World Bank on a global scale. In line with this, supporting Vietnam in the fight against poverty has been an integral part of all the Country Assistance Strategies (CASs) and activities of the World Bank in Vietnam. The common objective of WB's support, from supporting the GoV in preparing and implementing the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), and the Poverty Reduction Support Credit (PRSC), to programs and projects supporting rural and urban development to improve the lives of the poor is to support GoV in its effort to reduce poverty. The achievements in poverty reduction were reached thanks to the efforts of Vietnam as well as through the cooperation of international friends, including WB.

The World Bank takes on a leading role in mobilizing and coordinating development aid for Vietnam. From the first Donor Conference in 1993 to the Consultative Group Meeting of donors (CGs) in the following years, the WB's Country Directors and other representatives of WB have cooperated closely with MPI, SBV and other concerned agencies to make these conferences a dialogue forum on policy development in an open, constructive and mutual spirit of trust between all parties involved in the development process of Vietnam. CGs in Vietnam showcase an example of an exceptionally strong relationship between an aid-recipient country and the international donor community.

Improving aid effectiveness is the mutual concern of both the Government of Vietnam and donors. World Bank has introduced many initiatives and taken the lead in the process of improving aid effectiveness and implementation of projects and programs in the spirit of the Paris Declaration and Hanoi Core Statement on aid effectiveness.

Both GoV and donors have a common interest in looking into how to make aid more effective in order to see more pervasive results on development in Vietnam. The World Bank was the pioneer, along with other donors such as the Six Banks (ADB, AFD, KfW, JICA, KoreEximbank and WB), in cooperating with the Vietnamese authorities to overcome difficulties and shortcomings and improve the implementation of programs and projects, promote the disbursement of aid funds through the harmonization of ODA processes and procedures as well as develop Joint Portfolio Performance Reviews (JPPR).

Vietnam has achieved good progress in project and program implementation. However, the progress still falls short of meeting the requirement of project preparation and implementation as the development aid commitments continues to increase and the disbursement rate remains low. Vietnamese agencies are working closely with the World Bank to apply "result-based" instruments to improve the implementation of aid programs and projects.

As part of the World Bank Group, the International Finance Corporation (IFC) and (to a lesser extent) the Multilateral Investment Guarantee Agency (MIGA) also have a number of activities that have a positive impact on maximizing the effectiveness of the Group's support. IFC, MIGA and the World Bank have a big potential for labor division and complementarity between each other to maximize the effectiveness of

assistance to promote development and poverty reduction in Vietnam.

During the last decades, the support of the World Bank has supported Vietnam in promoting innovation and development, contributing effectively to the socio-economic development and poverty reduction in Vietnam. This assessment concurs with the majority of the agencies and individuals in a survey conducted by the World Bank in May 2010, where the respondents rated the World Bank's support to Vietnam with an average score of 7.7/10 (*extremely effective*).

For over three decades, the relationship between Vietnam and the World Bank has bequeathed a lot of experiences, as well as useful lessons for further developing the partnership between the two parties in this new stage of development ahead.

One of these important lessons is that of *promoting the role of ownership* at the national level as well as at the grassroots level in aid recipient countries. This plays a decisive role in the success of aid.

The second lesson is that support from donors on policy development should be based on the *roadmap for reform* of the Government with strong incentives for implementing policies rather than a plan to impose these policies.

Thirdly, investment in infrastructure development needs to be coupled with policy reforms and strengthening of institutional and management skills. This is a useful lesson in order to ensure the sustainable operation of infrastructure projects after construction and to make sure the beneficiaries will receive good quality service with competitive prices.

Another lesson drawn from the practical implementation of programs and projects funded by WB is that *close coordination* between WB and its Vietnamese partners is needed to solve problems and overcome difficulties arising during implementation.

In addition, in the implementation of the support from WB, there are still a number of shortcomings and limitations that should be removed to improve the effectiveness of this support. It is necessary to improve the design of funded programs and projects to match the actual situation and the capacity to receive and implement the programs and projects at the grassroots level. The two sides should take more drastic and timely measures in dealing with differences in processes and procedures on preparing and implementing programs and projects financed by WB as well as capacity building for units that receive and utilize WB's funds.

In this new stage of development, the Government wants to bring the strategic partnership between Vietnam and the World Bank to new heights to support Vietnam in promoting sustainable development for the poor.

Vietnam plans to prioritize the World Bank Group funds for the implementation of programs and projects around three pillars: *(i) the three breakthroughs of the 10-year Socio-Economic Development Strategy (SEDS)*

2011-2020 and the 5-year plan 2011 - 2015, (ii) three national target programs, including the National Target Program on new rural development, the National Target Program on poverty reduction and the National Target Program to respond to climate change and various other emerging programs, and (iii) programs and projects targeted towards job creation and income increasing for poor people, and other emerging issues.

In addition, Vietnam believes that the two sides should cooperate to implement a number of measures such as:

- The two sides should continue to maintain dialogue at all levels, especially exchanges of high-level visits between WB and Vietnam.
- Vietnam hopes to receive technical assistance from WB in form of consultation on macro-economic stability - one of the leading priority policies of Vietnam. Vietnam wants to complete the negotiation on PRSC 10 as planned and along with relevant authorities, SBV will cooperate closely with WB to develop and implement the post-PRSC program.
- Although reaching the starting point of a middle-income country, Vietnam remains a poor country, so Vietnam wishes WB to maintain IDA loans for as long as possible to be consistent with the actual situation in Vietnam; and to allocate high amounts of IDA to Vietnam.
- Vietnam hopes that the World Bank will use its prestige and positive role in aid mobilization and coordination to mobilize other donors, other funds, and other international organizations to provide grants or concessional loans to Vietnam to help soften the financial conditions of less concessional loans.
- Vietnam expects WB to continue to strengthen and diversify its aid modalities for Vietnam such as: development policy lending (DPL), implementing investment programs and projects; applying program-based approaches (PBA) and sector-based approaches (SBA), general budget support (GBS) and targeted budget support (TBS); providing technical assistance in form of consultation to improve and develop policies and institutions; and help Vietnam in public debt management, including WB loans.

Vietnamese counterpart agencies are contributing to the preparation of World Bank's new Country Partnership Strategy for FY 2012-2016 to reflect Vietnam's need for continued support from the World Bank for the country's new development phase.

Given the depth of several decades of cooperation, and as we are bringing into full play the past achievement while addressing the remaining difficulties, we strongly believe that Vietnam and the World Bank have entered a new period of development with a promising prospect to make stronger contribution to achieving the development objectives laid out in Vietnam's Socio-Economic Development Strategy 2010 - 2020.

PART I

INTRODUCTION

1. The year 2011 marked 35-year partnership between Vietnam and WB since 1976 when the Socialist Republic of Vietnam took over the membership of the Saigon Regime in the World Bank Group.
 2. Over the last three decades, the relationship between Vietnam and the World Bank has undergone a long road of development, from regular cooperation between a member country and the World Bank to become a strategic partnership together in an open, constructive and mutual trust spirit, and thus it has huge and effective contributions for economic development, social progress and poverty reduction in Vietnam.
- On this occasion, the Government of Vietnam and the World Bank decided to celebrate this important event through many different activities, including the overall assessment on the partnership between the two sides during the development history of the bilateral relations for more than three decades. This assessment report will present the positive impacts of the partnership between Vietnam and WB on socio-economic development and poverty reduction in Vietnam. On that basis, it will summarize the experiences and draw useful lessons for the development of strategic partnership between Vietnam and the World Bank in the new development stage.
3. With above objective, the Prime Minister has assigned SBV-the focal point of the Government in cooperation with WB - to coordinate with MPI, MOF, localities, concerned agencies that receiving WB's financial assistance and the World Bank Country office in Hanoi to develop an overall assessment report on the relationship between Vietnam and the World Bank during the last 35 years.
 4. The overall assessment report on the relationship between Vietnam and the World Bank is aiming at following purposes:
 - Find out and emphasize the remarkable contents of the partnership at the historic milestones of the relations between Vietnam and the World Bank during the last 35 years.
 - Highlight the close and effective cooperation between the State Bank - WB's partners - and the World Bank and its country office in Vietnam, as well as the participation of MPI, MOF, the ministries, branches and localities in Vietnam in the development of partnerships with the World Bank and the contribution of this relationship to the socio- economic development and poverty reduction in Vietnam
 - Identify the major challenges for the strategic partnership between Vietnam and the World Bank in the context of new development in Vietnam in medium and long term.
 - Provide medium and long term oriented recommendations to develop the strategic partnership between Vietnam and the World Bank to overcome the challenges to effectively support Vietnam to implement the 10-Year Development Strategy 2011 – 2020 (SEDS) and the 5-Year Plan 2011-2015 (SEDP).
 5. The overall assessment report on the partnership between Vietnam and the World Bank called "***Vietnam – World Bank: long-term companions in development***" is developed based on research on documents relating to cooperation relationship between Vietnam

and the World Bank of SBV, MPI, MOF, WB and its office in Hanoi, opinions of a number of ministries and ministerial-level agencies, as well as a number of provinces and cities benefited from programs and projects funded by the World Bank.

6. The quality of this report is controlled by limited time in preparation and lack of information and documents on all sectors as

well as localities benefited from WB's funds. Furthermore, due to time constraints, the face-to-face interviews with management and implementation personnel of projects/program funded by the World Bank, as well as local beneficiaries could not be done. These are risks that this report may encounter.

PART 2

VIETNAM – WORLD BANK: LONG- TERM COMPANIONS IN DEVELOPMENT - FROM COOPERATION TO STRATEGIC PARTNERSHIP

1. Introduction about the World Bank Group

7. The World Bank Group has 5 member organizations, including: the International Bank for Reconstruction and Development (IBRD), established in December 27, 1945; the International Development Association (IDA), established in 1960; the International Finance Corporation (IFC), established in 1956; the International Centre for the Settlement of Investment Disputes (ICSID), established in 1966; và Multilateral Investment Guarantee Agency (MIGA), established in 1988.

The term "World Bank" usually mentions two members of the World Bank Group: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, established in 1944, is headquartered in Washington, D.C, with more than 10,000 employees in more than 100 offices worldwide. This is not a bank in the common sense but a global development institution owned by 187 member countries. Its mission is to fight against poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors.

The World Bank provides low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, agriculture and rural development, environmental and natural resource management, public

administration, financial and banking sector, and infrastructure development...

Each institution plays a different but collaborative role in advancing the vision of inclusive and sustainable globalization. The IBRD aims to reduce poverty in middle-income countries, while IDA focuses on the world's poorest countries. Their work is complemented by that of the International Finance Corporation (IFC) - to promote private investment in poor countries the International Centre for the Settlement of Investment Disputes (ICSID) - to provide facilities for conciliation and arbitration of international investment disputes, and Multilateral Investment Guarantee Agency (MIGA) - to promote foreign direct investment (FDI) into developing countries.

To ensure countries continue to have access to the best global expertise and cutting-edge knowledge, the World Bank Group is revising its programs as well as various modalities to assist poor countries to meet their prioritized development demands.

Three pillars of these above-mentioned efforts of the World Bank Group include:

■ Results: Helping developing countries deliver measurable results.

■ Reform: Improving every aspect of work: design projects/program, ensuring availability of information, and strong decentralizing to make staff to quick deploy to best assist governments and communities.

■ Openness and Transparency: Leading the effort toward openness and transparency

in development to help countries solve the world's development challenges.

In the World Bank, Vietnam belongs to South East Asia Group, including 11 countries: Brunei Darussalam, Fiji, Indonesia, Laos, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam.

8. The Saigon Regime of South Vietnam joined the World Bank Group in 1956. After reunification, in 1976, the Socialist Republic of Vietnam took over the membership of the Saigon Regime in the World Bank Group.

In IBRD, Vietnam has 968 shares with 128 votes, accounting for 0.07%. In IDA, Vietnam has 61,168 votes, accounting for 0.3%. In IFC, Vietnam has 446 shares with 696 votes, representing 0.03%. In MIGA, Vietnam has 388 shares with 629 votes. Due to small number of shares, percentage of Vietnam vote in member organizations of the World Bank Group is low. However, the World Bank Group, especially the World Bank, is reserving lots of priorities for Vietnam in receiving concessional loans, grants and technical assistance.

The 35-year relationship between Vietnam and the World Bank Group has experienced many turning points of history, but the starting from the spirit of openness and flexibility for new ideas has gradually taken this relationship to become strong partnership based on mutual trust. Therefore, the relationship between Vietnam and the World Bank Group has been positively contributing to the cause of Vietnam in socio-economic development and the fight against poverty.

2. The relationship between Vietnam - World Bank in the period 1976-1993: Open and flexible for new ideas to overcome the differences

9. During first years after joining the World Bank Group, the relationship between Vietnam and WB focused on understanding each other through the exchange of delegations between Vietnam and WB.

The first historical delegation of the Socialist Republic of Vietnam worked with WB in Washington in October 1976. Both sides agreed to focus on the future of their relationship instead of looking back. The President of WB at the time (Mr. McNamara, former U.S. Secretary of Defense) was keen to support Vietnam, although the U.S. Congress was against the provision of concessional loans from IDA to Vietnam.

The first WB's economic mission visited Vietnam in 1977, and seven months later, WB published a report introducing the economic situation of Vietnam, which pointed out the severe consequences of 30 years of continuous war, the economy was stagnant, GDP per capita stood at low level, around USD 100 for 15 years, poverty status of the population was common, especially in rural and mountainous areas. Based on the five-year plan 1976-1980 of Vietnam, The Vietnam Economic Report of WB gave an estimation that Vietnam needed about USD 1 billion in 1977 to meet the development demand of the country. The above activities were an important indicator that the WB could work with a socialist country in Asia.

10. In addition to other hot issues of the post-war economy of Vietnam, in research on

Vietnam at that time, WB realized the great potential and important role of agriculture for a country with more than 80% of the population living in rural areas like Vietnam, and the whole country were living under the regime of food and essential goods stamps as well as food from foreign aid. Therefore, it is understandable that the first IDA credit was approved by WB in 1978 was for construction of Dau Tieng Irrigation Project - worth USD 60 million for irrigation for rice and groundnuts. The major items of this work was basically completed by 1986.

11. The Vietnam - WB relationship came to a standstill when just starting not for long time due to political and economic reasons. In international relations, there were several events that their meaning and true value initially are not recognized by the international community. It is also the case of Vietnam when having military intervention in Cambodia in 1978 to help people of this country escape from the Khmer Rouge extermination. This event led to the embargo against Vietnam by the United States and many Western European as well as Asian nations.

In addition, the heaped- up difficulties for a poor country just out of a more than three-decades of war along with the management mechanism based on centrally - planned subsidized economy had made Vietnam economy stagnant in economic recovery and then falling into a severe crisis. One of the negative consequences of this situation was that Vietnam was insolvent to the debts that Vietnam had obligations and responsibilities to pay for other countries and international financial institutions, including IMF and WB. As a result, the IMF and WB suspended

the right to borrow loans in Vietnam due to overdue debts, followed by the Asian Development Bank (ADB) and some other international financial institutions.

Due to above political and economic reasons, lending activities of WB for Vietnam could not be done. However, their relationship did not stop. It was a blessing because the time was not wasted, whereas both Vietnam and WB did fully exploit it to prepare for a partnership when opportunities arise.

12. After reunification, the first 5-year SEDP of Vietnam (1976-1980) has concentrated its resources to address the consequences of war and implemented the initial industrialization. In the second 5-year SEDP (1981-1985), Vietnam advocated that while promoting development, it rearranged production and basic construction to improve the efficiency of investment to stabilize the socio-economic situation, stabilize people's life, creating the premise for socialist modernization. The implementation of the two above-mentioned 5-year plans had made some important achievements. The average annual growth rate of GDP increased from 0.2% (1976-1980) to 6% (1981-1985); agriculture increased from 2.0% (1976-1980) to 5.2% (1981-1985); and industry increased from 0.6% (1976-1980) to 8.9% (1981-1985). People's lives began to improve. However, during those 10 years, Vietnam also committed many mistakes in determining the goals and steps for building material and technical facilities, in carrying out socialist transformation and in economic management. Those mistakes led to serious distortions in the allocation of economic structure that favored large-scale heavy industry projects, having frozen capital for many years and having no economic effects.

The wrong economic structure put negative impacts on solving food problem, satisfying the people's needs on essential consumer goods, enhancing the competitiveness of Vietnam on export market; and inhibiting the development of service industry. Regarding the economic management, the centrally-planned bureaucratic subsidy economy maintained for a long time had held back productive forces and distorted production relations.

13. In general, the economic growth in the years of 1976-1978 was not achieved. In the year 1979 and 1980, industrial production has decreased dramatically, actual income and production results did not achieve the targets set out in the 5-year plan. The emergence of imbalances in the macro economy in the years 1979 - 1980, along with serious food shortages disclosed defects of the old mechanism which required to be reformed urgently.

Those imperatives had been early found the way to overcome by localities. That was initiative in "cultivation and animal products norm" by households in Vinh Phu - a province in the Northern midland and mountain areas of Vietnam which encouraging farmers to produce more agricultural products for themselves and for society. That was initiative in regime "three plans in industry" risen from a state-owned enterprises in Long An - a province in Mekong Delta, allowing firms to diversify their production and to freely sell products over norms, after completion of planned targets assigned by the State. These initiatives had been drawn into policy and directions by the Communist Party of Vietnam to launch a comprehensive reform on national socio-economic life called "Doi Moi" in 1986 to bring Vietnam out of social-

economic crisis, to develop and integrate into the world. As the late Prime Minister of Vietnam, Mr. Vo Van Kiet, wrote: "... policy reforms were rooted in the people's demands and based on the economic reality of the country along with acquisition of foreign experiences. Therefore, it received the broad supports of all levels of society" (Source: Introduction of Prime Minister Vo Van Kiet to the report "Vietnam: Prospects for the development" of the Government of Vietnam to Donor Conference in 1993 in Paris).

14. "Doi moi" in Vietnam infused a new vitality into its socio-economic life, giving positive impacts on growth and economic development despite difficulties in the process of innovation, for example trading markets with the Soviet Union (former) and Eastern European countries were narrowing and loss of large aid from these countries due to political upheaval in the Soviet bloc. Agricultural production increased significantly, paddy output in 1992 increased 70% in comparison with 1979-1980, trade was expanding into many other countries; state-owned enterprises improved their productivity, product quality and reached growth rate at 13%; inflation rate was sharply curbed from three numbers (714%) at 1986 to a two-numbers figure (17%) in 1992. GDP per capita was around USD 130 in 1992, and ranked 156 out of 173 countries worldwide. However, regarding the human development index (HDI), Vietnam ranked 115 out of 173 countries (Source: *Human Development Report - UNDP - 1993*). This was a very impressive social progress achievement that Vietnam gained in the first years of Doi moi.

In the early years of Doi moi in Vietnam, WB did not stand outside, yet participated in

appropriate manners. Three WB economic missions were sent to Vietnam to research on the macroeconomic issues. Findings of these missions were published in a series of reports such as "*Stabilization and structural reform*" (1990); "*Vietnam: Restructuring Public Finance and Public enterprises*" (1992); "*Vietnam: Transition to the Market*" (1993); "*Vietnam: Public sector management and Private sector Incentives*" (1994) (Source: Mark Baird, "*Vietnam*

- *The World Bank: a strong and enduring partnership*", updated draft, May 15, 2011.

Many studies on sectors and areas of Vietnam were also made by WB since 1990, such as four reports on industry research, including energy, transportation, healthcare and finance. The above findings had created a solid basis for lending activities which being resumed later.

Box 1: Main socio - economic indicators of Vietnam in 1992

Some social indicators

Population	69 million persons
Population growth rate	2.3%
Age structure	39% under 15 years old Average age: 20
Rural population	78%
Life expectancy	63
Mortality in infants	4.5%
Clean water	About 50% urban population About 25% rural population

Some economic indicators

Gross domestic product (GDP)	101870 billion VND (at current prices in 1992)
GDP growth rate	8.3 %
Economic structure	
Agriculture	34.5%
Industry	22.6%
Service	42.9%
GDP per capita	130 USD (original) 220 USD (adjusted)
Inflation rate	17%
Labor force	32 million persons
Exports	\$US 2.47 billion
Imports	\$US 2.5 billion
Implemented FDI capital	\$US 1.5 billion

(Source: Extracted from Report "*Vietnam: Development prospect*", page vi)

15. The socio - economic development achievements, which Vietnam had achieved in Doi moi, political and military issues related to Cambodia, which were addressed, created opportunities to resume the development cooperation relationship between Vietnam and the international donor community. Besides, the overdue debts of Vietnam to the IMF was settled through a bridge loan from Vietnam's friends to open the door for Vietnam to access to loans of international financial institutions, including the World Bank. In addition, Vietnam restructured the Government debts through Paris club, commercial loans through London club

and bilateral debts from (former) Soviet Union through transferable Ruble which inherited by Russia after the collapse of the former Soviet Union. The WB supported the IMF during the negotiation process on Vietnam's debt restructuring at Paris Club and participated in making the roadmap to support for this negotiation.

In above-mentioned favorable context, in November 9-10, 1993, Vietnam Donor Conference was held at the office of WB in Paris under the sponsorship of WB, UNDP and chaired by WB representative; and the participation of 100 delegates from donor

Box 2: IFC activities in Vietnam

As a member of the World Bank Group, IFC has implemented its activities in Vietnam since 1992 to meet the demand for investment and technology transfer to the Government of Vietnam during the transition to market economy with the first investment in hotels (Hotel Sofitel Metropole in Hanoi) which approved in 1994. The next is investments in industries such as cement production, dairy industry, steel and sugar production. In addition to investments, IFC also provides consulting services in stock market establishment and enterprise equitization program.

IFC opened offices in Hanoi and Ho Chi Minh in 1997.

In 1997, IFC also set up Mekong Project Development Facility (MPDF) to promote the development of small and medium enterprises (SME) in Vietnam, Laos and Cambodia.

IFC cooperated with MPI in organizing and co-chairing enterprise forums as a pre-CG event to promote dialogue between government and enterprises, and improving the investment environment in Vietnam.

IFS's investment and consulting services are complying with CAS/CPS of the World Bank Group to support for national competitiveness strengthening economic development, poverty reduction and environmental protection in Vietnam.

The total committed capital of IFC is USD 1,800 million for the 5 years period 2007-2011, including commitments through asset management activities. Up to now, IFC has invested USD 998 million for 35 Vietnamese companies. By the end of this 5-year period, IFC has supported Vietnam to deal with the global financial crisis by expanding Global Trade Finance Program - GTFP and providing USD 970 million of liquidity for Vietnamese exporters after the withdrawal of other financial institutions. Most recently, IFC has participated in supporting the investment in joint venture company between Vietnam, Kuwait and Japan in building the second Vietnamese oil refinery factory in Nghi Son (Thanh Hoa) worth USD 7 billion.

countries, international financial institutions and international organizations. The Conference expressed support for the Agenda on Renovation and Development of Vietnam, focusing on four main directions: (i) To continue the restructuring of state-owned enterprises, diversifying economic organizations with interwoven forms of ownership; to create cooperation and fair competitive environment for all economic sectors to develop together; (ii) To improve the market mechanism as well as strengthening capacity on macroeconomic management and planning ability on market economy development; (iii) To continue to build an open economic system, development and diversify relationship with other countries, in accordance with Vietnam policies "Vietnam wants to be friend with all other countries for Peace, Independence and Development"; and (iv) On the basis of the new Constitution promulgated in 1992, Vietnam needs to further develop the legal system, reform the national administration, and train officers at all levels, to create favorable conditions for

the national development tasks. Agenda on Renovation of the Government of Vietnam has been supported by the Donor Conference participants and committed to provide USD 1.8 billion to support for this program implementation.

The success of the Vietnam Donor Conference in Paris thanked to the contribution of the World Bank in collaboration with UNDP to support the preparation and participation of Vietnam in this important event, especially the chair role of the World Bank. Vietnam Donor Conference in Paris recognized the first mark of Vietnam on the path of integration into the world and was the starting point of full relations between Vietnam and the World Bank.

16. The World Bank Group, in addition to The International Development Association (IDA) and The International Bank for Reconstruction and Development (IBRD), The International Finance Corporation (IFC)

Box 3: MIGA activities in Vietnam

The Multilateral Investment Guarantee Agency (MIGA) supports Vietnam in the areas having participation and growing role of private sector in electricity and transformation sectors, and provides development assistance to create investment promotion opportunities.

MIGA also conducted overview research on international and regional best practices on investment promotion to provide for the Government. MIGA also designs and conducts technical assistance programs to promote investment in Vietnam, including construction and operation a website on environment and opportunities for foreign investment in Vietnam.

MIGA currently seeks opportunities to cooperate with The Association of Southeast Asian Nations (ASEAN) to support the capacity-building program in investment promotion for ASEAN new members (including Vietnam) to narrow the development gap between these countries and other members of ASEAN.

Up to February 28, 2003, total support from MIGA to Vietnam is USD 10 million. This amount includes a telecommunications project, which was guaranteed in 2001. MIGA is also considering to support for an energy project (up to about USD 100 million).

and The Multilateral Investment Guarantee Agency (MIGA) have many activities to support and cooperate with Vietnam in accordance with their missions.

With the ability on combining investment with consulting services, IFC is able to develop its relationships to improve the operation of the World Bank Group in Vietnam. The decentralization of IFC makes the decision process and implementation capacity to become more close with partners and give its customer relationship management staff a better role and voice when finding out and implementing business activities; and establishing its operation plan in Vietnam, as well as identifying suitable partners to cooperate during the current financial crisis period.

In supporting activities in Vietnam, the World Bank, IFC and MIGA also have great potential in the labor division and complementarity between each others to focus on developing specific industry strategies, in which combining the strengths of these organizations, especially in assisting Vietnam in infrastructure development, dealing with the emerging concerns about the impact of growth and industrialization on the environment, and supporting for rural economies and rural population to participate in national growth process.

3. The relationship between Vietnam and the World Bank Group in the period 1994 - 2010: From cooperation to durable partnership

17. Operational goals of the World Bank in Vietnam had been set out in its first CAS which was discussed with the Government in

1994 and the CAS/CPS (Country Partnership Strategy) for later periods are: to strongly support for economic development and fight against poverty. The objective of these strategies is also the guiding principles and goals of WB (support poor countries and developing countries to fight against poverty and to develop). This strategic objective is consistent with long-term goals that Vietnam are pursuing in reform, innovation and development in order to drive Vietnam to become a strong country with rich people and an equal, democratic and civilized society.

World Bank are building CAS/CPS for each period based on the comprehensive research and assessment on the socio - economic development situation of Vietnam, the policy orientations and priorities for development of branches and fields as well as provinces and cities set out in the 10-year SEDS and the 5-year SEDP of Vietnam, the implementation situation of programs and projects funded by WB; policies, priorities and funding scenarios of WB for Vietnam. Before being approved by WB Board, CAS/CPS is closely consulted with the Government of Vietnam. Thus, CAS/CPS are close with the real situation of Vietnam in each period of development, the assistance of WB are in line with the policy and institutional reform route of Vietnam in its transition to market economy and deep international integration, meeting the needs for prioritized development investment of Vietnam in general and ministries, sectors and localities in particular.

Activities of WB in Vietnam are covering a wide range with many different fields, mainly:

- (i) Support for policy and institutional reform, national governance capacity strengthening,

and international integration in the transition to a market economy, (ii) Support for socio-economic infrastructure development, environmental and natural resources protection, (iii) Support for agriculture and

rural development, poverty reduction, (iv) Policy Analysis and Advisor Activities (AAA), (v) Coordinate aid activities for Vietnam, and (vi) Improve the implementation of aid program and project.

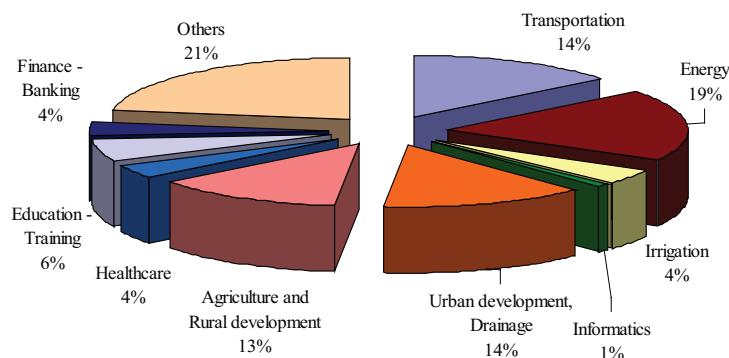
Table 1: Number of projects, signed loan from 1994 up to December 31, 2009 and disbursed capital up to February 2010 of WB by sectors and branches

Unit: USD million

SECTORS	NUMBER OF PROJECTS	SIGNED CAPITAL	DISBURSED CAPITAL	DISBURSED CAPITAL VS. SIGNED CAPITAL
Transportation	12	1.462,70	825,12	56,4%
Energy	11	1.966,00	1.170,42	59,5%
Irrigation	4	419,66	327,06	77,9%
Informatics	1	87,87	7,64	8,7%
Urban development, Drainage	15	1.424,62	481,93	33,8%
Agriculture and	15	1.343,05	1.107,08	82,4%
Rural development	8	365,90	231,68	63,3%
Healthcare	8	600,48	427,53	71,2%
Education and Training	6	399,82	160,67	40,2%
Finance - Banking				
Others	13	2.325,00	2.033,00	87,4%
Total	93	10.395,10	6.772,13	65,1%

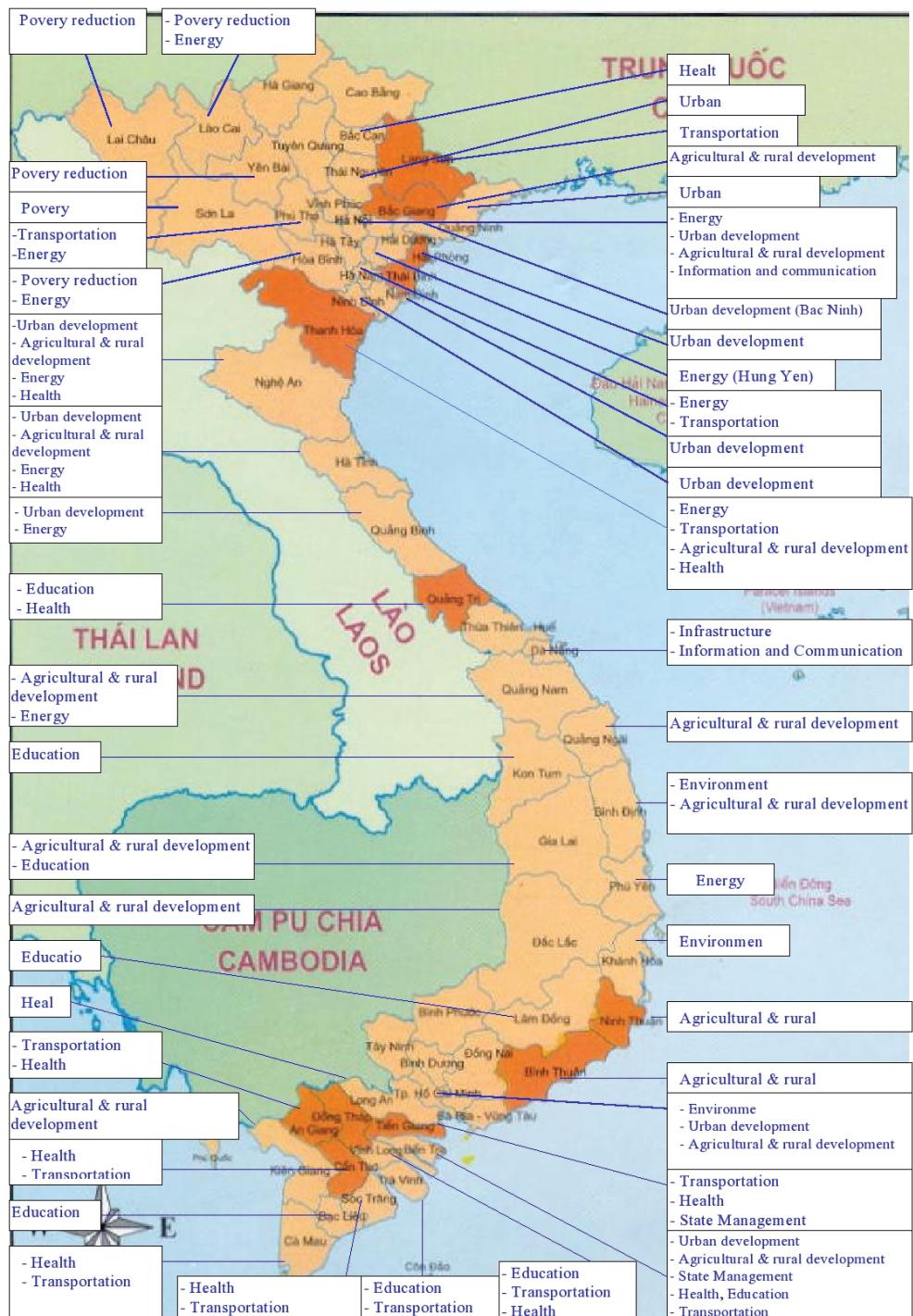
(Source: the State Bank of Vietnam)

Figure 1: Proportion of signed capital of WB by sectors and branches



(Source: the State Bank of Vietnam)

Figure 2: The sectors, branches that WB is financing by localities



(Source: MPI)

Up to September 2011, WB has provided USD 13.8 billion for Vietnam to implement 117 programs and projects.

Total signed and disbursed capital for 93 loan projects and program from 1978 to February 2010 by sectors and branches financed by WB are presented in Table 1, and the proportion of signed capital of WB by sectors and branches is showed in Figure 1.

The partnership between Vietnam and the World Bank in specific sectors and branches are as bellows:

3.1 Support for policy renovation, institutional reform, economic structural adjustment to transform to market economy

18. To support the process of "Doi moi", the World Bank provided Vietnam a Structural Adjustment Credit (SAC – I) worth USD 150 million. Overall goal of SAC-I is to support for fast and sustainable growth, smooth transition to market economy through stabilizing the macro economy and implementing structural reforms on four areas including: (i) Budget management, (ii) State Enterprises reform, (iii) Banking system reform, and (iv) Renewal of foreign trade policy.

Basically, the objectives of the SAC-I has achieved encouraging results, thus, contributing to the structural adjustment process, namely:

On the macro-economic management, from a centrally planned low-income economy, being under heavy shocks, macroeconomic imbalances, the economy had gradually satisfied positively reform measures of the

Government: budget management was significantly improved; reform of state enterprises gained some initial results; several strong measures from the Government were made to enhance competitiveness in the banking system; efforts in free trade to increase the competitiveness of the economy and regional integration were boosted. SAC-I program of the World Bank was implemented from 1994 to 2000 and USD 150 million from IDA loan was disbursed, but this program was not continued because Vietnam did not comply with setting out conditions for the second SAC. In 1994, the IMF also conducted a funding program for an Enhanced Structural Adjustment Facility (ESAF), but this program was only maintained to the phase 2, as both sides did not come to an agreement for phase 3 and it stopped in 1997.

The World Bank has applied structural adjustment lending measures with given policy conditions to many aid recipient countries. However, according to some other governments and donors, the conditions set by WB and negotiated in the traditional way, which is prone to conditionality, did not reflect the views of Government on speed, time or other priorities of the reform program. Hence, WB has drawn the lesson that the ownership of each country in development policy formulation is extremely important for the sustainability of reforms. This was also the case of Vietnam, and the practice on applying SAC and ESAP showed that "*The attempt to force reforms will never succeed in Vietnam*" (Source: Ann Bartholomew; Robert Leurs and Adam McCarty, Report on Vietnam, August 30, 2005).

19. Based on the experiences and lessons learned from SAC-I, the World Bank selected a new approach for Development Policy

Lending (DPL) through loans such as Poverty Reduction Support Credit (PRSC), or currently Public Investment Reform Program (PIR) to support the Government to maintain the momentum of reform in the context of the new situation.

In essence, the PRSC is a loan to support the Government in maintaining the momentum of further reform through general budget support (GBS). It designed policy matrix based on reform roadmap and priorities of the Government with advance actions to ensure that the policy will be fully developed and widely implemented. Based on the results of these advance actions, WB will disburse aid funds to the Government's budget and the Government will use this fund based on spending plan and procedures for State Budget expenditure management of Vietnam. Hence, the predictability of the budget was increased, transaction costs were reduced and State Budget capital was allowed to use in a flexible manner, contributing to improve the efficiency of the support from WB to Vietnam. In addition, the PRSC also created an environment to participate in providing supports for reforms in Vietnam for more than 10 other bilateral and multilateral donors through co-funding for the Program.

PRSC was applied from 2001 and in the period 2001-2010, PRSC had two cycles include: (1) *The first cycle with 5 PRSCs* was built on three pillars: (i) To complete the transition period to market economy, (ii) To ensure the broad participation of society and environmental sustainability, (iii) To build modern national governance (trade integration, financial sector reform, state enterprises reform, public financial management, anti-corruption, education development, development of health

services quality, environmental protection and institutional development, ...), and (2) *the second cycle with 5 PRSCs* was built on four pillars based on the objectives and priorities for development in 5-year Plans (SEDPs) in 2001 - 2005 and 2006 - 2010, including: (i) To develop comprehensive policies and institutions of the market economy, (ii) To promote sustainable economic growth, (iii) To conduct sustainable poverty reduction, and (iv) To build a modern national governance.

The implementation of the conditions and objectives of PRSCs had positive impacts on all economic and social activities in Vietnam such as: develop private sector, reform state enterprise, reform banking - finance sector, healthcare, education, land management, environment, improve water quality, infrastructure development, improve planning process, public financial management, strengthen public administration reform, develop legal framework, etc.

Macroeconomic impact of the PRSC was to support more positively for trade balance, increasing the proportion of investment vs GDP. The budget support with soft conditions of the PRSC (IDA loans and grant aid) contributed positively to efforts of Vietnam Government on growth and poverty reduction over the last 10 years; providing capital in time for the Government, so supporting for the macrofinance balance and reducing negative impacts of economic crisis in the years 2007 - 2008.

PRSC has positive impacts in supporting the reform of banking and finance system. In the first cycle of PRSC, the funds withdrawn from this Program has been used by the Government for one of the prioritized objectives on

supporting for banking system reform such as: funding for the Deposit Insurance of Vietnam to support the settlement process of joint-stock commercial banks; establishing Debt and Asset Trading Company (DATC) and State Capital Investment Corporation (SCIC) - important financial tools to intervene to accelerate the reform of SOEs by market mechanisms; basically processing outstanding debts of the commercial banking system.

Vietnam is considered to be one of the most successful countries in PRSC implementation. The participation and ownership of the Government of Vietnam in the process of negotiation and implementation of PRSCs in Vietnam was considered a positive aspect of the Program and was a typical case in PRSC implementation.

"... We are pleased to express the pride with the results achieved in the management and utilization of supports under the PRSCs, and highly appreciate efforts, goodwills as well as trust of donors on Government capacity on public expenditure management in applying this support modality" (Source: Deputy Minister of Finance Tran Van Ta, PRSC Summarizing Conference, 2005).

20. Development investment during the recent time has made positive contributions to socio-economic development and poverty reduction. Besides, in this area, there are remaining weaknesses and shortcomings. These shortcomings and weaknesses have reduced the effectiveness of investment. The total investment was up to 41.3% of GDP, including public investment sector accounted for 12.6%, but the Incremental Capital Output Ratio (ICOR) has increased a lot in recent years from 4.5 in 2001 to 7.1 in 2008. One of the root causes of these

weaknesses is due to investment institution and policy. Resolution No. 56/2006/QH 11 of the Congress on approval of the 5-year Plan 2006-2010 identified: "*Strengthening public investment management is one of the key tasks of the 5-year Plan*".

Meeting the requirements of the Government of Vietnam on supporting the economic stimulus package, which aiming at investment promotion, WB provided Vietnam a credit on Public Investment Reform (PIR) phase I worth USD 500 million and phase II estimated USD 350 million. One of the objectives of the loan is to increase public investment cycle, including the selection of investment projects, implementation and monitoring of project implementation and financial management of the project.

As PRSC, PIR is a program for DPL, towards comprehensive reforms on policy, institution and legal framework, covering many areas in investment development. The success of these programs will have the overall impact on improving the macro social - economic environment for more sustainable development. Similar to the PRSC, PIR is based on General Budget Support (GBS) modality, thus, it will achieve dual goals, both supporting for macro-financial stability in the context of the global economic crisis, and supporting for reforming policies, institutions on public investment management in Vietnam.

3.2 World Bank's support to innovate the banking and financial system, state enterprise and trade

21. In the early years of Doi Moi, the Vietnamese banking system still remained with several weakness and inadequate points: one-tier

banking system with State Bank played as both a central bank and a commercial bank.

In order to meet key requirements and objectives of Doi Moi and moving toward market economy, in the beginning, the banking sector reformed the system by moving from one-tier to two-tier banking system, including State Bank - as a Central Bank, a system of commercial banks and non-bank financial institutions. However, because the commercial banking system had just been established, its banking service, especially payment service, was still simple; technical infrastructure of information technology was primitive and backward; transactions in economy mainly was done in cash, lacked of non-cash payment instruments, transactions between state agencies did not go through the banking system, etc. Therefore, modernization of banking and payment system had become imperative need. In that context, WB had provided USD 49 million in credit to Vietnam to implement project on modernizing the banking and payment system. The project's specific objective were to improve quality of payment service, speed up capital turnover, increase efficiency of transfer of capital, and strengthen institutional capacity of banks involved in the project.

The implementation of the project has created a qualitative change in banking system of Vietnam. Of which, one significant change is to contribute to meet increasing demand payment of the economy, especially high-value payment, create infrastructure for information technology system of Vietnamese banking system, and change basically in business activities of commercial banks. In term of economy in general, the project has directly contributed to the process of modernization and industrialization of the country, established

one of the most important and modern networks of information technology in Vietnam.

Following the project on modernizing the banking and payment system, in 2008, WB provided Vietnam a credit worth USD 60 million to implement project on Modernization Banking sector and Information management system. The project was implemented in the context of currency and financial markets went into deepness, economic transactions was monetized through inter-national bank payment, credit was expanded, capitalization of stock market was increased, stock and insurance markets were developing. While, SBV, Credit Information Centre (CIC) and Deposit Insurance of Vietnam (DIV), which specialize in collecting information on those markets meeting difficulties in collecting information because of the fragmented and patchy information system. The project objective was to support SBV, CIC and DIV to implement their responsibilities in according with international standards of banking sector through developing a system of centralized and united operating process, a modern structure of information technology, and strengthening institutional capacity of those institutions.

From 1996 to 2008, WB has provided three projects on Rural Finance worth more than USD 500 million for Vietnam. One of the objectives of those projects was to improve capacity of banking system through providing financing for private sector, mainly poor people in rural, deep and remote areas. Those projects have been implemented through a wholesale bank (at the beginning, SBV, and later Bank for Investment and Development of Vietnam – BIDV). Many State-owned and joint stock commercial banks participated in those projects. Through providing credit borrowed

from the wholesale bank to customers in the private sector, those banks have been strengthened both financial and institutional capacities. Firstly, those projects helped the involved institutions to have stable capital, especially medium and long-term capital. Secondly, they helped the involved institutions to maintain basic indicators, namely the rate of net overdue debt was fallen, the capital adequacy ratio was maintained and enhanced, the profitability ratio was improved, as well as many commercial banks officials have been trained at home and sent overseas to have access to modern banking knowledge.

Besides, the Banking sector has been given dozens of Technical Assistance (TA) by WB, of which there were TAs to carry out independent audit to and re-organize State Owned Commercial Banks (SOCB). The important result of TAs for auditing SOCB was to make the Government and those banks be aware of the importance of independent audit, and enhance trust of people in the nation and international community in banking sector of Vietnam. In addition, TAs also helped SOCB accessing to international practices and accounting standards. In recent years, WB also provided TAs to re-structure BIDV, Stock Commercial Bank for Industry and Trade of Vietnam (Vietinbank) and Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank), which supported those banks to re-structure and modernize banking operations in accordance with international practices and standards in term of institution, organizational structure and banking operations.

22. During the period before implementing Doi Moi, the State budget was always in difficult condition: limited revenues, lost and deficit budget was covered by foreign assistance

or money released from the Central Bank. Therefore, before receiving assistance from WB, Vietnam has implemented numerous solutions to improve budget management. However, State budget continued to be deficit. Through SAC-I, WB has supported a variety of long-term solutions, of which was the support for the National Assembly' approval of the Budget Law, preparation and adaptation of Public Investment Programme (PIP) and preparation Public Expenditure Review (PER), measures to increase oil and gas taxes, and increase other revenues and reduce expenses. The WB also provided loans such as Debt Reduction and Debt service, and Custom Modernization project.

After decades of implementing Doi Moi, Vietnam has been stepping up construction and improvement of the market economy institution. Therefore, the Government will focus on regulating macro economy, creating complete, transparent and equality legal environment. The transition from a centralized economy to market economy requires the continuous transformation from not only business sector but also the administrative management sector and public financial management. Therefore, public administration and public financial reforms have been becoming an urgent requirement for the Government of Vietnam. In order to meet this requirement, WB provided about USD 54 million in credit to Vietnam to implement public financial reform. The Custom and Tax sectors play important role in ensuring the revenues of State Budget, and contribute to create favorable environment to promote trade and investment development. At the same time, to meet the development needs, those sectors need to be strengthened institutional and human capacities, improved processes and

procedures to meet international regulations and practices, as well as modernizing material and technical facilities of those industries. Aiming at this goal, WB provided several TAs and credits for numerous projects such as Custom Modernization project worth USD 65 million and Tax Modernization project worth USD 82 million.

23. In centrally-planned economy, although State Owned Enterprises (SOE) received various preferential conditions, their business and production performance was not effective. Those enterprises existed based on subsidy from the State Budget or loans from banking sector. Business activities of private sector was limited and not promoted. Therefore, when moving to market economy, the Government immediately implemented measures to reform SOE and achieved some initial limited results. To assist the efforts of Vietnamese Government, the WB, through SAC-I, has supported Vietnam to implement program on equitization of SOE with specific policy actions and timetables. The program has three objectives: *(i) establishing and utilizing clear criteria to identify strategic firms that provide essential public service, (ii) transforming non-strategic state firms into companies that compete on a level playing field with private firms, and (iii) strengthening the management of strategic firms that will continue to receive government support.* A series of important solutions were carried out such as approving and issuing Law on State Enterprises, the decree on equalization, strengthening enterprise management, etc. Through equalization program, majority of large and medium-sized SOEs were transformed into other forms of ownership; SOEs played important role in national welfare and the people's livelihood were maintained; and most of poor performing SOEs were closed. In parallel

with equalization program, a large number of small and medium-sized private enterprises were encouraged to develop. Under the framework of SAC-I, the WB and Government has established a direct dialogue channel related to implementing SOE reform. In the first cycle of PRSC, the program capital has been prioritized to support redundant employees of SOEs that was transformed into other forms of ownership (11,200 redundant employees of 2,228 transformed SOEs were supported), and to implement reforming measures of banking sector aiming to support SOE reform.

24. During the subsidy and centrally-planned economy period, especially in embargo period, in-export activities of Vietnam were not developed; lacking mechanism to encourage export and import activities; and international market was only focused on some countries or regions while it is necessary to expand export activities to meet requirement of the development. After economic embargo was removed, the Government implemented trade liberalization, improved competitiveness of the economy and integrated regional economy. The Government has removed most of import quota, simplified in-export procedures and reduced number of products that were subject to import duties, etc. However, these efforts did not give specific results. In that context, WB has supported GoV to reform continuously in that sector through various policies and implementing several measures to promote foreign trade development... That assistance has brought a number of detailed reforms and positively contributed to the joining process of Vietnam to World Trade Organization (WTO).

3.3 World Bank – the leading donor in supporting Vietnam to develop economic-social infrastructure

25. Developing infrastructure is one of high priorities in development policies of Vietnam. At the first CGs for Vietnam, the Government's report "*Vietnam: Prospect for the development*" has emphasized that poor condition of public infrastructure was main obstacle for mobilizing investment capital, developing trade activities and economic growth speed of Vietnam. The foreign assistance should focus effectively to overcome those obstacles. The CPRGS announced in 2003 identified economic infrastructure development to be prioritized to create foundation for the rapid and sustainable growth, and contribute

to poverty reduction. The 10-year SEDS 2011-2020 with the goal of transforming Vietnam to become an industrial country towards modernization by 2020 has three breakthroughs, including infrastructure development toward modernization.

26. In practice, during the period from 1993, ODA has been prioritized to support for economic-social infrastructure development. This capital accounts for a significant ratio of the total budget of government investment for developing economic-social infrastructure in the period 2006-2010.

Table 2: The ratio of ODA disbursement in total investment capital from State budget for several areas of economic-social infrastructure in period 2006-2010

SECTORS	RATIO (%)
Energy and Electricity	19
Water supply and Urban development	17
Transportation	27
Health care	20
Education and Training	16

(Source: MPI)

27. Supporting economic-social infrastructure development plays critical position in the partnership between Vietnam and the World Bank. In accordance with CAS/CPS, in recent years, WB has supported to develop several economic-social infrastructure sectors, including: (i) Transportation, (ii) Energy, (iii) Irrigation, (iv) Water supply and Urban development, (v) Information technology, (vi) Health care, (vii) Education and training. ODA disbursement of WB by February 2010 reached around USD 3.7 billion, accounting for 56% of total signed WB's aid for infrastructure by this time.

28. Specific characteristic of development assistance in general, and infrastructure development in particular is: for each infrastructure project/program, along with construction items, there are other components to support policy and institutional reform to transit into market mechanism, sustainable development, encouraging private sector investment in infrastructure development and enhancing sector management capacity... This approach creates dual impacts on the development of infrastructure sector and branches of Vietnam. On one hand, through WB's assistance, infrastructure sector is greatly

Table 3: ODA disbursement of WB for infrastructure by February 2010

Unit: USD million

SECTOR	SIGNED ODA	DISBURSED ODA BY FEB. 2010	DISBURSED ODA COMPARED WITH SIGNED ODA (%)
Transportation	1.462,70	825,12	56
Electricity	1.966,00	1.170,42	59
Water supply and Urban development	1.424,62	481,93	33
Irrigation	419,66	327,06	78
Information technology	87,87	7,64	8
Health care	365,90	231,68	63
Education and training	600,48	427,53	71

(Source: The State Bank of Vietnam)

supplemented, developed and modernized in term of production capacity to ensure supplying quality service with competitive prices. On the other hand, the mission of reforming industry structure, improving legal framework, management process and procedures, and strengthening human capacity are concurrently implemented under the framework of specific projects/programs. Therefore, this sector will achieve multiple objectives: ensuring the construction of infrastructure works as well as the effective, efficient and sustainable operation of these works. Finally, the beneficiaries, especially poor people, receive better quality and more competitive prices of public services.

3.3.1 World Bank supports transportation development for the poor

29. One of first three IDA projects, which were negotiated between Vietnam and WB after resuming relation of the two sides, was "Rehabilitation of National Highway 1A" project. That presented political, economic and social significance of this life-line for

Vietnam. That project was one of infrastructure development projects co-financed by WB and other donors such as Japan, ADB and Australia.

To meet high priority requirement on transportation development in Vietnam, in CAS/CPS of WB, transportation development is always ranked high in prioritized assistance, accounting for more than 25% of the total of signed aid from 1994 to February 2010. That assistance covered various specific sectors of transportation such as rehabilitating national highway, upgrading road network, developing highways, developing transport links for provinces in Mekong Delta area, developing urban transport in several major cities as well as medium-sized cities in three regions of Vietnam, including cities in poor and difficult areas such as Lao Cai and Quang Binh, etc. In particular, rural transportation development was considered and supported by WB through three projects that involved by various provinces, especially poor provinces placing in remote and ethnic areas, which contributed to the result of 94% of special difficult communes (in 2010)

having motorway to its center.

Traffic safety, especially road traffic safety, is serious issue in Vietnam. WB financed project on road traffic safety to support gradually solving this problem.

Due to limited State Budget, revenue sources for maintenance of traffic works in general and road traffic system in particular was not fully implemented, therefore, numerous roads have been downgraded rapidly, which affected on traffic and safely of means of transport. In order to improve this situation, WB financed project on maintenance roads to contribute to establish maintenance system and strengthen human capacity in this area...

Developing transportation needs huge capital that could not be covered by State Budget. Mobilization all national and international resources, including private sector, for developing transportation was

consistent policy of the Government. This policy has been supported by WB. WB has provided technical assistance for Vietnam to study and institutionalize method for Public-Private Partnership (PPP) to apply to transportation sector. WB also supported the Government to study and formulate guidance documentation on application PPP method to infrastructure development. As a result, the Prime Minister issued Decision No. 71/2010/QD-TTg of November 09, 2010, promulgating the regulation on pilot investment in the public-private partnership form. Based on this Decision, the Ministry of Transport is choosing specific transportation project to pilot.

The beneficiary localities highly appreciate the practical effectiveness of rural transport programs funded by WB that have positive impact on improving quality of life of people in rural areas in general, and the poor in particular.

List of transport projects/programs financed by WB is presented in Appendix 3

3.3.2 Supporting Electricity sector – “...support for Vietnam’s growth as a nation and a society built on the unifying force of electrification”

30. Assessing partnership on electricity between Vietnam and WB, the Deputy Prime Minister Hoang Trung Hai said “It, (the partnership on electricity between Vietnam and World Bank) is not only a story of policies and institutions, or financing and tariffs. It is also a story of Vietnam’s growth as a nation and a society built on the unifying force of electrification” (Source: Draft report on infrastructure development, World Bank, July 2011).

Vietnam promulgated Electricity Law in 2003 and set out three stages to gradually shape a competitive market on electricity production and supply in Vietnam to enhance production and business effectiveness of the electricity sector, and bettering the electricity supply with quality and competitive prices to the economy and consumers.

In recent years, WB has gone with and supported the electricity sector to implement development orientation above through providing IDA and IBRD with total of signed loan USD 1,966 million in period 1994-2009, accounted for 19% of signed loan from WB

in 1994-2009 period. That capital has been utilized to develop power source, transmission and distribution network, including rural grid; providing technical assistance aiming at consulting on policy and institutional development during the process of reforming electricity sector such as consultation on draft of Electricity Law; formulation of rural electrification policies which contributing to form the ceiling price to provide power to the people in rural area who paid higher price than urban resident, but receiving poor quality power and large power loss for a long time. WB supported strongly to create policy and institutional environment to ensure the participation of private sector in electricity industry through financing Phu My 2-2 project in form of BOT.

According to the Ministry of Trade and Industry, the WB's assistance has not only expanded and improved capacities on power production and transmission, but also strengthened capacities for the its units in various fields such as project preparation, designing, construction and management, formulation and completion of power management policy and institution, improvement of processes and procedures of financial management, procurement, ground clearance, project audit, etc, as well as improvement of investment projects/ programs reporting mechanism.

The beneficiary localities highly appreciate the WB's assistance for electricity industry, especially for developing rural grid that brings to the poor power with better quality and reasonable price.

List of electricity projects/programs financed by WB is presented in Appendix 3

3.3.3 WB supports strongly for the poor in urban accessing to clean water and improving housing and sanitation

31. In the Doi Moi process, the strong development of Vietnam economy lead to increased urbanization speed, which created heavy pressure on urban areas, especially in big cities such as Hanoi, Hai Phong, Da Nang, Hochiminh and Can Tho as well as other emerging urban areas of different provinces, in term of inner-city traffic congestion, water scarcity, waste and sewage treatment, lacking low-cost houses. The urban poor and immigrants are the first subjects of rapid urbanization situation.

Vietnam is implementing MDGs, including

the 7th goal related to clean water supply and sanitation for the urban poor, and has achieved encouraging results. The WB's assistance has made significant contributions to the progress that Vietnam has gained in this sector.

Since 1997, WB has financed more than USD 1 billion to implement projects on water supply and sanitation, focusing on urban area that was scarce clean water, which affected heavily on production and life of people, in particular the poor. Beside that, the ratio of rural population accessing to clean and safe water was low, therefore, WB has financed various projects/programs on clean water and sanitation such Red River Delta rural water supply project. This project does not only improve access to

clean water of the poor living in rural area, but also create models for water business plans in rural area to operate in a sustainable way. The Urban upgrading project financed by WB has brought new approach to improve the life for the poor living in poor area, by campaigned, cooperated between local administration and citizens and WB in improving stresses, alleys, sullage pits... rather than to make immigration, costly site clearance and expensive construction items. The local people has supported and participated widely into the implementation of the project. The project's results and experiences in four cities have contributed to develop national program on urban upgrading, and the Ministry of Construction has approved this program to

implement nationwide.

According to the Ministry of Construction, TAs funded by WB and benefited directly by the Ministry, is actually necessary for them to formulate policies and develop institution for managing water supply, sanitation and urban development in Vietnam. The recipient provinces and cities have general opinion that WB's assistance got economic-social effectiveness, which is not only to solve the pressing problems of rapid developing urban such as inter-city transport, water supply and sanitation, but also to contribute to improve the life of the poor and immigrants in urban areas, especially in slum areas and areas that lacking basic public service for citizens.

List of projects/programs financed by WB is presented in Appendix 3

3.3.4 Supporting irrigation development – one of three prioritized sectors financed by WB after resuming the lending partnership

32. Agriculture is an important sector of Vietnam to meet food needs of more than 80 million people, contributing to ensure food security for the world. During development process, Vietnam has always appreciated agricultural development, especially in the current developing stage when the development of Vietnam's agriculture is considered comprehensively in framework of National program on "New Rural Development" aiming on three focuses: Agriculture – Rural – Farmer.

These impressive achievements of Vietnam

agriculture were contributed from irrigation sector. The first IDA loan was allocated for Dau Tieng Irrigation project in Tay Ninh province. The objective of project was to provide water for rice and groundnuts production and daily life of this province and neighboring cities.

Ministry of Agriculture and Rural Development (MARD) highly appreciated the effectiveness of projects/programs financed by WB. Those projects/programs have met MARD's priorities in term of developing necessary infrastructure to serve for the development of agriculture and rural areas; improving livelihood of local people through investing in irrigation systems, water supply and sanitation for rural and mountainous areas, especially in Mekong Delta, where is the nation's rice basket and has high poverty rate.

List of irrigation projects/programs financed by WB is presented in Appendix 3

3.3.5 World Bank supports for Information and Communication sector

33. Implementing the "Acceleration Strategy", communication technology sector has achieved remarkable results. Number of fixed telephone subscribers has increased from over 15 million in 2005 to around 128 million subscribers in 2010; Number of mobile phone subscribers reached 98 million in the early 2010. At that time, Vietnam had more than 23 million people accessing Internet, and about 12% households connecting internet (Source: Ministry of Information and Communication).

One of the most important causes of the advances achieved by communication technology sector is the strong reform towards open-market for providing service, creating a fair competitive environment for all economic sectors, and abolish the monopoly of providing communication service. The telecommunication market becomes more diversified with various companies of many different industries and economic sectors. Those companies compete equally in various fields of international telecommunications,

national long-distance telecommunication, local long-distance, mobile phone, etc. Those companies are VNPT, VTT, Vinaphone, Mobiphone, VDC, Viettel, Hano Telecom, VP Telecom, FPT, etc. The result is that customers themselves, including poor people, to benefit from communication service with good quality and competitive price. Nowadays, mobile phone is no longer luxury product for the rich, on the contrary, for every one, from motorbike taxi drivers to vendors, from entrepreneurs to farmers; mobile phone has become a tool that helps them improving their living standards and enhancing quality, effectiveness and efficiency of their business activities.

In recent years, developing communication sector mainly based on investment effort of national and international enterprises of different economic sectors.

In communication sector, the WB's assistance is mainly to provide technical and consultation assistance on developing sector management policy and institution. In addition, WB provided loans to develop information technology in Vietnam to support public administration reform and e-government development.

List of projects/programs financed by WB is presented in Appendix 3.

3.3.6 Supporting for Health development and health care for people

34. Health care sector has achieved several advancements; especially implementing

health-related MDGs. Vietnam has reduced more than half of death for children under the age of five, from 58% in 1990 to 24.4% in 2009, closed to the planned MDG 19.3% by 2015. The percentage of malnourished children decreased significantly, was 18%

in 2010. During the period 2001-2010, immunization rate for children under the age of one were maintained at high level, reached over 90%. The examination and treatment for people, especially people in remote areas and ethnic minority areas, was improved one-step. The general result was the life expectancy of Vietnam has increased sharply from 66 years (in 1990) to 72 years (in 2009) (Source: World Health Organization – WHO).

The health-related advancements were contributed by assistance of donors, including WB. WB has financed a total of USD 368 million for 8 health and population projects, focusing on supporting health care at national level as well as at local levels, especially poor areas such as the northern mountains of Vietnam, population and development, HIV and other infectious diseases.

List of projects/programs financed by WB is presented in Appendix 3.

3.3.7 Supporting for Education and Training

35. One of three IDA projects, financed by WB and negotiated in October 1993, was a project on primary education. In WB's CAS/CPS and IDA cycles, supporting for education and training is always highly prioritized. This WB's assistance is appropriate with Vietnam orientation and policy that considering education as National policy. To achieve the goal of becoming an industrialized country by 2020, Vietnam 10-year SEDS in 2011-2020 regards human resource development is one of three breakthroughs.

In the last period of development, WB has supported comprehensively primary education, including training teachers, constructing infrastructure, preparing and

issuing textbooks. Supporting for children education in poor, ethnic minority areas with the guideline *education for all* is one of sectors financed by WB.

In recent times, WB seriously supported to improve quality of higher education, including supporting to develop universities having regional and international standards.

Ministry of Education and Training highly appreciated WB's assistance for both developing policy on education, strengthening institution and management capacity as well as investing in primary education and innovating higher education in Vietnam. In particular, with the WB's support, Vietnam has achieved the goal of primary education universalisation nationwide.

List of projects/programs financed by WB is presented in Appendix 3.

3.4 World Bank's assistance to Vietnam in the fight against the poverty

36. In the earlier days of the Democratic Republic of Vietnam, President Hồ Chí Minh named poverty "the enemy" and called for all citizens to unite to fight against it. During the last stages of development, Vietnam always considered poverty reduction as a priority task; mobilizing domestic resources and supports from donors to jointly implement this important task.

The fight against poverty in Vietnam is the inspiration to the World Bank's mission to fight poverty worldwide.

Vietnam has finished two-thirds of the way of MDG implementation process in general and of poverty reduction in particular, as a result, the poverty rates fell from 58% in 1992 down to 14.5% in 2008 (*Source: Report "Vietnam 2/3 way of carrying out MDG, towards 2015", Hanoi, August 2010, issued by the Government of Vietnam*).

The impressive poverty reduction achievements that Vietnam has gained are in close relation to the assistance of international friends, including World Bank.

Poverty in Vietnam mainly locates in rural areas with over 70% of Vietnamese population. In 2010, the poor household rate in cities was 6.9% whereas in rural areas was 17.4% (*Source: Statistical Yearbook 2010, Statistical Publishing House*), so the Government of Vietnam underlines agricultural and rural development in combination with poverty reduction.

To plan the route, implement comprehensive solutions and mobilize domestic resources and the support of donors to ensure the implementation of the first Millennium Goal on poverty reduction, the Vietnamese Government acting as the host with the support of the World Bank and the Working Group of donors to prepare CPRGS. Prime Minister of Vietnam issued Decision No. 825/QĐ-TTg dated September 20, 2002 and November 26, 2003 Decision No. 1649/CP-QHQT on approval of CPRGS and establishment of the Government Steering Committee led by Deputy Prime Minister Nguyen Tan Dung (now Prime Minister) to direct the implementation of CPRGS and Poverty Reduction and Growth Facility credit program to support growth and poverty reduction (PRGF) and the Poverty Reduction Support Credit (PRSC).

CPRGS goes with the Comprehensive Development Framework (CDF) and shows the interest of the Government and many donors, considering growth as essential factors to succeed in the fight against poverty. Therefore, the CPRGS has a chapter about the role of infrastructure development in large-scale and its impact on hunger eradication and poverty reduction. Regarding WB's role, the Bank mainstreams the infrastructure development part into agenda for funding to Vietnam in the mid-2000.

World Bank offered IDA loan assistance to implement varied programs and projects in order to help to create a diversified agriculture contributing to poverty reduction in rural areas as well as to assure the important input factors such as rural finance, community-based small-scale infrastructure development

in rural areas, mitigation of natural disasters, creating a competitive environment in agricultural production...

According to the assessment of MARD, World Bank's support helps strengthening institutions and capacity of all level from central to local in natural disaster management, improving production, enhancing competitiveness and preventing epidemic in animal husbandry.

World Bank has actively mobilized other donors to provide loans or grants to

implement poverty reduction programs such as Program 135-2 supporting special difficult and poor communes through budget support modality. The Committee for Ethnic Minorities Affairs appreciated the role of WB in the Partnership Committee for Programme 135-2 with initiatives in program implementation, management and monitoring and evaluation. WB has applied budget support modality for the Programme 135-2, so WB's fund comes early to special difficult communes, promoting poverty reduction at the grassroots.

The list of program and project funded by the World Bank funding for agriculture and rural development combining poverty alleviation in Appendix 3.

3.5 Macroeconomic analysis and policy advice contributes added value to growth no less than investment capital

37. Economic analysis and development policy advice at macro-economic and sector / area level is one of the strengths of WB. This strength has been sharply promoted during past period to support Vietnam in the transition process to market economy and international economic integration. WB's support for Vietnam in economic analysis and policy advice includes many different areas: from macro-economic analysis; fiscal, monetary policy; SOE reform and private sector development, etc... to industry research (such as urban development strategy, transport development strategy, communication strategy...) and the annual Vietnam Development Report (VDR) which

focusing on specific topics... This support has suggested Vietnam ideas, providing knowledge, experiences and international practices for reference in the process of planning national development policies.

3.6 World Bank – Leading Coordinator for Aid to Vietnam

38. At review meeting on the implementation of PRSC in Vietnam, October 25, 2005, Standing Deputy Prime Minister Nguyen Tan Dung (now Prime Minister) evaluated "*The World Bank has played a leading role in coordinating the support of WB and other donors to Vietnam strongly, continuously, efficiently for over the past ten years*". (Source: *The Speech by Standing Deputy Prime Minister Nguyen Tan Dung at the Review Meeting on the implementation of PRSC in Vietnam Hilton Opera Hotel, Ha Noi, 25 October 2005*). The leading role of the Bank is

presented in many different activities in aid cooperation.

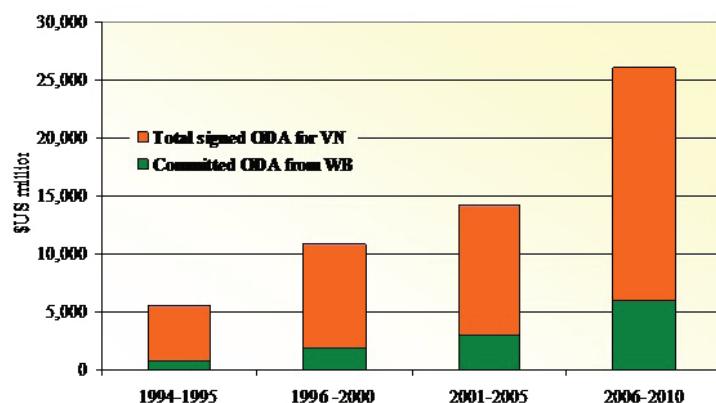
CG is a feature of the relationship between a recipient and the donors community. This feature is shown in the three following characteristics: (i) CG Meeting is a dialogue forum between GoV and donors on the development situation and policy of the Government in open, constructive and mutual trust spirit, rather than just discussing aid commitments; (ii) CG Meeting is co-chaired by the government and representatives of donors, instead of only representatives of donors; and (iii) CG meeting is organized in Vietnam, a recipient country instead of in a third country (excluding the CG meetings 1994 and 1995 in Paris, France and CG meeting 1996 in Tokyo, Japan). These three

characteristics make CGs in Vietnam become a "brand name" of the relationship between an aid recipient and the community of donors.

In the period of 1993-2010, at the CG meetings, committed ODA to Vietnam reached more than USD 64 billion, and signed ODA was approximately USD 45 billion, of which the loan from the World Bank accounted for over 20%.

At the first CG for Vietnam in 1993, the World Bank undertook a leading role to coordinate aid to Vietnam and achieved high consensus of bilateral donors and the international financial institutions, United Nations organizations on supporting Vietnam development and committed USD 1.8 billion for Vietnam.

Figure 3: WB committed fund in total signed ODA for Vietnam 1994-2010



PERIOD	COMMITTED ODA FROM WB (USD MILLION)	SIGNED ODA FOR VIETNAM (USD MILLION)
1994-1995	740	4,042
1996 - 2000	1,840	9,002
2001-2005	2,930	11,205
2006-2010	5,951	20,175

(Source: MPI)

WB Country Office in Hanoi under the leadership of National Director cooperates closely with MPI and SBV in the content preparation and logistics support for the organization of CG meetings.

Each CG meeting has its own highlights, expressing its concern for the dialogue between Government and donors. As in 2010, in the context of the global economic regression and the national difficulties, the focus of GoV policy was on the implementation of Government Resolution No. 11/NQ-CP on the macroeconomic stabilization and inflation control, so the emphasis of the Consultative Group meeting in 2010 was macroeconomic stability and inflation control towards sustainable development.

The involvement of stakeholders in the development process of Vietnam has been extended. The World Bank has proposed to invite representatives of international non-governmental organizations (INGOs) to participate in CG meetings. GoV and donors more and more heard INGOs voice through the dialogue process on all issues from macroeconomics to public administration reform or anti-corruption under the view of INGOs on how to mitigate damages for the poor and disadvantaged groups in the process of formulating and implementing development policies. Besides, the social organizations and professional associations of Vietnam have also actively involved in the CG meetings.

Since 1998, according to the initiative of GoV and the supports of WB, in addition to official annual CG meetings, the unofficial mid-term CG meetings are held in many provinces and cities in the North, Central and South. It creates

opportunities for donors to interact and dialogue with local and provincial authorities and people about development issues that they are concerned, as well as visiting funded projects sites in these localities.

In addition to CG meeting, there are three forums, including: (i) Business Forum, (ii) Anti-Corruption Forum, and (iii) Aid Effectiveness forum.

Business Forum is co-chaired by the Minister of Ministry of Planning and Investment, the WB Country's Director and IFC chief representative with the participation of numerous representatives from domestic and foreign invested enterprises as well as representatives of donors to dialogue on the production and business environment in Vietnam relating to policy, institutional, tax, customs, finance, banking, administrative procedures... Business Forum held twice a year prior to CG meetings to send CGs messages and recommendations of the domestic and abroad enterprises to improve production, business and investment environment in Vietnam.

Anti-corruption Forum is co-chaired by the leaders of the Government Inspectorate, and the Swedish Ambassador (now the British Ambassador) with the participation of the Central Steering Committee for anti-corruption, representatives of many Vietnamese governmental offices, and representatives of donor organizations, INGOs and mass organizations and professional associations in Vietnam. Vietnam takes responsibility to update the anti-corruption situation, prevention measures, findings, prosecution and trial of corruption and international cooperation on anti-corruption. Meanwhile, donors share their

information and international experiences on anti-corruption as well as recommendations for promoting the fight against corruption in Vietnam. Anti-Corruption Forum is held twice a year prior to the CG meeting. So far, nine Anti-Corruptions Forum were held, of which, in addition to the general forums, three thematic forums was held focusing on dialoguing on anti-corruption in healthcare, education sectors and mining industry.

The World Bank also cooperates with the Government Inspectorate to implement Viet Nam Anti-Corruption Initiative (VACI) with the participation of several co-donors to support the creative initiatives to minimize corruption, increase transparency and bring a better living environment for people. Each year this initiative has a specific topic, as in 2011, the chosen topic is to increase public integrity and law enforcement, contributing to effective anti-corruption. VACI made direct support to the implementation of innovative ideas on anti-corruption in localities, thereby scaling the results to apply in the community, facilitating information sharing and idea exchange, connecting people with similar interests in anti-corruption.

Aid Effectiveness Forum has been held twice a year since 2010, co-chaired by a Director of MPI and representatives of donors. This forum focused on dialoguing on policy issues relating to aid effectiveness improvement in Vietnam, the implementation of international commitments such as the Paris Declaration (PD), Accra Agenda for Action (AAA), and the Hanoi Core statement on Aid Effectiveness (HCS).

As the co-chair of CG meetings, according to MPI, this is an annual important event in the

relationship between GoV and donors; and CG meeting is actually a forum bringing mutual understanding and a place for donors to "make recommendations" for GoV in the process of innovation, integration and development.

WB has made great efforts in mobilizing financial supports from different donors through trust funds, for instance, the Australian Trust Fund (USD 4.7 million) which co-financed for Traffic infrastructure development project in Mekong Delta; the Trust Fund of the Department for International Development (DFID) which co-financed for Transport Project 3 (USD 39.7 million); the Trust Fund of the European Commission (USD 16.2 million) which co-funded for Health care programme for the poor in the Northern and Highlands mountainous areas... These trust funds provides technical assistance (grants) to develop policy, strengthen institutional and human capacity of Vietnam in loan project funded by WB.

3.7 WB pioneers in carrying out activities to improve the implementation of projects to promote aid effectiveness

39. The implementation of ODA programs and projects has been progressive. The disbursement situation has been improved annually. The disbursement of ODA in the period 2006-2010 reached USD 13.86 billion, increased 11% compared with the target set out in the ODA Strategic Framework 2006-2010. In general, the completed programs and projects have been attained economic and social achievements, contributing to economic growth, poverty reduction on national as well as local scale. However, the delay in project preparation and lengthening implementation has affected the disbursement, reducing the

investment efficiency and raising concerns for the Government and donors.

Overall, programs and projects funded by WB have achieved the development goals and contributed positively to the cause of development and poverty reduction in Vietnam. Nonetheless, several WB's project implementation indicators such as the percentage of risk projects, or problem projects...have a higher rate in recent years (Annex 4).

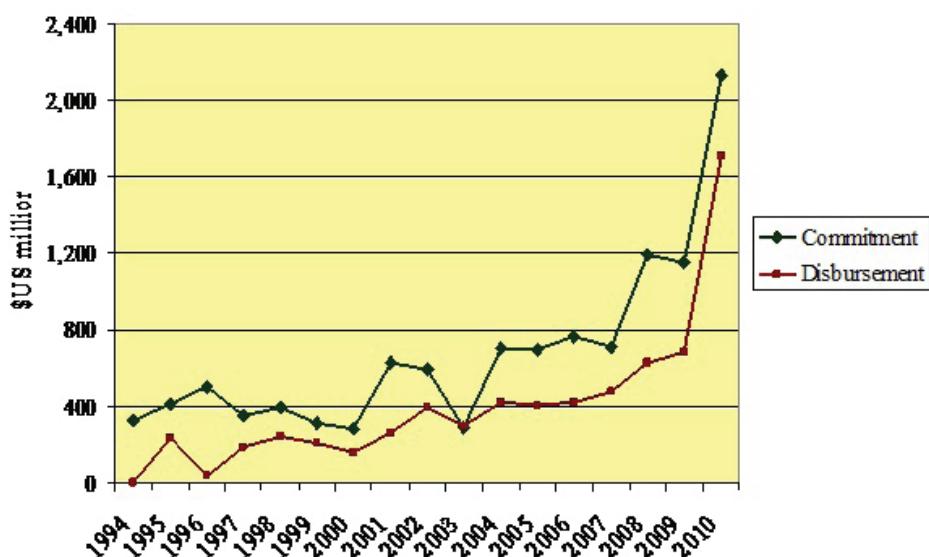
Five other development banks, including the Asian Development Bank (ADB), Agence Française de Développement (AFD), The Japan International Cooperation Agency (JICA), Kreditanstalt für Wiederaufbau (KfW), Export-import Bank of Korea (KoreEximbank) faced difficulties in the process of project implementation. Thus, along with the World Bank, these development banks which

accounted for approximately 80% of ODA for construction investment has formed a group of development partners of Vietnam to share ODA management and implementation experiences in Vietnam and work with GoV to improve the project implementation.

Annual ODA commitments have been increasing, especially in recent years, but the slow disbursement speed causes large stagnant accumulation of ODA. At the national level, around USD 6.9 billion signed during the period 2006-2010 were stagnant, has not been disbursed and have had to transform to the period 2011-2015 (Source: MPI).

As for the World Bank, in the period from 1994 to September 2011, the amount of committed loans but not disbursed is great, approximately USD 5.9 billion. This is a big challenge to Vietnam and WB, particularly now when WB is committed to apply new loan

Figure 4: Committed and Disbursed loan of WB in the period of 1994-2010



Source: The World Bank

commitments based on the indicators on the status of project implementation and budget disbursement. Figure 3 shows the speed of commitment loans of WB increases rapidly, but the disbursement speed is inappropriate.

The World Bank also pioneers in the process of harmonization of ODA processes and procedures with the Government to contribute in the implementation of the Paris Declaration (PD) and the Hanoi Core Statement on Aid Effectiveness (HCS), improving the implementation of projects and pushing up the ODA disbursement. Some important results have been achieved, notably is the General guidance for feasibility study formulation for project using ODA of 5 banks (ADB, AFD, JICA, KfW, WB) issued by the Prime Minister of Vietnam on the Decision No. 48/2008/QD-TTg dated April 8, 2008. Following this, the Korea Eximbank joined the Development Bank Group agree to apply this Guidance... That Decision No. 48 also encourages other donors to apply the Guidance for feasibility study formulation for their ODA programs and projects. Report on implementation of ODA programs and projects is applied for programs and projects funded by 6 Banks is another positive outcome in the implementation of the agenda on ODA process and procedure harmonization in Vietnam. This guidance was issued by the Ministry of Planning and Investment on Decision No. 803/2007/QD-BKH.

In comprehensive framework to improve the implementation of ODA programs and projects, the Government and 6 banks with the leading role of WB have carried out initiative on holding biennial conference from 1999 on joint portfolio performance review (JPPR) co-

chaired by MPI, WB and representatives of 6 Banks. Since 2008, the Inter-ministerial ODA Task Force of the Government (IMTF) was involved in process of JPPR Conference.

At the sixth meeting of JPPR (October 2009), 6 Banks expressed their positive assessments on the implementation of the project and believed that development objectives of projects can be reached. However, in the longer term, the 6th JPPR Conference found some existing problems relating to differences in project processes and procedures of GoV and 6 Banks which should be harmonized or resolved such as: procurement, Requesting list preparation, migration and resettlement, delays in project inception, complicated administrative procedures in the disbursement... If these problems are not solved in time, it will affect the effectiveness and positive social economic impacts of ODA programs and projects.

The 6th JPPR conference provided an Action Plan covering 9 topics to improve the implementation of projects, relating to: (i) Harmonizing detailed outline and project documents, (ii) Promulgating the general guidance on preparation of feasibility study reports, (iii) Advanced action, (iv) Dialogue on the existing gaps in procurement, (v) Adjusting cost norm, (vi) Promoting payment process; (vii) Applying Aligned Monitoring Tool (AMT); (viii) Restructuring project management unit, and (ix) General guidance framework on resettlement and guidelines on procedures and implementation of environmental impact assessment.

Currently the 7th JPPR Conference is in the process of preparation and is expected to be held by 2011.

PHẦN 3

THE PROSPECT OF PARTNERSHIP BETWEEN VIETNAM AND THE WORLD BANK IN NEW PERIOD OF DEVELOPMENT

1. General assessment

40. During last 35 years, the relationship between Vietnam and WB has been built based on open, flexible for new idea, from creating mutual understanding to mutual trust and boosting the bilateral relationship between Vietnam and WB to strategic partnership.

As a member of the World Bank Group, Vietnam is aware of its responsibility to contribute to WB's activities in implementing the goal of supporting poor and developing countries to help themselves in the fight against poverty and promoting development. In contrast, WB has obligation to support Vietnam in the process of renovation and international integration to achieve the goal of becoming a modern industrialized country in ten years later.

In each period of SEDS and SEDP of Vietnam, technical assistances and loans are appropriate with the roadmap of reform and development of Vietnam in transition period to market economy. Master plans, socio-economic development plan of the nation as well as of each sectors/localities reach planned goals; have positive effects on development and poverty reduction of Vietnam.

The above general assessment was agreed by most of Vietnamese agencies and individuals in the survey conducted by WB in October 2010. The average score was received is 7.7 on a scale of 10 (*extremely effective*). Of which, government agencies gave higher score than private and other agencies did. The most effective sectors were poverty reduction, international integration, infrastructure, and

environment. The average assessed score for those sectors was 7.4 on a scale of 10.

2. Experiences and lessons learned

41. WB's CASs through periods were developed based on goals and prioritized development needs outlined in development strategies, master plans and plans of Vietnam. Therefore, the WB's activities are associated with the development process of Vietnam, making practical effects on the reform, social economic development and poverty reduction of Vietnam. On the other hand, at grassroots level, WB's activities proved that where local ownership is well promoted, the project implementation would be gone smoothly. This is both experiences and lesson learned on promoting ownership at national as well as grassroots level of aid receipt countries.

The second experience was drawn from the practical implementation of short-term loan connecting closely policy conditions such as SAC showed that the inflexible imposition of policy conditions did not get the result as expected. In contrast, in DPL such as PRSC, instead of applying rigid conditions at the beginning, flexible conditions were applied to encourage the Government maintaining the momentum of reform and continue for further innovation in the new context. As Chief Economist of WB, Mr. Martin Rama, remarked "*Do not allow buying policy, but it must ensure to pay a significant part of cost for reform*". This is a lesson from Vietnam that assistance could positively promote its role on policy encouragement instead of policy imposition.

Each program/project financed by WB was combination of investment, policy

and institution. Each program/project was also the seed of an idea and a reasonable intervention to promote and apply widely. Therefore, there is a lesson that ODA state management agencies and line agencies of WB-financed projects/programs need to publicize and communicate widely its knowledge, experience and lesson learned to apply on a large-scale.

Another experience drawn from WB-financed projects/programs implementation is that it needs close coordination to operate flexibly between Vietnamese operating agencies and WB in the framework of harmonization of ODA processes and procedures. This coordination plays crucial role to solve problems and overcome difficulties arising during the project implementation.

42. The cooperation relationship between Vietnam and WB remains some shortcomings and limitations that should be removed to improve further the effectiveness of WB's assistance.

Vietnam and WB should cooperate more closely and improve more completely ownership of beneficiaries during the process of projects/programs preparation and designing to match actual situation and capacity of receiving and implementing projects/programs at grassroots level.

Both sides should take drastic and timely measures to deal with differences in preparation and implementation processes and procedures of WB-funded projects/programs to overcome the widespread situation of prolonged preparation time, losing investment opportunities or extended implementation time.

Human capacity, project management and implementation, especially at grassroots level, are still limited and non-professional, which are barriers for improving project implementation and promoting disbursement of WB's fund.

3. The prospect for cooperation between Vietnam and WB in new period of development

43. The year of 2010 ended with the successful implementation of the 10-year SEDS 2001-2010 and the 5-year SEDP 2006-2010, and opened new prospect for the development of a country from a MIC starting point. The Box 4 presents several social-economic indicators of Vietnam in 2010.

During the period 2011-2015, the mobilization, management and utilization of ODA and other less concessional loans will be presented with many advantages as well as challenges and obstacles.

In the domestic context, thanks to the economic achievements and social progresses gained in recent years, Vietnam has got out of low-income less-developed countries, becoming a middle-income country (MIC), making important premises for the development in new period. However, many provinces around the country have not achieved middle-income level and Vietnam also faces considerable difficulties and challenges, mainly: (i) poor infrastructure, (ii) weak national competitiveness, (iii) obstacles in human capacity, (iv) unsustainable poverty reduction, and (v) severe consequences of climate change.

In the international context, world economy slowly recovers from the crisis, yet it is

Box 4: Main socio-economic indicators of Vietnam in 2010

Social indicators

Population	87 million people
Population growth rate	1.05%
Age structure	42% under 15 year old
Rate of rural population	69.8%
Life expectancy	73 years old
Death for children under the age of one	15.8%
Accessing Clean Water	About 84% urban population About 83% rural population

Economic indicators

Gross domestic product (GDP)	VND 1,980,914 billion (<i>actual price</i>) VND 551,609 billion (<i>competitive price in 1994</i>)
GDP growth	6.78%
Economic structure	
Agriculture	20.58%
Industry	41.1%
Service	38.32%
GDP per capita	USD 1,169
Inflation rate	11.75 (%)
Labor population	50,392 thousand people
Export	USD 72.2 billion
Import	USD 84.8 billion
Implemented FDI	USD 11 billion
Committed ODA	USD 7,906 million
Signed ODA	USD 2,975 million
Disbursed ODA	USD 3,541 million

(Source: General Statistics Office of Vietnam, 2010)

potentially unstable. Price fluctuations in energy and material inputs still unpredictably change causing lots of difficulties for economies relying heavily on imports as Vietnam. In addition, some donors providing important development funds for Vietnam are facing financial difficulties or having to overcome severe consequences of natural calamities.

In next years, the development funding policies of donors to Vietnam will be changed to suit with the new context when Vietnam becomes a MIC. Hence, nature, scale and lending conditions of ODA for Vietnam will consist of the following changes:

- A number of donors will switch from official development cooperation relationship to partnership, through direct support for cooperation between partners of the two sides or ceasing development aid program for Vietnam.
- A number of donors will adjust the structure of ODA fund for Vietnam towards dispersing grant aid and concessional loan; opening new channels of lending with less concessional conditions in comparison with commercial loans.
- Many new approaches and aid modalities will be applied such as program/sector based approach (PBA), General budget support (GBS) and targeted budget support (TBS); encouraging the participation of NGOs in the development process; and supporting the private sector invest in public sector, especially infrastructure development; improving division of labor and complementarities among development partners based on

comparative advantages; encouraging the development of partnerships among Vietnamese agencies and donors' partners.

45. In order to ensure economic growth at 6.5 – 7% planned in the 5-year SEDP 2011 – 2015, it is essential to mobilize various domestic and international financial sources.

According to forecast of the SEDP 2011 – 2015, the total investment capital of society at current prices is planned at VND 6,300 trillion, equivalent to USD 290 billion, makes up 37-38% GDP in 2011-2015 period, increases on average of over 16% per year compared to 5 years ago.

In the total investment capital, the SEDP 2011-2015 also proposed domestic capital makes up 70%, and foreign capital makes up around 30%.

The foreign capital includes ODA and other less concessional loans of donors, direct investment of foreign private sector (FDI), overseas remittances, other foreign resources. Therefore, the total foreign capital is expected to be about USD 87 billion in period 2011-2015.

46. With 35-year experience of cooperation, the partnership between Vietnam and WB has good prospect in development strategy in new period of Vietnam.

Vietnam looks forwards the partnership with WB will focus on prioritized sectors and geographical areas to support for sustainable economic-social development and poverty reduction.

Vietnam expects WB during its formulation

process of CAS 2012-2016 for Vietnam to study prioritized sectors/areas to utilize WB's finances, focusing on: (i) three breakthroughs of the 10 year SEDS and the 5 year SEDP 2010-2015 (ii) three national target programs, including: New national poverty reduction program in accordance with Resolution No. 80/NQ-CP; National program on new rural development; and National program to respond to climate change, and several throughout and new emerging issues, and (iii) programs/projects aiming at job creation and income increasing for the poor, and other new emerging issues.

47. Formulating the consistent institutions of a socialist-oriented market economy, focusing on creating fair competitive environment and public administration reform. Maintaining the momentum of policy and institutional reform in the new context of development to support for the restructure of current economy towards an economy based on high competitive ability, efficiency and sustainability avoiding the "MIC trap", is a high priority of Vietnam. Aiming at this objective, during 2011 – 2015, ODA grants and concessional loans (in some cases, less concessional loans should be utilized) are prioritized to build the consistent institutions of a socialist-oriented market economy in line with the following detailed directions:

- To support the policy mechanisms improvement to make markets of goods, services, finance, securities, real estate, labor, science and technology be consistent and smoothly operate, high competitive and better linked with global markets, effectively managed and monitored as well as minimizing monopoly business on manufacturing and service sectors,

creating equal business environment for all economic sectors.

- To support for strong reform of the national administration on all contents: institution, organizational structure, administrative procedures and public finance in association with a logical and effective decentralization system in order to improve quality of public governance, enhancing the transparency and predictability of policies. It aims at not only decreasing uncertainty, risks to investors, but also avoiding corruption and reducing transaction costs for enterprises.

Vietnam expects WB continue to provide DPL to maintain the momentum of reform; and continue to mobilize assistance, especially grant aid from other bilateral and multilateral donors to support for this breakthrough.

48. Strengthening human resources, especially high-quality human resources, linked to the development and application of science and technology.

Comparative advantage of cheap labor that Vietnam economy based on during last stage of development is no longer meet the requirements of restructuring the economic which based on high efficiency, productivity and competitiveness. Therefore, human capacity building is an important motivation to promote the development, overcoming "MIC trap". For this goal, in the period 2011 – 2015, Vietnam hopes WB to provide finances to support the implementation of prioritized orientations such as developing preschool education (improving policies, training teachers, building infrastructure); Developing vocational education (improving policies,

training teachers, building infrastructure); Investing to develop numerous universities, research institutes meeting regional and international standards; Strengthening capacity for official of state management agencies at center and local levels; and Enhancing business administration capacity for state-owned enterprises as well as private enterprises.

49. Current socio-economic infrastructure is an obstacle to development of Vietnam. To remove this obstacle, it is necessary to mobilize investment capital from all economic sectors. Regarding to WB's funds, Vietnam shall prioritize to develop infrastructure in accordance with the following directions:

Firstly, focus investment on some land road. Priorities should be given to the development transport systems in areas with high cargo capacity, areas located in growth destination, connecting with regional and international areas, which creates powerful domino effect, impulse national growth. Associate rural infrastructure development with program on new rural development; pay attention to addressing urgent need of the production and circulation of goods; transportation, flood prevention in mountainous and ethnic nationality areas.

Secondly, focus on upgrading, comprehensively developing and modernizing infrastructure in big urban areas connecting with allocating, restructuring of production as well as population; improving quickly urban transport system, especially public transportation.

Thirdly, develop quickly power resource and transmission system in couple with utilization

of energy-saving technology; contributing to ensure providing sufficient energy to serve national growth and people's daily needs.

Fourthly, comprehensive development and gradual modernization of the irrigation system, disaster prevention works, and modernize information system to meet development requirements and contribute to enhance labor productivity.

Fifthly, develop numerous public-modern-hospital at center and provincial, regional levels, and high-tech medical centers; and support for health infrastructure at provincial level

50. Aside from the 5-year SEDP, Vietnam develops and implements numerous national target programs in order to gather resources to resolve high priority needs. The WB's funds will be prioritized to support the implementation of three national target programs related to new national poverty reduction program in accordance with Resolution No. 80/NQ-CP; new rural development; and coping with climate change. In addition, the WB's fund, especially grants aid mobilized by WB, is prioritized to support several throughout and emerging issues such as HIV/AIDS prevention, infectious diseases prevention, population and development, gender equality, etc.

51. Financial assistance from WB or other donors should be utilized in order to create jobs, increasing income for the poor, strengthening competitiveness of products/goods in various potential and advantageous areas of Vietnam such as agro-forestry, seafood product processing; product of supporting industry, material inputs serving

4. Recommendations

52. Dialogue between GoV and WB based on promoting the ownership of Vietnam is the key for success of WB's activities in Vietnam so far. The two sides should continue to maintain dialogue at all levels, especially through exchange of high-level visits between WB and Vietnam.

Macro-economic growth and stabilization policy is one of Vietnam's top priorities. Therefore, Vietnam expects to receive technical assistance from WB in this field. In addition, Vietnam proposes that WB should continue to support resources to develop economic infrastructure to contribute to strong economic growth and sustainable poverty reduction.

The support aimed at encouraging policy reforms through the PRSC series has been truly successful; Vietnam expects to complete the PRSC 10 negotiations as planned. SBV and other relevant Vietnamese agencies will cooperate closely with WB to develop and implement the post-PRSC program (the Economic Management and Competitiveness Credit EMCC).

As Vietnam has become a MIC, WB now classifies Vietnam as a Blend country (it can access both IDA and IBRD). However, as a poor country and at the beginning of its development as a MIC, Vietnam expects WB continue to maintain IDA for as long as possible to be consistent with the actual situation in Vietnam; and to allocate a high proportion of IDA for Vietnam.

Based on its prestige and its positive role in aid coordination for Vietnam, WB is expected to mobilize other donors, funds and international organizations to provide grants or concessional loans to Vietnam. This will help soften financial conditions of less concessional loans.

Vietnam expects WB to continue to intensify and diversify aid modalities such as DPLs; investment lending; PBA, GBS and TBS, technical assistance to improve and develop policies and institutions, and public debt management, including loans from WB.

53. Vietnam has effectively utilized WB's assistance and in the new period of development, Vietnam commits to cooperating closely with WB to ensure that WB's funds will be used to achieve a strong impact and to reach the goal set out in the 10-year SEDS 2011-2020 of transforming Vietnam into a modernized country by 2020.

ANNEX

Annex 1: Committed, signed and disbursed ODA 1993-2010

Unit: USD million

YEAR	COMMITTED ODA	SIGNED ODA	DISBURSED ODA
1993	1.860,8	816,68	413
1994	1.958,7	2.597,86	725
1995	2.311,5	1.443,53	737
1996	2.430,9	1.597,42	900
1997	2.377,1	1.685,81	1.000
1998	2.192	2.444,30	1.242
1999	2.146	1.503,15	1.350
2000	2.400,5	1.772,02	1.650
2001	2.399	2.417	1.500
2002	2.462	1.924	1.528
2003	2.838	1.752	1.442
2004	3.441	2.597	1.650
2005	3.848	2.515	1.787
2006	4.445,60	2.947,39	1.785
2007	5.426,60	3.790,16	2.176
2008	5.914,60	4.332,33	2.253
2009	8.063,87	6.131,38	4.105
2010	7.905,51	2.975,18	3.541
Total	64.421,68	45.242,21	29.784

(Source: MPI)

Annex 2: The World Bank lending to Vietnam 1994-2010 (*)

Unit: USD million

YEAR	COMMITMENTS			DISBURSEMENTS		
	PROJECT LENDING	BUDGET SUPPORT	TOTAL	PROJECT LENDING	BUDGET SUPPORT	TOTAL
1994	325		325	0		0
1995	265	150	415	75	159	234
1996	502		502	35		35
1997	349		349	187		187
1998	360	35	395	204	35	239
1999	308		308	207		207
2000	286		286	156		156
2001	379	250	629	158	101	259
2002	593		593	231	161	392
2003	193	100	293	298		298
2004	606	100	706	311	107	418
2005	599	100	699	304	104	408
2006	668	100	768	324	95	419
2007	487	225	712	374	102	476
2008	1.043	150	1.193	399	231	631
2009	649	500	1.149	539	143	681
2010	1.167	962	2.129	689	1.020	1.709
(**)						

(Source: World Bank)

Note:

(*) Excludes stand-alone GEF, CFC and RETF projects

(**) Includes \$ 700 million of IBRD commitments and \$ 500 million of IBRD disbursements. All other amounts are from IDA

Annex 3: Disbursements of the World Bank loan by sectors (1994 – February 2010)

Transportation

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Highway 1A project	1/11/93	158,50	134,29
2	The rural transport project I	6/1/96	55,00	50,60
3	1A highway rehabilitation project (II)	3/4/97	196,50	173,62
4	Can Tho bridge construction project	8/11/97	73,00	73,68
5	The rural transport project II	24/2/00	104,00	106,17
6	1A highway rehabilitation project (II)	5/7/01	110,00	105,51
7	No.1 highway rehabilitation project (III)	22/11/07	25,00	7,36
8	Road network improvement	27/5/04	225,00	116,90
9	Vietnam Road safety project	10/5/05	31,70	4,88
10	The rural transport project 3	17/5/07	106,30	31,35
11	Cuu Long (Mekong) Delta transport infrastructure development project	22/11/07	207,70	12,44
12	WB6	10/11/08	170,00	8,33
	Total		1462,70	825,12

(Source: The State Bank of Vietnam)

Annex 3: Disbursements of the World Bank loan by sectors (1994 – February 2010)

Electricity

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Power sector rehabilitation and expansion	11/7/95	165,00	138,99
2	Phu My electricity power 2 project	26/2/96	180,00	168,87
3	Transmission and distribution	25/11/98	199,00	160,00
4	Rural energy project	1/9/00	150,00	155,69
5	Project for promotion of energy efficient	24/10/02	225,00	243,64
6	Rural energy II project	17/6/04	220,00	169,45
7	Transmission and distribution II	16/3/06	200,00	90,86
8	Rural distribution project	4/11/08	150,00	42,82
9	Renewable energy development project	16/6/09	202,00	0,00
10	Rural energy 2 project	9/7/09	200,00	0,00
11	Phu My phase II project	31/10/02	75,00	0,10
Total			1966,00	1170,42

(Source: *The State Bank of Vietnam*)

Water supply and urban development

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Water supply 04 cities project	7/7/97	98,61	59,91
2	Urban transport development project	8/9/98	42,74	28,29
3	Three cities sanitation	3/8/99	80,50	80,28
4	HCMC environmental sanitation	5/7/01	166,34	151,79
5	Urban upgrading project	7/8/04	222,47	67,73
6	Urban water supply development	15/7/05	112,60	20,41
7	Sanitary and water supply RRD	2/3/06	45,00	20,20
8	Coastal cities environmental	19/3/07	125,30	19,63
9	Hochiminh investment fund	16/11/07	51,80	15,38
10	Hanoi urban traffic development project	22/11/07	160,76	10,41
11	Da Nang priority infrastructure investment project	28/08/08	152,00	7,67
12	Urban upgrading project	12/7/09	160,00	0,00
13	Nhieu Loc-Thi Nghe project	25/5/00	2,00	0,00
14	Hanoi urban traffic development project	30/5/07	2,50	0,00
15	Priority infrastructure investment project	20/11/07	2,00	0,23
	Total		1424,62	481,93

(Source: The State Bank of Vietnam)

Annex 3: Disbursements of the World Bank loan by sectors (1994 – February 2010)

Irrigation

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Dau Tieng Irrigation	24/8/78	60,00	59,70
2	Irrigation Rehabilitation	11/7/95	100,00	79,34
3	Cuu Long Irrigation	3/8/99	101,86	106,83
4	Water resources assistance project	19/8/04	157,80	81,19
	Total		419,66	327,06

(Source: The State Bank of Vietnam)

Finance - Banking

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Banking modernization	16/1/96	49,00	40,16
2	Reduce debt and constant proportion debt obligations	12/1/98	35,00	33,84
3	Reform of public finance management	6/6/03	54,33	32,05
4	Banking modernization II	17/6/05	113,00	52,69
5	Customs modernization	3/2/06	65,90	1,63
6	Customs management modernization	28/3/08	82,59	0,31
	Tổng		399,82	160,67

(Source: The State Bank of Vietnam)

Communications Technology

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Information and communication technology development	1/6/06	87,87	7,64
	Total		87,87	7,64

(Source: The State Bank of Vietnam)

Ngành Y tế

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Population and family health project	26/2/96	50,00	44,62
2	National health support project	26/2/96	101,20	81,89
3	Regional blood transfusion centers	21/5/02	38,20	35,51
4	Avian influenza emergency recovery project	27/8/04	5,00	4,87
5	Mekong region support project	24/7/06	70,00	26,06
6	Vietnam Avian and Human Influenza Control and Preparedness Project (VAHIP)	12/4/07	20,00	6,19
7	Northern upland Health support	10/7/08	60,00	3,16
8	HIV/AIDS prevention	26/5/05	21,50	29,39
	Total		365,90	231,68

(Source: The State Bank of Vietnam)

Annex 3: Disbursements of the World Bank loan by sectors (1994 – February 2010)
Education and Training

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Primary education	1/11/93	70,00	67,13
2	Higher education	8/9/98	83,30	96,22
3	Primary teacher development	2/4/02	19,84	14,48
4	Primary education for disadvantaged children	14/7/03	138,75	125,90
5	Targeted budget support for education	10/11/05	50,00	50,63
6	Higher education II	22/11/07	61,59	20,74
7	The higher education development policy – first operation	23/6/09	50,00	52,43
8	School education quality assurance program	23/7/09	127,00	0,00
	Total		600,48	427,53

(Source: *The State Bank of Vietnam*)

Agriculture and Rural development along with hunger elimination and poverty reduction

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	Agricultural rehabilitation project	3/3/94	96,00	98,78
2	Rural finance	19/7/96	113,25	113,25
3	Forest protection and rural development	8/11/97	21,50	22,41
4	Agricultural diversification project	8/9/98	66,87	66,65
5	The wetland restoration project	24/2/00	32,00	33,73
6	Community based rural infrastructure	11/6/01	102,87	116,32
7	Northern mountainous poverty reduction	6/11/01	110,00	131,50
8	Rural finance II	9/9/02	200,00	243,67
9	Forest sector development	4/4/05	39,50	17,11
10	Natural disaster risk management	2/3/06	86,00	67,39
11	Program 135 Phase II	17/5/07	50,00	53,41
12	Rural finance III	14/11/08	200,00	31,22
13	Agriculture competitiveness project	9/12/08	59,80	3,80
14	Program 135 phase II	9/7/09	100,00	107,85
15	Livestock competitiveness and food safety project	22/9/09	65,26	0,00
	Total		1343,05	1107,08

(Source: The State Bank of Vietnam)

Annex 3: Disbursements of the World Bank loan by sectors (1994 – February 2010)

Other sectors

Unit: USD million

NO	PROJECT NAME	SIGNED DATE	SIGNED CAPITAL	DISBURSED CAPITAL TO FEB. 2010
1	SAC I	28/10/94	150,00	150,29
2	PRSC I	5/7/01	250,00	260,89
3	PRSC II	15/8/03	100,00	106,69
4	PRSC III	7/8/04	100,00	103,56
5	PRSC IV	15/9/05	100,00	94,50
6	PRSCV	5/9/06	100,00	102,63
7	PRSCVI	19/9/07	175,00	182,48
8	Vietnam land administration project	16/06/08	75,00	1,60
9	PRSCVII	29/07/08	175,00	142,55
10	FSMIM	21/4/09	60,00	0,86
11	Local development fund	2/7/09	190,00	9,86
12	PRSC VIII	25/6/09	350,00	377,08
13	Public investment reform program 1		500,00	500,00
	Total		2325,00	2033,00

(Source: The State Bank of Vietnam)

Annex 4: World Bank portfolio indicators for Vietnam

YEAR	PROJECTS	NET COMMITMENTS	PROJECTS AT RISK	PROBLEM PROJECTS (DO)	PROBLEM PROJECTS (IP)	REALISM INDEX	PROACTIVITY INDEX	DISBURSEMENTS RATIO/A (*)
			(US\$ MILLION)	(%)	(%)	(%)	(%)	(%)
1994	3	325	0,0	0,0	0,0	100,0		0,0
1995	6	740	0,0	0,0	0,0	100,0		22,5
1996	11	1.242	0,0	0,0	0,0	100,0		6,3
1997	13	1.441	23,1	0,0	23,1	100,0		19,3
1998	17	1.801	29,4	23,5	5,9	100,0	100,0	18,6
1999	20	2.014	5,0	0,0	5,0	100,0	100,0	17,3
2000	21	1.954	0,0	0,0	0,0	100,0	100,0	12,0
2001	25	2.557	8,0	0,0	8,0	100,0		11,9
2002	27	2.814	11,1	3,4	0,0	100,0	100,0	14,5
2003	26	2.479	15,4	12,3	0,0	100,0	50,0	14,3
2004	27	2.983	7,4	7,4	0,0	100,0	75,0	15,4
2005	34	3.515	0,0	0,0	0,0	100,0	100,0	13,3
2006	37	3.950	8,1	7,2	0,0	100,0		12,5
2007	36	3.931	11,1	16,8	5,6	100,0	66,7	12,5
2008	39	4.582	10,3	8,5	5,1	100,0	75,0	12,6
2009	43	5.428	11,6	11,1	7,0	100,0	50,0	14,8
2010	46	6.308	8,7	6,7	4,3	100,0	80,0	18,7

(Source: The State Bank of Vietnam)

Note:

(*) Disbursements of investment projects as % of opening undisbursed balance

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