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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP STRATEGY
FOR THE
SOCIALIST REPUBLIC OF VIETNAM
FOR THE PERIOD FY12 - FY16**

NOVEMBER 7, 2011

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

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

The Multilateral Investment Guarantee Agency

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities		and Recovery
ACP	Agriculture Competitiveness Project	GHG	Greenhouse Gas
ADB	Asian Development Bank	GNI	Gross National Income
ADF	Asian Development Fund	GPE	Global Partnership for Education
AEF	Aid Effectiveness Forum	GSO	General Statistics Office
AF	Additional Financing	GTAP	Governance, Transparency and Anti-Corruption Plans
AFD	Agence Française de Développement	GWh	Gigawatt Hour
AHIP	Avian and Human Influenza Project	HCFC	Hydro chlorofluorocarbons
ASEAN	Association of South East Asian Nations	HCMC	Ho Chi Minh City
AusAID	Australian Agency for International Development	HCS	Hanoi Core Statement
BOP	Balance of Payments	HIFU	Ho Chi Minh City Investment Fund for Urban Development
CAS	Country Assistance Strategy	HPUTP	Haiphong Urban Transport Project
CC	Climate Change	HUTP	Hanoi Urban Transport Project
CDD	Community Driven Development	IAS	International Accounting Standards
CFAA	Country Financial Accountability Assessment	IBRD	International Bank for Reconstruction and Development
CFC	Chlorofluorocarbon	ICA	Investment Climate Assessment
CG	Consultative Group	ICR	Implementation Completion Report
CIDA	Canadian International Development Agency	ICT	Information and Communication Technology
CPPR	Country Portfolio Performance Review	IDA	International Development Association
CPRGS	Comprehensive Poverty Reduction and Growth Strategy	IDF	Institutional Development Fund
CPRT	Country Portfolio and Results Monitoring Tool	IEG	Independent Evaluation Group
CPS	Country Partnership Strategy	IFC	International Finance Corporation
CTF	Clean Technology Fund	IFRS	International Financial Reporting Standards
CY	Calendar Year	ILO	International Labor Organization
DFID	Department for International Development	IMF	International Monetary Fund
DO	Development Objective	INGO	International Non-Government Organization
DPIP	Danang Priority Investment Project	IPSAS	International Public Sector Accounting Standards
DPL	Development Policy Loan	ISR	Implementation Status and Results Report
DPO	Development Policy Operation	JICA	Japanese International Cooperation Agency
EMCC	Economic Management and Competitiveness Credit	JPPR	Joint Portfolio Performance Review
ESW	Economic and Sector Work	JSAN	Joint Staff Advisory Note
EU	European Union	JSDF	Japan Social Development Fund
EVN	Electricity of Vietnam	KEXIM	Export-Import Bank of Korea
FDI	Foreign Direct Investment	KfW	Kreditanstalt für Wiederaufbau
FIRST	Fostering Innovation through Research, Science, and Technology	KTF	Korean Trust Fund
FLEG	Forest Law Enforcement and Governance	LIFSAP	Livestock Competitiveness and Food Safety Project
FSAP	Financial Sector Assessment Program	LNG	Liquefied Natural Gas
FSDP	Forest Sector Development Project	MARD	Ministry of Agriculture and Rural Development
FSQL	Fundamental School Quality Levels	M&E	Monitoring & Evaluation
FTA	Free Trade Agreement	MDG	Millennium Development Goal
FY	Fiscal Year	MDTF	Multi-Donor Trust Fund
GAC	Governance and Anti-Corruption	MDTP	Mekong Delta Transport Project
GDP	Gross Domestic Product	MDWMP	Mekong Delta Water Management Project
GDVC	General Department of Vietnam Customs	MIC	Middle Income Country
GEF	Global Environment Facility		
GFDRR	Global Facility for Disaster Reduction		

MIGA	Multilateral Investment Guarantee Agency	SARS	Severe Acute Respiratory Syndrome
MLF	Microfinance Loan Fund	SAV	State Audit of Vietnam
MOF	Ministry of Finance	SBV	State Bank of Vietnam
MOIT	Ministry of Industry and Trade	SDR	Special Drawing Right
MOLISA	Ministry of Labor, War Invalids and Social Affairs	SEDP	Socio-Economic Development Plan
MONRE	Ministry of Natural Resources and Environment	SEDS	Socio-Economic Development Strategy
MPI	Ministry of Planning and Investment	SEIER	System Efficiency Improvement, Equitization and Renewables
MSMEs	Micro and Small-Medium Enterprises	SEQAP	School Education Quality Assurance Program
MTEF	Medium-Term Expenditure Framework	SIL	Sector Investment Loan
MVA	Megavolt-ampere	SME	Small-Medium Enterprise
MW	Megawatt	SOCBs	State-Owned Commercial Banks
NDTP	Northern Delta Transport Project	SOE	State-Owned Enterprise
NGO	Non-Government Organization	SRB	Sex Ratio at Birth
NMGRP-2	Second Northern Mountains Poverty Reduction Project	TA	Technical Assistance
NPL	Non-Performing Loans	TABMIS	Treasury and Budget Management Information System
NSIS	National Statistical Indicators System	TBD	To Be Determined
NTP	National Targeted Program	TF	Trust Fund
OCR	Ordinary Capital Resources	TFLA	Trade Facilitation and Logistics Audit
ODA	Official Development Assistance	UK	United Kingdom
OECD	Organization for Economic Co-operation and Development	UN	United Nations
OOG	Office of Government	US	United States
OSF	ODA Strategic Framework	USD	United States Dollar
PCB	Polychlorinated Biphenyl	UWS	Urban Water Supply
PCI	Provincial Competitiveness Index	UWSWP	Urban Water Supply and Wastewater Project
PEFA	Public Expenditure and Financial Accountability	VAS	Vietnam Accounting System
PER	Public Expenditure Review	VAT	Value Added Tax
PFM	Public Financial Management	VCIS	Vietnam Customs Information System
PHRD	Policy and Human Resources Development	VCGM	Vietnam Competitive Generation Market
PIR	Public Investment Reform	VDR	Vietnam Development Report
PMU	Project Management Unit	VHLS	Vietnam Household Living Standards Survey
PPA	Power Purchase Agreement	VLAP	Vietnam Land Administration Project
PPP	Public-Private Partnership	VN	Vietnam
PRSC	Poverty Reduction Support Credit	VND	Vietnamese Dong
PSD	Private Sector Development	VSDS	Vietnam Statistical Development Strategy
RD	Rural Distribution	VSS	Vietnam Social Security
RDF	Rural Development Fund	VWRAP	Vietnam Water Resources Assistance Project
RE2	Second Rural Energy Project	WB	World Bank
REDD	Reduction of Emissions from Deforestation and Forest Degradation	WBG	World Bank Group
REDP	Renewable Energy Development Project	WBI	World Bank Institute
RETF	Recipient-Executed Trust Fund	WTO	World Trade Organization
RF3	Third Rural Finance Project	WWF	World Wildlife Fund
RNIP	Road Network Improvement Project		
ROSC	Report on the Observance of Standards and Codes		
RSP	Road Safety Project		

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	i
I. COUNTRY CONTEXT.....	1
A. RECENT POLITICAL AND ECONOMIC DEVELOPMENTS	1
B. REGIONAL AND GLOBAL CONTEXT.....	2
C. MEDIUM-TERM ECONOMIC PROSPECTS.....	3
II. DEVELOPMENT AGENDA	4
A. COMPETITIVENESS	5
B. ENVIRONMENTAL AND NATURAL RESOURCE SUSTAINABILITY	5
C. POVERTY AND INEQUALITY.....	6
D. VULNERABILITY	8
E. GOVERNANCE	10
III. GOVERNMENT PRIORITIES	11
IV. VIETNAM-WORLD BANK GROUP PARTNERSHIP.....	12
A. LESSONS AND FEEDBACK	12
B. CPS PRINCIPLES OF ENGAGEMENT	14
C. CPS ENGAGEMENT FRAMEWORK AND EXPECTED RESULTS	16
D. IMPLEMENTING THE FY12-FY16 CPS.....	28
E. DEVELOPMENT PARTNERSHIPS AND AID EFFECTIVENESS.....	31
V. RISKS	33
ANNEX 1: RESULTS MATRIX.....	35
ANNEX 2: VIETNAM CPS FY07-FY11 COMPLETION REPORT	47
ANNEX 3: COUNTRY-AT-A-GLANCE (CAS ANNEX A2).....	101
ANNEX 4: SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT (CAS ANNEX B2).....	104
ANNEX 5: INDICATIVE FY12-FY14 LENDING PROGRAM (CAS ANNEX B3)	105
ANNEX 6: INDICATIVE FY12-FY14 AAA PROGRAM (CAS ANNEX B4).....	107
ANNEX 7: SOCIAL INDICATORS (CAS ANNEX B5)	109
ANNEX 8: PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS	110
ANNEX 9: GENDER IN VIETNAM	111
ANNEX 10: KEY ECONOMIC INDICATORS (CAS ANNEX B6)	113
ANNEX 11: KEY EXPOSURE INDICATORS (CAS ANNEX B7)	115
ANNEX 12: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS) (CAS ANNEX B8-WB).....	116
ANNEX 13: STATEMENT OF IFC’S HELD AND DISBURSED PORTFOLIO (CAS ANNEX B8-IFC) ...	119
ANNEX 14: VIETNAM COUNTRY SURVEY	120
ANNEX 15: STAKEHOLDER CONSULTATIONS.....	123

ANNEX 16: PUBLIC FINANCIAL MANAGEMENT IN VIETNAM	133
ANNEX 17: OVERVIEW OF MAIN TRUST FUNDS.....	138
ANNEX 18: THE BANK’S DEVELOPMENT PARTNERSHIPS IN VIETNAM	140
ANNEX 19: DEVELOPMENT PARTNER ACTIVITIES IN VIETNAM	142
ANNEX 20: STATISTICAL CAPACITY AND M&E SYSTEMS	146
ANNEX 21: COUNTRY FINANCING PARAMETERS	148

TABLES

TABLE 1: KEY ECONOMIC INDICATORS	4
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FIGURES

FIGURE 1: POVERTY TRENDS IN VIETNAM 1993-2008.....	7
FIGURE 2: VIETNAM CPS RESULTS OUTCOMES AND INDICATORS	18

BOXES

BOX 1: URBANIZATION OPPORTUNITIES AND CHALLENGES.....	9
BOX 2: MAINSTREAMING GOVERNANCE	19
BOX 3: EMPOWERING LOCAL WOMEN AND IMPROVING RURAL ROAD MAINTENANCE	19
BOX 4: EMCC TO SUCCEED PRSC SERIES.....	21
BOX 5: WORLD BANK’S INFRASTRUCTURE STRATEGY IN VIETNAM	22
BOX 6: ADDRESSING VIETNAM’S REMAINING POVERTY AGENDA	27
BOX 7: ENSURING FIDUCIARY AND INSTITUTIONAL DEVELOPMENT	28
BOX 8: FIDUCIARY RISKS	29

EXECUTIVE SUMMARY

1. This is the World Bank Group's first Country Partnership Strategy (CPS) for Vietnam since it became a lower middle-income country in 2009. Vietnam became IBRD-eligible in 2007 and received its first IBRD loan in 2009. The CPS will support implementation of Vietnam's new five-year Socio-Economic Development Plan (SEDP) for 2011-2015. It combines continuity from the previous CPS program with the introduction of some strategic shifts that will likely take more than one CPS period to yield significant change. These shifts are primarily intended to sharpen strategic focus within the Bank's program, enhance operational efficiency, and deliver development results faster.

2. Vietnam has achieved remarkable development success over the last 25 years. Reforms introduced in 1986 have transformed the country from a centrally planned to a more market oriented economy. This has spurred rapid growth (averaging 7.3 percent during 1990-2010) and significant poverty reduction. Vietnam's per capita income has increased more than eleven-fold to US\$1,130 in 2010, and the poverty headcount ratio has fallen from 58 percent in 1993 to 14.5 percent in 2008. The country has already attained several of its original Millennium Development Goals (MDGs) and is likely to achieve a few more by 2015. There have been dramatic improvements in the welfare of the average Vietnamese citizen.

3. In recent years, however, Vietnam has found it more difficult to maintain high levels of growth with macroeconomic stability. This reflects in part its deeper integration into global markets with World Trade Organization (WTO) accession in 2007 and recent global crises. However, the more important explanation is a reliance on public investment, channeled largely through a weak state enterprise sector and financed by massive credit expansion, to drive growth. This has led to an accommodating macroeconomic policy stance, inefficient public investments and a high level of indebtedness in the state sector. Banking and financial sector risks have therefore become elevated. The economy has suffered episodes of macroeconomic instability with high levels of inflation, depreciation and instability of the currency, and signs of significant internal capital flight. Since early 2011, the Government has been implementing a comprehensive stabilization program (Resolution 11) which has begun to reestablish macroeconomic stability. A plenum of the Communist Party of Vietnam in October 2011 reaffirmed the Government's commitment to sustaining macroeconomic stability and set three aspects of economic restructuring as priorities for the next five years. These are restructuring of (i) public investment; (ii) the financial sector with focus on commercial banking system and financial institutions; and (iii) state-owned enterprises with focus on economic groups. Action on this will be important for tackling the structural drivers of macroeconomic instability and enhancing the economy's efficiency.

4. Vietnam's aspirations to avoid the middle income trap and become a successful middle income country (MIC) will require strengthening the economy's competitiveness. In addition to recent macroeconomic instability, the business environment is constrained by weak infrastructure, by high costs of interacting with Government agencies, and by a lack of adequate information on policy. Vietnam will also need to begin to build the basis for shifting to higher productivity, product and process innovation, and value addition as its low-cost labor advantage begins to dissipate. Developing a better educated workforce and strengthening its technology and innovation system will be critical for this.

5. Vietnam has relied on its abundant natural resources for growth, but has not always managed the environmental impacts properly. While the share of Vietnam's economic growth derived from its natural capital (e.g., fisheries, forestry, and mineral resources) will likely diminish with further industrialization, it will nonetheless remain an important source of growth and employment especially for the poor. Population growth, industrialization, urbanization, and major changes in patterns of rural development have contributed to deterioration of air and water quality and loss of biodiversity. Vietnam

relies on international rivers for 60 percent of its surface water flow. Dry-season water supply is under pressure, and climate change will exacerbate the situation. There is now strong recognition in Government of the need for a more sustainable use of natural resources and the environment.

6. Inequality in Vietnam is beginning to rise, and the pace of poverty reduction has inevitably slowed, with poverty increasingly concentrated in ethnic minority communities. Macroeconomic instability and adverse weather shocks have also increased household vulnerability. Development of Vietnam's systems for governance and accountability has lagged behind the country's broader development success, making it more difficult to address these challenges effectively. Progress on these issues – competitiveness, sustainability, persistent poverty and rising inequality, vulnerability, and governance – are critical for making progress on Vietnam's ambitious development aspirations in the medium and long term. Addressing them is at the core of both the Government's overall strategy and this CPS.

7. The Government's development vision for the next decade is laid out in its Socio-Economic Development Strategy (SEDS) 2011-2020. The SEDS gives attention to structural reforms, environmental sustainability, social equity, and emerging issues of macroeconomic stability. It defines three "breakthrough areas": (i) promoting human resources/skills development (particularly skills for modern industry and innovation), (ii) improving market institutions, and (iii) infrastructure development. The overall goal is for Vietnam to lay the foundations for a modern, industrialized society by 2020. The SEDP 2011-2015, approved by the new National Assembly in November 2011, elaborates the objectives of the SEDS and identifies the specific measures and resources that are needed for its implementation. Aligned with the Government's overall strategic priorities and goals, the CPS will support the three breakthrough areas of the SEDS and SEDP of promoting human resources, improving market institutions, and advancing infrastructure development.

8. The CPS introduces several new principles of Bank engagement in Vietnam aimed at increasing the Bank's impact: (i) sharpening strategic focus by reducing program dispersion through consolidation and greater selectivity; (ii) improving operational efficiency, including through the introduction of more systemic approaches, leveraging resources by strengthening policy dialogue and analytical and advisory services (AAA), through synergies with development partners, and across the World Bank Group (WBG); and (iii) accelerating implementation for more timely results.

9. Building on Vietnam's strong track record of growth and poverty reduction, the World Bank Group will partner with Vietnam in its effort to achieve success as a middle income country. The CPS program will support selected elements of the transitions required for this, notably, from an agrarian economy toward one that is more urban and industrialized; from a focus on quantity toward a greater focus on quality of production and service provision; and from a comparative advantage of low-cost labor, with low value added, to one with a growing share of innovation-led and higher value-added production and services.

10. The CPS program will support investments and policies organized into a strategic framework of three pillars and three cross-cutting themes. The pillars are: (i) strengthening Vietnam's *competitiveness* in the regional and global economy, (ii) increasing the *sustainability* of its development, and (iii) broadening access to *opportunity*. Key cross-cutting themes are (i) strengthening *governance*, (ii) supporting *gender* equity, and (ii) improving *resilience* in the face of external economic shocks, natural hazards and the impact of *climate change*. A wide range of instruments will be used, including results-based approaches, a series of development policy operations (DPOs) to succeed the Poverty Reduction Support Credit (PRSC) series concluding with the tenth operation in December 2011, regional IDA operations, and programmatic AAA. The Global Environment Facility (GEF), Recipient

Executed Trust Funds (RETFs), and Institutional Development Fund grants (IDFs) for capacity building will complement IDA and IBRD resources. With new challenges emerging in the poverty agenda – e.g., rising inequality, urban poverty, and concentration of poverty in remote ethnic minority communities – the CPS includes a renewed commitment to poverty reduction, including through better understanding of Vietnam’s shifting poverty dynamics, and to new targeted poverty interventions informed by this understanding. Governance and gender lenses will be applied to all operations at an early stage of preparation to seize opportunities for strengthening support in these areas. Resilience emerges as an important theme in light of Vietnam’s greater vulnerability to shocks on several fronts: external shocks at both the macroeconomic and household level, and natural hazards and climate change. The CPS supports a strengthening of Vietnam’s resilience on these specific issues in the respective pillars of the framework.

11. The challenge for the Vietnam program is to achieve results faster. Government is considering newer approaches such as results-based and output-based disbursement, in order to accelerate development results. Vietnam’s National Targeted Programs (NTPs) may be useful vehicles for this. During the CPS period, the Bank and Government will work to assess underlying fiduciary systems capacity and to diversify lending instruments for faster development impact. The Bank will also continue to work jointly with the Ministry of Planning and Investment (MPI) and other donors to address systemic official development assistance (ODA) implementation issues and undertake analyses to learn from well-performing provinces and sectors. At the project level, the Bank and MPI are giving priority to improving project readiness for implementation, accelerating preparation, and managing the existing portfolio proactively. A more streamlined results framework of this CPS will serve as a management tool for the Bank’s Vietnam Country Team.

12. Financing resources available to Vietnam during the new CPS period include an indicative FY12-FY14 IDA allocation of SDR 2.8 billion (equivalent to US\$4.2 billion). This is the largest allocation to Vietnam under any IDA Replenishment, in light of Vietnam’s strong performance and the overall increase under the IDA 16 Replenishment. As a blend country, Vietnam will also have access to modest IBRD resources. Proposed FY12-FY14 IBRD commitments total US\$770 million. Most of the IBRD resources will be used to finance infrastructure investments. As Vietnam transitions to a more market-based economy with the private sector increasingly a driver of growth, IFC’s program is expected to increase accordingly during the CPS period. MIGA is engaging more actively in Vietnam. Its new instrument in support of public-private partnerships (PPPs) could be useful for the Government to mobilize international financing for priority infrastructure projects. In addition to new IDA and IBRD commitments, resources available to Vietnam during the new CPS period include an undisbursed balance of US\$5.7 billion (as of September 30, 2011) on the existing portfolio.

13. Trust Funds (TFs) play a major role in the Vietnam program. FY11 commitments and disbursements reached US\$296 million and US\$170 million, respectively. The sources of trust funds are expected to change as donors shift their attention to newer areas of support or start to scale down in Vietnam. Effective and efficient donor coordination will be important for minimizing gaps resulting from these shifts. Selection criteria for TFs have been developed and will be applied more systematically to ensure strategic alignment.

14. As several development partners will end ODA support to Vietnam during the next 5 years, the CPS will seek ways to support a smooth transition, including through offering financing vehicles for development partners as needed and as appropriate. Partnerships with other development partners, notably large donors such as the Asian Development Bank (ADB) and the Japanese International Cooperation Agency (JICA) and key bilateral collaborators such as the UK’s Department for International Development (DFID) and the Australian Agency for International

Development (AusAID), will be strengthened to enhance coordination and help Vietnam make further progress on its harmonization and broader aid effectiveness agenda.

15. Monitoring of CPS implementation and results will be done annually. Adjustments will be made to reflect emerging lessons.

16. There are three main risks to implementation of the CPS program. They are: (i) slowdown in the global economy, to be partially mitigated by continued dialogue with government agencies and stakeholders on how to build buffers to global shocks; (ii) heightened macroeconomic instability, to be partially mitigated by intensified and regular dialogue with Government in consultation with the International Monetary Fund (IMF), including a Financial Sector Assessment Program (FSAP); and (iii) implementation risks, to be partially mitigated by capacity building for public financial management (PFM) and procurement, work with Government on modernizing and simplifying the legal framework for management of Official Development Assistance (ODA), implementation of credible project governance and anti-corruption plans, and technical assistance to strengthen the capacity of Government entities and professions responsible for independent assurance.

I. COUNTRY CONTEXT

1. Vietnam is a development success story. Political and economic reforms (Đổi Mới) launched in 1986 have transformed Vietnam from one of the poorest countries in the world, with per capita income below US\$100, to a lower middle income country within a quarter of a century. The poverty headcount ratio has fallen from 58 percent in 1993 to 14.5 percent in 2008, and most indicators of welfare have improved. Vietnam has already attained five of its ten original MDG targets and is well on the way to attaining two more by 2015 (see Annex 8). At the end of 2010, Vietnam's per capita income was US\$ 1,130. Vietnam has also been applauded for the equity of its development, which has been better than most other comparators. The country is playing a more visible role on the regional and global stage, having successfully chaired the 2009 Annual Meetings of the Boards of Governors of the World Bank Group and the IMF, and carried out the Chairmanship of the Association of South East Asian Nations (ASEAN) in 2010.

A. RECENT POLITICAL AND ECONOMIC DEVELOPMENTS

2. Vietnam's most recent political transition (once every five years) formally began with the Eleventh Congress of the Communist Party of Vietnam in January 2011. This was followed by elections for local Peoples' Councils and for the National Assembly in May 2011 and finally the endorsement of a new Cabinet by the new National Assembly in its first meeting in August 2011. The process has also included discussion and agreement on the directions for Vietnam on politics, economic and social development, and on engagement with the region and the rest of the World. The Congress called for a more comprehensive approach to the country's renovation, decided to promote greater citizens' participation and unity within Vietnam, and to engage proactively in international integration. The Congress re-affirmed Vietnam's approach to state-led development, but also revised key policy documents to place greater emphasis on market processes and non-state ownership of economic assets. Prime Minister Nguyễn Tấn Dũng has been re-appointed to a second term of office, while the Party General Secretary, the President, and the Chairman of the National Assembly have changed.

3. Over the last quarter of a century, Vietnam's politics and society have gradually evolved towards greater openness and space for civil participation. Public discourse on a range of political, social, and economic issues has increased. Provisions are in place to require input by citizens in certain decisions at the grassroots level. The ability of the National Assembly to perform the role of a check and balance on the executive has strengthened. Despite this progress, greater openness and opportunity for citizens to participate in governance is needed to support Vietnam's long term vision of becoming a modern industrialized society.

4. In recent years, Vietnam has faced significant economic challenges, as it struggles to find its footing in a more integrated and turbulent world economy. Steady integration into the global economy since WTO accession in 2007 has brought a higher flow of foreign direct investment and increased exports. This integration has exposed Vietnam to increased commodity price volatility and financial turbulence in the global economy as well as the effects of growth slowdowns in North America and Europe. With its market-based institutions still not uniformly developed and a slowdown in the reform effort, the country has found it increasingly difficult to cope with this new economic environment. Consequently, the economy has experienced periodic episodes of macroeconomic instability involving high levels of inflation, depreciation of the currency, and significant internal capital flight.

5. The most recent episode of macroeconomic instability started in the second half of 2010, following delayed withdrawal of the fiscal and monetary stimulus measures introduced to deal with the impact of the global financial crisis. In August 2011, inflation reached a 33-month high of 23

percent, sovereign bond spreads hovered around 350-400 basis points, and foreign exchange cover was about two months of imports. The health of the banking sector has remained a source of concern, in part because of the build-up of contingent liabilities in state-owned enterprises (SOEs).

6. In early 2011, Government began implementing policy measures that have helped restore macroeconomic stability. The dong was devalued by 9.3 percent against the US dollar on February 11, 2011, and a stabilization package known as Resolution 11 was approved on February 24, 2011. It contains a wide range of monetary and fiscal policy actions, and commits Government to undertake several structural measures, including reforming SOEs, improving communication of policy measures, and better protecting the poor from the impacts of macroeconomic instability. Specific measures implemented since then include an increase of 600 basis points in the policy rate over a 7-month period, a significant reduction in the growth rate in credit and money supply for 2011 relative to 2010, a reduction in the fiscal deficit through higher revenue, and a cut in public investment expenditure. A modest cash subsidy for the poor against electricity price hikes has also been put in place.

7. The stabilization effort has delivered positive results. In October 2011 monthly inflation eased to 0.36 percent from an average of 1.73 percent in the first nine months of 2011, the lowest level since August 2010. Foreign exchange reserves are rising, and the exchange rate premium, as high as 11-12 percent during the early months of 2011, has been nearly eliminated. In the first seven months of 2011, the current account posted a US\$1.3 billion surplus, compared to a deficit of US\$3.2 billion during the same period last year, and the overall balance of payments (BOP) was reported to be in surplus by US\$5 billion. There have been a number of equitizations¹ of SOEs in the banking sector, and more are planned in the coming months. Government has also initiated a review of SOEs' cross-holdings in state-owned commercial banks. Economic growth has slowed but remains robust at 5.6 percent during the first half of 2011.

8. Implementation of Resolution 11 has had some shortcomings. For example, efforts to rein in the investment budget have not been sufficiently spelled out, a roadmap for SOE reform is not yet in place, and communication of macroeconomic data and policy decisions is still slow and hesitant. The pace of structural reforms has been somewhat slow, partly due to the fact that the country has been in a period of transition over the past 12 months, as part of its 5-year political cycle. Several important policy actions and pieces of new legislation were also deliberately held up until adoption of the new five year Socio-Economic Development Plan (2012-2016) expected in November of 2011. The stabilization achievements to date demonstrate Vietnam's ability to address its macroeconomic challenges. The government has indicated that it remains committed to implementing Resolution 11 and to supplementing it with further reforms in the months ahead to address the areas of weakness. This will be important for sustaining stability.

B. REGIONAL AND GLOBAL CONTEXT²

9. As one of the most open economies in the world, Vietnam will continue to be considerably affected by regional and global events. International trade is equivalent to nearly 160 percent of Vietnam's gross domestic product (GDP). Since WTO accession, Vietnam has received more net foreign direct investment commitments than Indonesia, the Philippines and Thailand combined and the country's future is intricately linked to the health of its regional and global partners. Since the last global economic crisis, the external environment that Vietnam faces has evolved rapidly and brought new opportunities and challenges.

¹ "Equitization" is a partial form of privatization used by the Vietnamese Government.

² World Bank East Asia and Pacific Economic Update, 2011: Securing the Present, Shaping the Future

10. Vietnam has developed strong ties in the region, which have delivered important economic benefits. It became a member of ASEAN in 1995, and joined the Asia Pacific Economic Cooperation forum in 1998. Vietnam deepened regional integration efforts more recently by joining a series of Free Trade Agreements (FTAs) between ASEAN and Japan, China and Korea (ASEAN+1 FTAs). ASEAN membership, together with accession to the WTO in 2007, should promote a better outcome to trade negotiations for Vietnam than if it were to negotiate bilaterally with larger neighboring economies. Vietnam's exports to the US and EU markets have steadily increased, but East Asian economies still account for roughly 40 percent of Vietnam's exports and over 60 percent of its imports. In addition, around two-thirds of foreign investment in Vietnam is estimated to have come from East Asian countries.³ Vietnam is also active in regional efforts to coordinate the use and management of the vast resources of the Mekong River.

11. Serious tensions and risks persist in the post-crisis global economy. In the short run, these could derail the recovery to differing degrees. Continued very low interest rates in high-income countries could induce large and volatile flows of capital toward developing countries, including Vietnam, that contribute to destabilizing movements in exchange rates, food and commodity prices, and asset prices. In this environment, the growing integration of Vietnam's manufacturing and agricultural sectors into the global economy has exposed them to wider demand and price volatility. Longer-term risks center around the possibility that policy in the economies most directly hit by the crisis fail to shift focus from short-term crisis management toward measures that address the underlying structural issues that contributed to the crisis in the first place.⁴

C. MEDIUM-TERM ECONOMIC PROSPECTS

12. Stabilizing the economy is crucial to Vietnam's medium-term growth prospects that otherwise remain strong. Further interest rate increases in October 2011 and the scaling back of growth and investment targets demonstrate the Government's continued focus on macroeconomic stabilization. The conclusions of the October 2011 Communist Party Plenum recognized the need for economic restructuring and identified restructuring of public investment, of SOEs and the financial sector, as priorities for the next five years. This suggests that the Government will take needed actions to return to a more sustainable macroeconomic environment while laying the foundations for greater efficiency and productivity to drive medium and longer-term growth.

13. Vietnam's economy is expected to gradually return to a more stable macroeconomic environment and sustain moderate to high growth rate in the medium-term. The inflation rate, which peaked in August 2011, is expected to continue its downward trend in the coming months. As shown in Table 1, end-of-period inflation is expected to reach 19 percent by December 2011 and 9 percent by end of next year. The economy is expected to grow at 5.8 percent during 2011, slower than 2010, given the impact of stabilization measures. With robust flow of foreign direct investment (FDI) and planned restructuring of the economy, we expect industrial growth to remain relatively healthy in the medium-term. Similarly, the agriculture sector should continue to do well as global food prices are projected to remain high in the coming years. Overall, the growth rate of the economy is expected to gradually increase to 6.3 percent by 2013. Assumptions underpinning these projections include no major disruption to the global economy, steady progress on structural reforms, improved implementation of infrastructure projects, and continued support from development partners and foreign investors. In the

³ Nguyen Tien Dung, "Impacts of East Asian Integration: A CGE Analysis," Vietnam National University.

⁴ *Global Economic Prospects*, World Bank, January 2011.

absence of these changes, growth could slow down but is unlikely to fall significantly below 5 percent – given the resilience of Vietnam’s economy.

TABLE 1: KEY ECONOMIC INDICATORS

	2008	2009	2010/r	2011/e	2012/p	2013/p
Output, Employment and Prices						
GDP (% change previous year)	6.3	5.3	6.8	5.8	6.1	6.3
Industrial production index (% change, previous year)	13.9	7.6	14.0	11.0	12.0	12.5
Unemployment rate (% , urban areas)	4.7	4.6	4.4	4.0	4.0	4.0
Consumer price index (% change, period-end)	19.9	6.5	11.8	19.0	9.0	7.0
Consumer price index (% change, annual average)	23.1	6.7	9.2	19.0	10.5	7.5
Fiscal Balance						
Official fiscal balance(% GDP, excluding off-budget items)	1.2	-5.1	-2.0	-1.1	-1.2	-1.2
General fiscal balance (% GDP, including off-budget items)	-1.2	-9.0	-6.4	-3.9	-3.8	-3.6
Foreign Trade, BOP and External Debt						
Trade balance (BOP definition, \$US billion)	-12.8	-8.3	-7.1	-7.0	-8.0	-8.7
Exports of goods, (\$US billion, fob)	62.7	57.1	72.2	90.6	105.4	122.3
Exports of goods (% change, previous year)	29.1	-8.9	26.4	25.5	16.3	16.1
Imports of goods, (\$US billion, fob)	75.5	65.4	79.3	97.6	113.3	131.0
Imports of goods (% change, previous year)	28.1	13.3	21.2	23.1	16.1	15.6
Current account balance (\$US billion)	-10.8	-6.1	-4.0	-4.5	-4.6	-5.1
as percent of GDP	-11.9	-6.6	-3.9	-3.8	-3.5	-3.5
Foreign direct investment (net inflows, \$US billion)	9.3	6.9	6.1	6.8	7.3	7.5
External debt (\$US billion)	28.4	36.3	43.7	49.1	51.8	57.1
as percent of GDP	31.4	39.0	42.2	41.0	39.4	39.0
Debt service ratio (% exports of g&s)	2.6	4.5	3.2	3.0	3.2	3.2
Financial Markets						
Credit to the economy (% change, period-end)	25.4	39.6	32.4	14.0	15.0	15.0
Short-term interest rate (3-M deposits, period-end)	8.1	10.7	14.0	14.0	---	---
Stock market - VN index (Jul 2000 =100)	316	495	485	---	---	---

Source: General Statistics Office, State Bank of Vietnam, IMF and World Bank. e = estimate, p = projections.

14. Vietnam’s public debt is likely to remain sustainable if the current economic recovery continues and the authorities carry on the current fiscal tightening. The 2011 Debt Sustainability Analysis conducted by the Bank and the IMF shows public debt declining steadily from 52.8 percent of GDP in 2010, to 47.9 percent of GDP in 2015. The large fiscal deficits in 2009 and 2010 do not affect the overall debt sustainability significantly, as long as the government reverts to the pre-crisis levels of deficit in a few years as expected. A loss of access to non debt-creating capital inflows and a slowdown of exports could adversely affect Vietnam’s debt dynamics. The standard assumptions applied for these shocks are severe, and unlikely to materialize. The largest source of uncertainty and hence, unquantifiable risk, to debt sustainability comes from implicit obligations which are not captured under public and publicly-guaranteed debt statistics. Neither a clear definition nor a reliable estimate of such liabilities is available, limiting the government’s ability to manage associated risks. Contingent liabilities might arise from off-budget statutory funds such as health insurance fund, large SOEs, and weaknesses in the financial sector. Collecting reliable and up-to-date information on contingent liabilities and assessing their fiscal risks has become a priority for the Government and the Bank.

II. DEVELOPMENT AGENDA

15. Vietnam has recently entered a new and higher phase of development. Achieving success will require addressing residual challenges from the past, including advancing its transition to market and tackling emerging issues related to middle income status as well as more global challenges such as climate change. The Bank agrees with the Government on the key challenges that need to be addressed over the next five years. These include economic competitiveness, sustainability of growth, pockets of persistent poverty and rising inequality, vulnerability, and governance. The Bank is confident that Vietnam can sustain past progress because of its policy priorities and its demonstrated performance.

A. COMPETITIVENESS

16. Vietnam's past rapid growth was made possible by improvements in competitiveness from earlier reforms and from progress in provision of economic infrastructure. Vietnam's remaining reform agenda is still significant, particularly as regards the state corporate sector, and infrastructure access and quality increasingly lags the requirements of rapid growth as does the development of labor force skills. These factors constrain further improvements in competitiveness. Vietnam's competitiveness was also derived primarily from low-cost labor and unsustainable use of its abundant natural resources. This advantage will inevitably diminish overtime. For Vietnam to sustain its high growth record and avoid the so-called "middle income trap," further reforms and investments are needed to tackle remaining inefficiencies in the economy, and strengthen competitiveness. In addition, the bases for the economy's competitiveness will need to shift increasingly to higher productivity, product and process innovation, and value addition as its low-cost labor advantage dissipates. Macroeconomic stability, a sound and resilient financial sector, and continued improvements to the investment climate will be critical to fostering business development and competition.

17. The large SOE sector is an important part of Vietnam's state-led economic model but has become a growing source of inefficiency, weak competitiveness, and a constraint to private enterprise development. SOEs own and absorb a far greater share of the country's assets (land) and factors (domestic credit) than their share in national output. With recent rapid credit growth, the sector has become highly leveraged, and a source of risk to the banking sector. State-owned commercial banks (SOCBs) dominate the banking system (approximately half of the system), the largest accounting for nearly one sixth of the system. Both their capital base and loan portfolio quality are weak. The special privileges extended to SOEs make it more difficult for the private sector, large enterprises and small-medium enterprises (SMEs) alike, to participate in certain key areas of the economy, thus inhibiting competition and associated productivity and efficiency gains. Weak corporate governance, limited transparency/disclosure standards, and a passive monitoring and oversight framework further compound the risks. Reforms are needed to remove inefficiencies, promote productivity of the SOE sector, and address weaknesses in the financial sector.

18. Considerable private investment will be needed to raise productivity and value addition in Vietnam's industry and agriculture and to begin to shift the country's core competency from natural resource utilization to innovation and knowledge-base industry and services. But the quality of Vietnam's infrastructure is low, and skilled labor is generally in short supply. Though access to electricity is widespread, power cuts are frequent in certain parts of the country. Other aspects of infrastructure quality, especially those related to transport and logistical services, also inhibit competitive investment. Vietnam has seen remarkable increases in enrolments at primary, secondary and tertiary levels but the quality of education needs to be strengthened and made more relevant to labor market needs. This will help address the limited availability of graduates with the right sets of skills and competencies for productive employment. Challenges in how the education system is structured and managed and the way its resources are spent must be addressed.

B. ENVIRONMENTAL AND NATURAL RESOURCE SUSTAINABILITY

19. Vietnam's economic growth has generated environmental risks. Population growth, industrialization, urbanization, and major changes in patterns of rural development have had adverse impacts. This is most obvious in water, air, and biodiversity. Water pollution is becoming more acute in many of the main rivers and coastal zones of the country, and this has a range of costs and impacts with regard to health, availability of clean water for industry and human use, and impacts on fisheries and conservation. Insufficient investment and lack of sustainable financing for critical urban investments in drainage, water supply, solid waste management, urban transport, and urban sanitation are rapidly contributing to water and air pollution in urban areas. Impacts on health due to suspended particulates and other pollutants are a growing concern for human health in Hanoi and Ho Chi Minh City

20. Natural habitats are declining. This loss of ecosystems, combined with poaching of wildlife, is leading to extinctions and loss of biodiversity, which also have economic consequences. To address these issues, institutional strengthening is needed in three areas: (i) systems and capacity to accurately measure the status of natural capital and economic returns; (ii) incorporation of environmental considerations into planning and decision making; and (iii) strengthening and enforcement of legal and regulatory frameworks.

21. Much of Vietnam's past growth has been derived from its natural resource wealth. As Vietnam industrializes, its dependence on natural capital will diminish, yet for the foreseeable future a significant part of Vietnam's wealth generation will depend on its natural resources, and this is especially so for the poor. A recent review of the state of Vietnam's natural resources and their management identified several issues⁵. For example, marine capture fisheries, which contribute about 5 percent of Vietnam's GDP, are in decline, with decreasing yields and signs that some fisheries may be reaching tipping points into rapid decline. Rapid expansion in aquaculture has brought with it major challenges in environmental and disease management. Forest cover nationally is believed to be increasing slightly, yet there is also evidence of decrease in mature and native forests. Vietnam's wood processing industries rely heavily on imported raw materials and could be exacerbating deforestation in other countries within the region. Major challenges are emerging in relation to water resources management, with evidence of depletion of groundwater aquifers in the Mekong Delta and Central Highland regions and growing competition in water use among agriculture, aquaculture, conservation flows, industry, and human consumption. Vietnam relies on international rivers for 60 percent of its surface water flow, and planned or proposed upstream investments could substantially alter water and sediment flows. Dry-season water availability is already under pressure. Climate change will accentuate these effects. There are at present limited incentives for efficient water use and complex challenges of inter-provincial and other coordination of water resource management.

C. POVERTY AND INEQUALITY

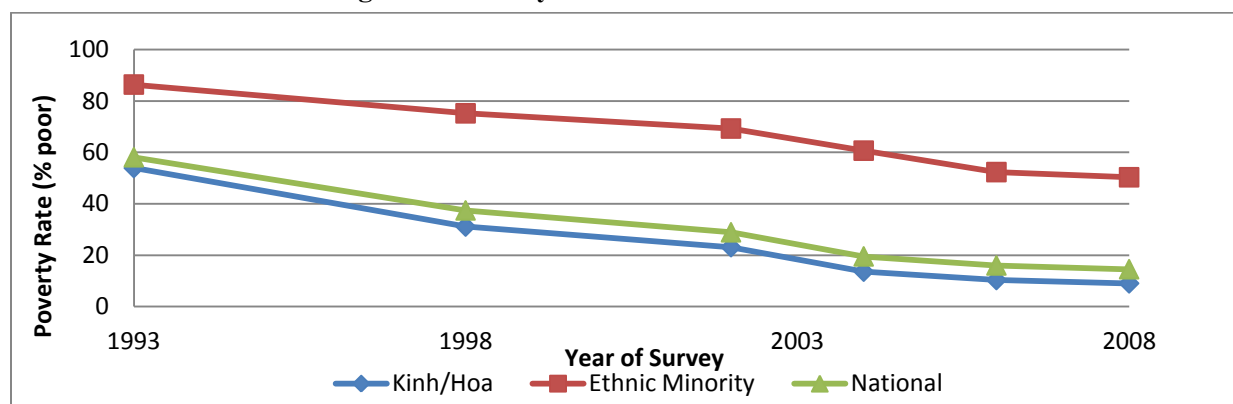
22. Vietnam has an impressive record of sustained rapid poverty reduction over the past 20 years. The poverty headcount (percent living below the poverty line) fell from 58 percent in 1993 to 14.5 percent in 2008⁶ (Figure 1). Preliminary results from the 2010 Vietnam Household Living Standard Survey (VHLSS) suggest continued progress at reducing poverty. Poverty reduction has been accompanied by widespread access to basic services, including primary and lower secondary education, electricity, and clean water supply. Workers are moving out of agriculture into more highly paid employment in services, trade, and industry: in 2002, 56 percent of the labor force reported working in

⁵ Vietnam Development Report (VDR) 2011: *"Managing Natural Resources"*

⁶ Based on successive rounds of the Vietnam Household Living Standards Survey (VHLSS), carried out by the General Statistics Office (GSO).

agriculture, almost exclusively on their own farms; by 2010 the share of labor force in agriculture had fallen to 41 percent. Vietnam has already achieved five of its ten original MDG targets – those related to reduced poverty and hunger, gender equality in school enrollment, reduced maternal mortality, and malaria control. Two more – those related to universal primary education and reduced child mortality – are likely to be achieved. However, progress has been slower on the other three targets – those linked to ensuring environmental sustainability; access to hygienic sanitation in rural areas, despite good progress in ensuring access to clean drinking water, and reducing the HIV/AIDS prevalence rate, albeit low at 0.28 percent for all age groups in 2010 (see Annex 8).

Figure 1: Poverty Trends in Vietnam 1993-2008



23. The impressive national averages mask differences across regions and social groups, and an emerging issue is signs of rising inequality. There is a large and growing gap in income and non-income indicators of well-being between the poorest households and the better off, as well as a persistent gap between different regions of the country and between urban and rural households. The rich-poor gap (ratio of average income in the richest 20 percent of the population to the poorest 20 percent of the population) has risen from 8.1 in 2002 to 9.2 in 2010.⁷ Opportunities for the rural population are diminished by their more limited access to basic services and to financial, land, and information resources. Rural-urban migration, an important source of growth as people shift from less to more productive employment, is expanding the pressures on urban infrastructure and services, while employment in urban and peri-urban areas creates new vulnerabilities with less stable jobs and a rapidly rising cost of urban living. A significant share of the poor and vulnerable today resides in and around Vietnam's greater metropolitan areas. With rapid urbanization and a common use of eminent domain to meet the land demand for urban development, land acquisition and conversion can have considerable negative social impacts.

24. Poverty has become increasingly concentrated among ethnic minorities, who make up nearly 15 percent of the population. In 2008, 50 percent of minorities lived below the poverty line, compared to only 9 percent of Kinh-Hoa majorities. By 2010, ethnic minorities accounted for 65 percent of individuals in the poorest welfare decile, up from 53 percent in 2006. Children from minority households are less likely to attend school, particularly at upper secondary levels, which perpetuates low incomes and persistent poverty across generations.

⁷ Source: 2010 VHLSS.

25. Systemic changes in the human development sectors are needed to address Vietnam's poverty agenda, as are further efforts to improve livelihood opportunities. A renewed effort is necessary to promote equality in outcomes for all, and to close wide and growing attainment and learning gaps between the poor and non-poor and between ethnic minorities and the Kinh majority. A more results-oriented education system can equip Vietnamese workers with the skills to take advantage of the new opportunities and manage the employment risks that come with a changing labor market, while social and health insurance can help to shield people better from the worst shocks impacting employment. Vietnam currently lacks a basic cash transfer program for the poor, which is an important gap in its poverty reduction and social assistance system. A strengthened social safety net can help the chronic poor, respond better to shocks (including natural hazards or shocks affecting domestic prices), and address household liquidity constraints that, inter alia, lead to early school drop-out. Cash transfers linked to education can thus be an important complementary tool to bridge the gaps in enrolment rates at every level.⁸ Moreover, further upgrades in basic infrastructure and public service delivery and access, including facilitating wider participation in labor and product markets, are needed to improve livelihood opportunities in rural areas and disadvantaged communities.

26. Vietnam has made substantial progress in closing some important gender gaps, but key challenges still remain (see Annex 9). No poverty gap exists between men and women in the overall population, although poverty among the elderly is disproportionately among widows. Net enrolment rates are higher for girls than for boys in primary and secondary education and women have slightly higher rates of tertiary enrolment. Employment rates for men and women aged 25-64 were fairly close at 93.8 percent and 87.8 percent, respectively.⁹ But there are gender gaps in wage levels, and women are less likely to have wage employment and more likely to be involved in own account work. Fifty six percent of men are engaged in wage employment compared to 37 percent of women, and estimates suggest that women in the informal economy earn 50 percent of male wages despite similar working hours, education levels, and seniority.¹⁰ There is also a large degree of occupational and industrial segregation across the labor force. Impressive improvements have been made in the areas of child and infant mortality. Gender based violence remains an important issue and is rising.

D. VULNERABILITY

27. Vietnam is facing rising vulnerabilities. The country is more vulnerable to macroeconomic instability, and to the dual challenge of natural hazards and the impacts of climate change. Household vulnerability has therefore increased as well, especially with the rise in migration to urban areas and resulting changes in employment patterns.

28. Vietnam's economy remains exposed to a number of external shocks and domestic policy risks. Deeper integration into the global economy coupled with a highly open economy has meant that global shocks are transmitted with full force into Vietnam's economy, with effects on household living standards and employment prospects. This implies more macroeconomic turbulence for Vietnam's economy. On the domestic front, Vietnam faces two major risks. One is its policy preference for growth over macroeconomic stability, giving rise to accommodating fiscal and monetary policy stances. The other is the gradual build-up of contingent liabilities in the system owing to the inefficiencies in the state-owned enterprises and their close links to the banking sector.

⁸ World Bank (2011), *Vietnam: High Quality Education For All*

⁹ 2008 VHLSS

¹⁰ As found by Cling et al. (2010): "*The Informal Economy in Vietnam. Study for the Labour Market Project*" EU/MOLISA/ILO.

Box 1: Urbanization Opportunities and Challenges

Vietnam has a low level of urbanization compared to many other countries in Asia, but its urban population has begun to grow. The country is in an incipient stage of urbanization, transitioning to an intermediate stage with rapid urbanization (currently 30 percent urban and 3.4 percent urban population growth per year).

The urbanization process is running in tandem with strong economic growth. Nearly half of Vietnam's economic output is generated in its six largest urban centers (Hanoi, HCMC, Hai Phong, Da Nang, Can Tho and Baria-Vung Tau) with a total population of approximately 18.5 million people. Ho Chi Minh City and the Southeast region host nearly half (45 percent) of overall manufacturing production. However, heavy and fast growing (higher tech, higher value added) manufacturing activity is more intense in the Hanoi and the Red River Delta Region than in HCMC and the Southeast Region (55 percent and 39 percent, respectively). Industrialization is rapidly progressing in Hanoi and the Red River Delta region due to its proximity to the industrial bases in South China. While urbanization is likely to continue to bring strong benefits to Vietnam in terms of economic growth, greater economic opportunity, and higher productivity, Government will need to manage the trade-offs that will come with rapid urbanization. There is the potential of congestion costs, regional inequalities and rising land and housing prices. Urban poverty and its social impacts can increase, and secondary cities, often with less capacity, have the potential to grow rapidly. Vietnam's urban planning system continues to be overly based on design principles rather than facilitating the fluidity of land and housing markets and urban mobility. Nevertheless, cities still enjoy relatively good mobility, due in large part to the nearly universal use of the motorbike as the primary means of transportation and traditional highly mixed use land development patterns. But this is changing rapidly, and increased car use would eventually lead to gridlock as a result of current capacity and road designs. While there are plans for urban transport systems in most major cities, a near universal preference for personal transport will compete with plans for urban transit systems.

29. Household vulnerability is on the rise due to demographic changes and the recent period of economic turbulence and rising inflation. Farmers face volatile commodity prices, are exposed to frequent climate related shocks (floods, droughts, cold spells), and have been adversely affected by endemic animal diseases. Workers in urban areas, including many rural migrants, were hit by job losses and falling wages in late 2008 and 2009 as a result of the global financial crisis. While job opportunities have improved, fuel and food costs have risen sharply, and there are widespread concerns about potential increases in poverty in urban areas. Vietnam has various targeted poverty reduction and area-based infrastructure and livelihoods programs, some of which have remained unchanged for the last decade. As the country continues to grow and its economy changes, the measures included under these programs are at risk of becoming less relevant for addressing its changing poverty and vulnerability challenges. New solutions, including in social protection, will need to be developed, based on an updated understanding of Vietnam's poverty situation.

30. Located in the tropical monsoon area in South East Asia, Vietnam is one of the most hazard-prone areas in the Asia Pacific Region. Major storms, flood events, and other natural hazards result in annual economic losses equivalent to between 1 percent and 1.5 percent of GDP. Infrastructure and people are increasingly concentrated in vulnerable areas such as floodplains and coastal areas, suggesting that disaster-related losses will increase in the future. River plain flooding is extensive and prolonged throughout the wet season in the large deltas. Most of Vietnam's 2,360 rivers are short and steep, so that heavy rainfall in their basins produces brief but intense floods. Sizeable portions of the country, especially the Central Highlands and Central Coast, are subject to heavy rainfall. An average of six to eight typhoons or tropical storms of varying intensity strike Vietnam each year, with more frequent occurrences in the northern and central coastal region earlier in the season. Notable achievements in effective ex-post disaster response need to be matched by enhanced capacity in preparedness and risk reduction.

31. Climate change and variability are posing a serious challenge to development in Vietnam, with an array of complex and interrelated consequences for every sector of society. Current models

point to potentially significant impacts on economic activity and/or human health directly resulting from progressive temperature increases, changes in rainfall patterns, sustained sea level rise, and potential shifts in the frequency, severity, and geography of extreme weather events. These changes would have the greatest impacts on low-lying urban areas, coastal areas, river basins vulnerable to storm damage, and agricultural sectors. By the end of this century, a sea level rise of between 25 centimeters to 1 meter (from a baseline sea level as of 2000) is possible. The Ministry of Natural Resources and Environment (MONRE) has estimated that a sea level rise of 65 cm could inundate about 13 percent of the Mekong Delta.

E. GOVERNANCE

32. Weaknesses in institutional capacity and public sector management continue to constrain Vietnam's development. A key aspect of Vietnam's evolving institutional landscape is the move from a highly centralized hierarchical system consistent with central planning, to one where many decisions are decentralized. This devolution of authority has taken place along economic lines (to private economic entities), along geographical lines (to provinces and lower levels of government) and along functional lines (to hospitals, schools and other service providers). Capacity building at the local level has not kept pace with decentralization.

33. Improvements in basic public service delivery and access are especially needed for Vietnam's poor, vulnerable, or otherwise disadvantaged people. Even where policies adopted by the central government reflect good international practice, implementation at the local level is often undermined by limited planning, implementation, and reporting capacities. Delivery capacity constraints are particularly evident in disadvantaged provinces where many of the most vulnerable Vietnamese citizens reside.

34. The accountability system in Vietnam still relies primarily on upward accountability through the hierarchy, resulting in a system that encourages excessive risk aversion. Officials rarely act without explicit authority to do so, as innovation and pro-activity may yield greater risks than benefits. From schools to hospitals, the need to strengthen accountability in a way that encourages innovation and performance is a running theme in Vietnam. Diversifying the accountability system toward mechanisms of downward accountability is being experimented with on a small scale. In addition, grievance redress mechanisms are underdeveloped. Moreover, with little awareness of legal rights and the lack of effective mechanisms to demand better services, the citizenry is not well placed to provide pressure from below.

35. Within the system of hierarchical accountability, the official channels face their own challenges. In the move to a more devolved system of governance, the system of accountability is shifting, but not in equal measure and not always in the most efficient form.¹¹ Decentralized structures for looking into corruption can put investigators in the difficult position of examining those with authority over their work. The courts are not widely used and provide little external oversight over the executive. The National Assembly, which has been playing an increasingly active role in external oversight, is nevertheless characterized by high turnover and with a majority of deputies simultaneously holding positions in government.

36. Vietnam has made progress in improving transparency, but challenges remain. With increasing penetration of the internet and other media, information and opinions are more widely available than ever. At the same time, it is difficult for Vietnamese citizens to access information from

¹¹ This is the central theme of the *Vietnam Development Report (VDR) 2010—Modern Institutions*.

state bodies, and this in turn constrains public oversight of government-provided services and functions. Although several laws call for documents of various kinds to be public information, these documents are often difficult to obtain in practice.

37. Governance and corruption issues are openly discussed in Vietnam. While there are areas of progress, there is concern over corruption. The 2008 VHLSS Governance Module found that two of three respondents believed corruption to be a serious problem, and only a small percentage thought things were improving. This does not necessarily mean that corruption in all its forms is getting worse. For example, firms that participated in the World Bank's enterprise survey in 2005 and again in 2009 gave, on average, lower assessments of corruption as a problem when doing business, although the percentage saying they paid bribes and the amounts they reported paying did not decline¹². The enterprise surveys show that unofficial payments are common in many sectors. When asked for innovative proposals for fighting corruption as part of Vietnam Innovation Day 2009, most proposals addressed imbalances in awareness and access to information.

III. GOVERNMENT PRIORITIES

38. The Government's development vision for the next decade, laid out in its SEDS 2011-2020, directly responds to all of the development challenges discussed above. The SEDS identifies key priorities for the country, including a long-term growth strategy that gives attention to structural reforms environmental sustainability, social equity, and emerging issues of macroeconomic stability to minimize short-term vulnerability and achieve sustained long-term growth. Three major "breakthrough areas" are noted in the SEDS: (i) promoting human resources/skills development (particularly skills for modern industry and innovation), (ii) improving market institutions, and (iii) infrastructure development. The key challenges will be improved design of programs and better implementation.

39. The SEDS aims to maximize Vietnam's long-term welfare through rapid growth in conjunction with sustainable development. Rapid growth is expected to be achieved not only through increased use of labor, natural resources, and capital, but also by relying more on an improved efficiency of resource utilization and allocation, and technical progress. The SEDS identifies three key determinants for sustainable development, namely macroeconomic stability, broad-based growth, and environmental sustainability. Institutional and policy changes are proposed to achieve the ultimate goal through completing the transition to a market economy and building modern state governance.

40. The overall goal of the SEDS is for Vietnam to lay the foundations for a modern, industrialized society by 2020. The strategy sets out directions for how Vietnam should continue the transformation from a largely agrarian society to an industrialized, modern nation. The document highlights some critical areas that will help Vietnam achieve this goal, including sustainable development, improvements in market institutions, and democracy.

41. A five-year Socio-Economic Development Plan (SEDP 2011-2015) was approved by the National Assembly in November 2011. It elaborates the objectives of the SEDS and identifies the specific measures and resources that are needed for its implementation. The SEDP 2011-2015 focuses on the broad range of policies needed to achieve high quality and sustainable economic growth. These include the need to restructure the economy to increase the share of high value-adding economic activities, improve the living standards of ethnic minority populations, strengthen environmental protection, and mitigate and prevent the adverse impacts of climate change. The Plan underlines the need

¹² Source: World Bank enterprise surveys

to develop favorable conditions for the private sector and to gradually reduce the contribution of the state sector to GDP, while increasing the contribution from the private sector and FDI. Focusing on the same three breakthrough areas as the SEDS, the SEDP describes how these breakthroughs will be achieved in order to create a more competitive economy. The SEDP also outlines the importance of environmental protection, climate change mitigation, and adaption and building resilience to natural hazards. Compared to the SEDP 2006-2010, the new Plan reflects an increased awareness of the risks of environmental and natural resource degradation. The SEDP could have been clearer in two areas: (i) the importance of identifying explicit trade-offs in priorities and proposed policy measures, particularly in light of real resource constraints; and (ii) the need for greater coherence, integration and linkages between the national SEDP, provincial SEDPs, and sector plans being developed by the ministries.

42. Through a CPS program aligned with the overall strategic priorities and goals set out in the SEDP and SEDS, the World Bank Group will work with Government to address directly the development agenda set out above. The World Bank Group's engagement will support the three breakthrough areas of the SEDS and SEDP of promoting human resources, improving market institutions, and advancing infrastructure development. Following the cycle of the SEDP and thus the CPS, Vietnam is currently developing a new Strategic Framework for ODA for 2011-2015. The ODA Strategic Framework prioritizes how ODA resources are to be spent within each of the SEDP's three breakthrough areas. The Framework identifies priority targets from the SEDP in the areas of economic, social and environmental development which ODA should contribute to meeting. The Bank will contribute to reaching these targets through its existing portfolio, new operations, and analytical work organized around a CPS Results Framework aligned with SEDP and ODA Strategic Framework targets (see Annex 1).

IV. VIETNAM-WORLD BANK GROUP PARTNERSHIP

A. LESSONS AND FEEDBACK

Lessons from the CPS Completion Report

43. The FY07-FY11 CPS Completion Report concludes that overall, the Vietnam program has delivered most of what was planned in the CPS, and the Bank has played a key supportive role in the development success of Vietnam (see Annex 2). As discussed above, Vietnam reached its key strategic objective (as outlined in the SEDP 2006-2010) of reaching middle income status by 2010. The country became IBRD eligible in 2007 and received its first IBRD loan in 2009. IFC activities increased considerably throughout the period. The process of building institutions for a modern market economy continued, albeit at a slower pace than anticipated in the CPS.

44. The Completion Report rates the *program performance as moderately satisfactory*. Across a range of engagement areas, the CPS program achieved results in line with expectations, however, in other areas, outcomes were only partially achieved due to delays or other obstacles. ***World Bank Group performance*** is rated as *satisfactory*. The Bank responded promptly and effectively to unexpected events, such as the food and global financial crises and is responding to emerging concerns such as climate change. IFC engagement maintained a strategic focus on the quality of the business environment and finance, while investments more than tripled towards the end of the period, with a particular focus on crisis response. Innovative components were introduced in the design of several Bank projects, thereby setting the foundation for enhanced impact. Delivery improved with a shorter lag between Board approval and effectiveness, but slow implementation (reflected in low disbursement ratios and extensions of project closing dates) remains an issue.

45. A number of recommendations for the next CPS have emerged from the Completion Report and have been directly factored into the design of the new CPS: (i) the WBG needs to respond to the emerging vulnerabilities and challenges in Vietnam; (ii) the WBG should maintain a demand-driven focus within a framework of selectivity that prioritizes the WBG's comparative advantages; (iii) the principles guiding selectivity need to be tightened to avoid diffusing the Bank's program too thinly; (iv) attention to implementation should be complemented with greater attention to program and project design; (v) attention should be given to decentralization issues; (vi) commitments on institutional reform should be credible and have as much government ownership as possible, while still pushing to move the agenda forward; (vii) engagement areas for second generation policy reforms should be chosen more selectively, as evidenced by challenges experienced with later operations in the PRSC series; and (viii) the results framework could be used more forcefully as a tool for setting strategic priorities and monitoring accountability.

Feedback from Country Survey

46. In May and June 2010, 335 stakeholders in Vietnam participated in a Country Survey¹³ (see Annex 14). More than half of respondents were from government, while other respondents represented academia, bilateral or multilateral agencies, non-government organizations (NGOs) and media, private sector, and the National Assembly. Respondents indicated that Vietnam's most important development priorities are governance, economic growth, and infrastructure development, while the highest priorities for Bank support are poverty reduction, governance, environment, infrastructure, climate change, and economic growth and integration.¹⁴ The survey results indicate positive attitudes toward the Bank and its work in Vietnam, with a favorable rating of 7.7 out of 10 for the Bank's overall effectiveness in the country, but they also point to areas for improvement. Results indicate that the Bank needs to further enhance its impact in the social sectors, governance, private sector development, climate change, and poverty reduction. The Bank's financing and knowledge services are seen to be its value added, while its weaknesses relate to inflexibility (e.g., making recommendations that do not take sufficient account of political realities or local conditions, and having bureaucratic policies and procedures). It is hoped that the Bank's decentralization in recent years will help to help to address these concerns by increasing the Bank's understanding of the local context and its responsiveness.

Feedback from CPS Consultations

47. Stakeholder consultations on the new CPS were held at three stages aligned with key milestones in CPS preparation. The consultations were aimed at: (i) enhancing broad understanding and support for the CPS; (ii) engaging with stakeholders in line with the principles of the Paris Declaration and Hanoi Core Statement; and (iii) benefiting from the insights of a broad group of stakeholders with knowledge and understanding of the country context. The consultation process started upstream during CPS preparation. The first round of consultations was held in January 2011 (prior to initiating the drafting process), where the Bank convened a relatively small group of targeted counterparts with day-to-day experience of working with the Bank to elicit their views on key priority areas for the Bank in the next five years, how the Bank could address these areas and what it could do differently in the future. The second round was undertaken in June 2011, when stakeholders gave feedback on a CPS Concept Paper, and at the third round, held in October 2011, stakeholders commented on a draft of the CPS document (see Annex 15).

¹³ 46 percent response rate. Country Surveys are conducted prior to preparation of each CPS in Vietnam. Like is the case for the CPS itself, the Country Survey follows a five-year cycle to align with the Government's five-year planning cycle. Survey questions are in multiple choice and ranking formats.

¹⁴ Priorities are listed in descending order.

B. CPS PRINCIPLES OF ENGAGEMENT

48. The Bank's assistance to Vietnam has had considerable positive impact. However, a combination of factors – rapid program growth in recent years, slow implementation at start-up,¹⁵ and the Bank's flat country program budget – has highlighted the need for the Bank to improve its business model for greater impact. The CPS program will therefore aim to: (i) sharpen strategic focus and reduce dispersion; (ii) improve operational efficiency; and (iii) accelerate implementation for more timely results.

49. The Bank's strategic focus has been compromised by engagement across a large number of sectors and sub-sectors. Operational efficiency has not been maximized, given (i) significant reliance on a retail approach that channels the Bank's financing through a large number of traditional sector investment operations under implementation in all of Vietnam's 63 provinces,¹⁶ with inadequate attention to synergy of interventions at the provincial level; (ii) cumbersome project implementation arrangements involving the creation of several new implementing entities with each new project, with the result that during implementation the Bank has multiple sub-national entities as project counterparts; and (iii) an AAA program that does not adequately leverage Bank financing to influence Government policy and the way Government uses its own resources. Timely impact is impeded by long preparation and implementation periods for investment operations. This means significant opportunity cost of delayed results. As of August 31, 2011, the undisbursed portfolio was about US\$5.8 billion, 48 percent of which was committed in FY08 or earlier. Delays can also lead to project cost escalation, which diverts resources from new initiatives to additional financing and reduces project rates of return.

50. To sharpen strategic focus and decrease dispersion, the Bank's new CPS program will aim to gradually increase lending program consolidation, use more programmatic AAA, and introduce more selectivity. The average size of Vietnam's IDA-only operations increased only slightly from \$109.3 million during IDA 14 to \$115.2 million during IDA 15, peaking at \$143.6 million in FY09. Achieving larger sized operations will require more wholesale approaches including working through Government programs. The ongoing shift to programmatic AAA will be continued to facilitate more strategic coherence within the AAA program.

51. Greater selectivity will be achieved through the application of clear criteria for inclusion in the program. Such criteria will include focusing on areas where: (i) the Bank has a real comparative advantage vis-à-vis other partners; (ii) the likelihood of sustainable impact through eventual replication without ODA funding is high; (iii) there is a track record of successful project implementation at the provincial level; and (iv) there are opportunities to leverage systemic and/or institutional change. The discipline needed for more selectivity will be facilitated by a more systematic and forward-looking engagement with Government to plan the lending program.

52. Selectivity will also be achieved over time through exit strategies, sequencing, and intra-WBG coordination. In some sectors the agenda is largely complete (e.g., rural electrification), and Bank support will be discontinued. Support will also be phased out in areas where the Bank has had consistent difficulties (e.g., large IT-based operations). Clearer division of responsibilities with IFC will also be important. For example, Bank support for private sector engagement in renewable energy will be phased out as the IFC program expands. Proper sequencing of support in some sectors will also help reduce

¹⁵ Vietnam has had an interesting pattern of implementation: a very slow pace during the first 24 months, and an average pace thereafter.

¹⁶ Of the 78 operations under implementation during the FY07-FY11 CPS period, 85 percent were sector investment credits or loans.

dispersion. For example, in the financial sector, towards the end of the CPS period for the World Bank the focus will move from financial infrastructure (e.g., payment systems) to access and market development issues. Finally, the Bank will work with Government to bring more competition in selecting provinces to participate in projects. Clear criteria will be used, including implementation performance of the existing portfolio at the provincial level. Given considerable current dispersion and lengthy implementation periods, the impact of this effort at greater selectivity will only become appreciably visible over time (likely beyond this new CPS period).

53. To improve operational efficiency, the CPS program will leverage the Bank's resources through increased use of systemic and "wholesale" approaches in the Bank's delivery of financing. In contrast to the more traditional approach of ring-fencing at the project level, systemic approaches would include support for Government programs such as Vietnam's NTPs, provincial level programs and strategically integrated (multi-sectoral) approaches to Bank assistance at the provincial level, increased use of financial intermediaries and programmatic approaches to lend to cities to meet their local infrastructure needs, and the introduction of results-based approaches to project design. This would provide greater opportunity to influence the way the governments (national and provincial) spend their own resources and also strengthen capacity needed to achieve and sustain a program's results. In addition, the Bank has begun discussions with Government on options for consolidating PMUs within provinces and line ministries. This could yield significant efficiency gains and more sustainable capacity.¹⁷

54. The Bank will intensify efforts to leverage its lending resources through strengthened policy dialogue and AAA that better inform the structural reform agenda to be supported by DPOs, as well as investment project design, especially in new areas of engagement. An effort will be made to identify and include in the AAA program issues that preoccupy policy makers on which the Bank has expertise. The Bank will seek more opportunities to partner with local think tanks and other Government agencies in such work in order to enhance chances of impact. Dissemination will be more systematic using strategic communication approaches and reaching beyond the executive to the legislative bodies and broader Vietnamese society. Growing priority will be given to just-in-time policy notes. This will call for flexible, nimble programming of AAA work.

55. The Bank will also leverage its resources by making more use of opportunities for synergies in the CPS program across the World Bank Group and with other development partners. Collaboration within the World Bank Group is expected to increase, as Vietnam continues its middle income transition and the role of the private sector continues to increase. IBRD and IFC will strengthen collaboration to complement respective programs, particularly in infrastructure, agribusiness, and the financial sector. Increased use of MIGA guarantees can offer reassurance for foreign investors, including investors into PPPs, especially those concerned about regulatory risks. MIGA is working to establish a long-term relationship with the Government in support of the PPP agenda. The Bank Group will also continue to leverage assistance through more strategic partnerships with other development partners such as our existing highly successful partnership with UK DFID on poverty, governance and climate change and the upcoming partnership with AusAID on infrastructure and Economic Reform. In addition, country-level IDA resources will be leveraged through two regional operations for natural resource management (water and biodiversity, respectively), in collaboration with other countries in Southeast Asia.

¹⁷ Bank-financed projects have spawned PMUs in all 63 provinces of Vietnam. The Sustainable Development program alone accounts for well over 200.

56. The program will also leverage support through various global and regional initiatives in which Vietnam is participating. Examples include the Water and Sanitation Program, the Global Program for Output-Based Aid, the Cities Alliance, and the initiatives related to disaster-resilient cities and agro-weather advisory services supported by the Global Fund for Disaster Reduction and Recovery (GFDRR).

57. WBI will contribute to the CPS program by focusing on addressing key capacity development needs in three areas: (i) Vietnam's transition to a more urban and industrialized economy, by supporting Government's efforts to strengthen planning and management of cities to promote more sustainable urban development as an engine of growth; (ii) strengthening governance and legislative institutional capacities through WBI's Parliamentary Strengthening Program; and (iii) health sector analysis, policy and reform. Additionally, WBI will leverage its south-south platforms to promote knowledge and experience sharing between Vietnam and other countries within and outside the East Asia and Pacific Region, such as the regional/multi-country Leadership Programs and distance and e-learning activities around WBI's core thematic areas.

58. To strengthen its impact, the Bank will continue efforts to accelerate implementation of the existing portfolio, with emphasis on improving project start-up for all new operations. These efforts will include continued collaboration between MPI and the Six Banks Group¹⁸ to address systemic ODA implementation issues, replication of good practices in well-performing provinces and sectors, and project-level initiatives with MPI. (See "Monitoring Program Implementation" below.)

C. CPS ENGAGEMENT FRAMEWORK AND EXPECTED RESULTS

Strategic Engagement Overview

59. Building on Vietnam's strong track record of growth and poverty reduction, the World Bank Group will partner with Vietnam in its effort to achieve success as a middle income country. The CPS directly supports Government's 2011-2020 SEDS and 2011-2015 SEDP, and is guided by the key challenges set out above. The CPS program will support selected elements of this multi-faceted transition notably, from an agrarian economy toward one that is more urban and industrialized; from a focus on quantity toward a greater focus on quality of production and service provision; from a comparative advantage of low-cost labor, with low value added, to one with a growing share of innovation-led and higher value-added production and services and towards a greater role for market mechanisms in allocating capital and resources to an increasingly important private sector. In line with the thrust of the Government's five-year SEDP the CPS program will support investments and policies aimed at (i) strengthening Vietnam's *competitiveness* in the regional and global economy, (ii) increasing the *sustainability* of its development, and (iii) broadening access to economic and social *opportunity*. These three areas form the pillars of the strategic framework of the CPS. Three strategic themes cut across the three pillars. The CPS program will support efforts to (i) strengthen *governance*, (ii) promote *gender* equality, and (iii) improve *resilience* in the face of external economic and climatic shocks. (See Figure 2.)

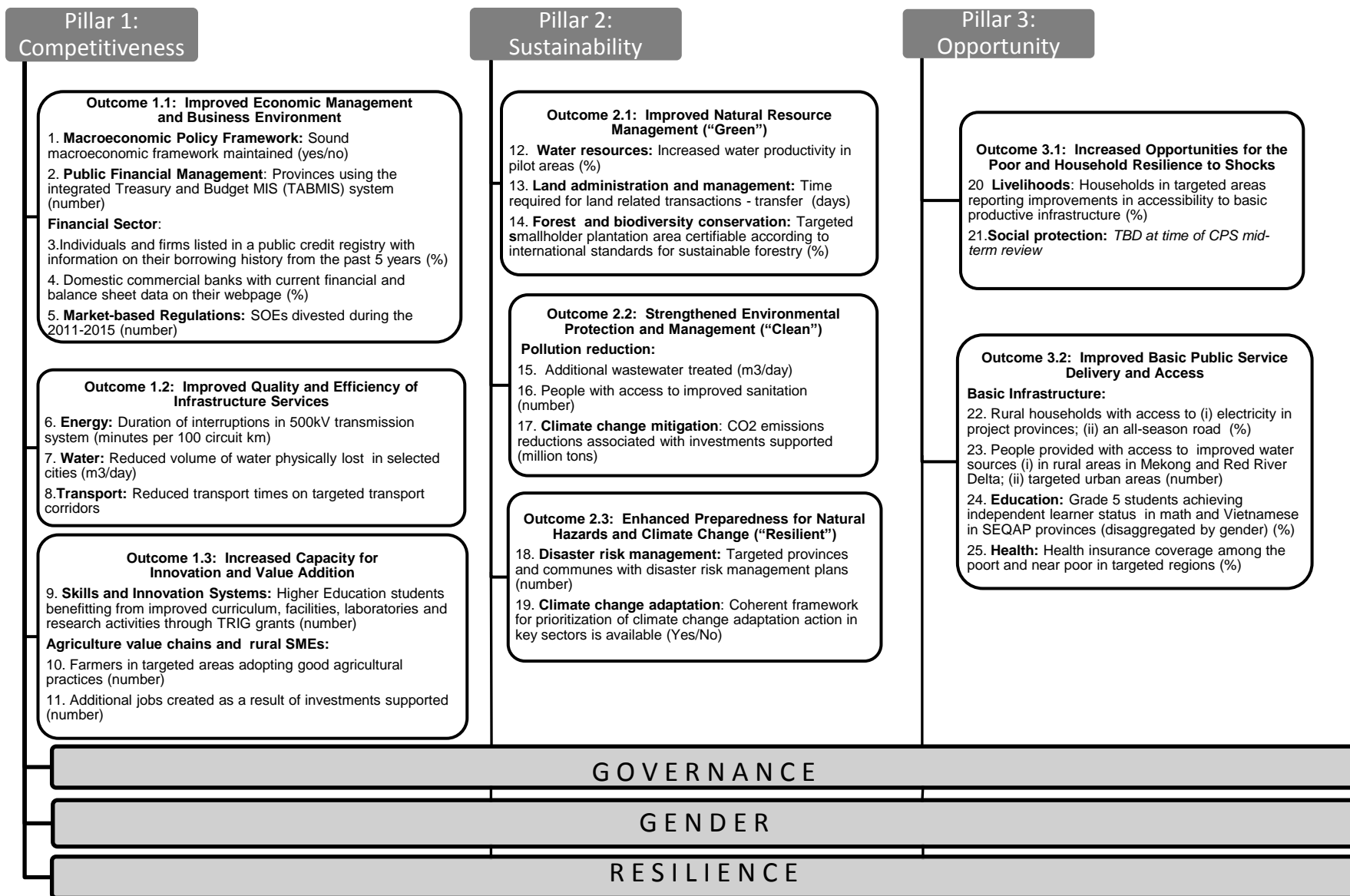
¹⁸ The Six Banks Group consists of ADB, JICA, AFD, KfW, Korea EXIM and the World Bank. The Group jointly identifies and addresses implementation issues in collaboration with the Ministry of Planning and Investment. Progress is being made in common feasibility guidelines, mainstreaming of a common reporting framework, increasing the Ministry of Finance's cost norms for local consultants, piloting of advance procurement actions, and TA for contract management and procurement (the latter two with IDF funding).

- ***Pillar 1 on competitiveness*** will address: (a) Vietnam's vulnerability to macroeconomic instability which has structural roots in distortions in the SOE and financial sectors and in weaknesses in public financial management; (b) the low quality of key infrastructure services due to inefficiencies in power distribution and transmission and in water and transport sectors; (c) low value addition in Vietnamese production; and (d) weak innovation capacity and the related low skills base of the Vietnamese labor force. Accountability gaps exacerbated by decentralization and transparency in public financial management are among the governance challenges to be addressed under this pillar.
- ***Pillar 2 on sustainability*** will focus on management of water resource and land; conservation of forests and biodiversity; pollution control and the related issue of low connectivity to sanitation systems; mitigation and adaptation measures in light of Vietnam's high vulnerability to climate change; and disaster risk management in light of the country's increasing exposure to risks posed by extreme weather events. The CPS program under this pillar will address governance weaknesses such as unclear and conflicting jurisdiction which undermines enforcement of environmental regulation, and limited access to information which undermines accountability.
- ***Pillar 3 on opportunity*** will support the development and implementation of government policies to ensure that more citizens can benefit from the country's development as a MIC. This will involve efforts to address rising inequality, especially between ethnic minorities and the rest of Vietnam's population, and between urban and rural households; policy reform and institutional strengthening for social insurance and social safety nets to reduce vulnerability at the household level; weaknesses in basic public service delivery and access; and gender equality, a special theme for IDA 16.

60. Governance is being mainstreamed as a priority cutting across the three CPS pillars. The approach to mainstreaming will be based on the following three principles: (i) systematically leveraging the Bank's lending and analytical activities to support improved governance in Vietnam; (ii) improving project performance by better understanding and addressing in a meaningful (as opposed to mechanical) way the issues that pose governance risks to the achievement of projects' development outcomes; and (iii) sustaining the effort, including by making periodic adjustments if the approach is not working (see Box 2). This should lead to a more comprehensive approach to governance, as recommended in the CPS Completion Report.

61. Gender will be a second cross-cutting theme in the strategic framework of the CPS. The approach is informed by two recently completed initiatives. One is the Bank's internal assessment (a Country Gender Action Plan) of how it could address gender issues more effectively in the CPS program, and the other is the Vietnam Country Gender Assessment, conducted by the Bank in collaboration with other development partners and Government. (See Annex 9.) The Bank's support to gender in the CPS has four key elements: (i) to support Government in improving the implementation of the Law on Gender Equality and the National Strategy on Gender Equality, in part by building gender awareness and capacity within relevant ministries; (ii) to support the development of a national gender data system by building on the recent development of the National Gender Statistical Indicator System; (iii) to apply a gender lens to identify opportunities to integrate gender more systematically into Bank operations, as was done in the Third Rural Transport Project (see Box 3), including by making the systematic collection of data disaggregated by gender a guiding principle; and (iv) to help close the knowledge gap through quantitative and qualitative research on gender issues. All of these areas of action are cross-cutting in nature and impact.

Figure 2: Vietnam CPS Results Outcomes and Indicators
 WBG will partner with Vietnam in its effort
 to achieve success as a middle income country.



Box 2: Mainstreaming Governance

Ensuring appropriate attention to governance across all pillars of the CPS program will require a combination of project, sector, and country-level approaches, with support from the Bank's Governance Hub in Bangkok:

Project level: Teams will be encouraged to consider the basic questions of how the project might help advance governance (institutional capacity, transparency, accountability, participation, and anti-corruption) in Vietnam, as well as how governance issues may impact project effectiveness. There is no presumption that every project should address every problem, but the decision of whether and how to address governance issues should be a considered one. For each proposed project, Bank teams will be asked to consider early in the preparation process the following questions:

- What are the key capacity constraints in this area of work? Is the Bank addressing them in other projects? Can the proposed project do more and if so, how?
- What opportunities exist to enhance transparency through this project? Can the project be designed to exploit some of these opportunities and if so, how?
- Are there opportunities to strengthen accountability and increase transparency vis-à-vis project beneficiaries and affected people through incorporation of incentives, periodic public reporting and information sharing, meaningful consultations, and feedback mechanisms into the proposed project's design?
- Are there opportunities to empower project beneficiaries and affected people to participate in the proposed project and enhance the quality of outcomes? How will the Bank exploit such opportunities?
- What are specific corruption risks for implementation, and what will the Bank do to help mitigate them? In this regard, the Bank's Operational Risk Assessment Framework will be a key tool.

Sector level: While there is no presumption that every project should be a governance project, it is reasonable to expect each of the Bank's sector teams to integrate more fully governance thinking into their strategic engagement, for true mainstreaming. Key manifestations of weak governance in different sectors or sub-sectors and their causes will be analyzed to inform project design and policy dialogue. Based on this evolving analysis, a small number of priority activities where the Bank can have a meaningful impact will be identified and integrated into the Vietnam work program.

Country level: The Country Team will annually review experience, success, and gaps in governance mainstreaming, and adjust course as necessary.

Box 3: Empowering Local Women and Improving Rural Road Maintenance

Transport challenges in rural areas include under-funding of road maintenance and difficulties in engaging local contractors for routine road maintenance in remote areas. During preparation of the Third Rural Transport Project (cofinanced with DFID), many poor women with seasonal farming responsibilities in ethnic minority communities expressed interest in actively participating as stewards of their local roads. The Bank and DFID launched an initiative to train them in engineering and road building practices and provided formal employment opportunities in road maintenance near their communities. More than 1,500 ethnic minority women have been trained, and many more eagerly await the opportunity. Across the rural road networks, 10-30 women are paid to maintain a 1-2 km section for three months. As a result, women have achieved increased economic power and greater voice in community decision-making and a more visible role in managing affairs at the household level.

62. With Vietnam's vulnerability more evident since 2007, the need to strengthen the country's resilience is now a strategic priority. The global crisis has exposed Vietnam's vulnerability to external shocks at both the macroeconomic and household level, and globally there is a heightened awareness of risks posed by climate change. Resilience is therefore a third theme cutting across all three CPS pillars, in the context of the macroeconomic policy framework and financial sector soundness (engagement areas under Pillar 1 – Competitiveness), climate change mitigation and adaptation (engagement areas under Pillar 2 – Sustainability), and social protection and facilitation of livelihoods for the poor (engagement areas under Pillar 3 – Opportunity). However, unlike governance and gender which have explicit indicators and milestones integrated into the results framework, resilience is captured in the results

framework through relevant indicators and milestones related to macroeconomic stability, social protection, natural disaster risk management, and response to climate change.

Results Framework

Pillar 1 – Competitiveness

63. Alignment with Government Strategy. Vietnam’s SEDS 2011-2020 and the SEDP 2011-2015 emphasize needed “breakthroughs” in relation to the development of market-based institutions, infrastructure, and more skilled human capital. Realizing the broad transformation processes highlighted in the SEDS will require equally transformative changes in the structure and performance of public administration, the business environment, and non-farm employment creation. The WBG’s CPS program for the “Competitiveness” pillar is well aligned with the SEDS and supports the Government’s agenda for raising the quality of economic growth and economic management.

Pillar 1 - CPS Outcomes / Areas of Engagement

1.1: Improved Economic Management and Business Environment <ul style="list-style-type: none"> • Macro-Economic Policy Framework • Public Financial Management • Financial Sector • Market-based Regulations 	1.2: Improved quality and efficiency of infrastructure services <ul style="list-style-type: none"> • Energy • Water • Transport 	1.3: Increased capacity for innovation and value addition <ul style="list-style-type: none"> • Skills and Innovations Systems • Agriculture Value Chains and Rural SMEs
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64. Outcome 1.1: Improved economic management and business environment. The Bank, in coordination with the IMF, will continue to contribute to improvement of Vietnam’s macroeconomic management through regular policy dialogue, a comprehensive assessment of the financial sector (FSAP), annual budget support operations and systemic AAA. The Bank will continue to support measures to improve PFM, notably modernization of revenue collection and reform of public expenditure management and oversight, and reforms to various public investment laws. Efforts will be made to address accountability gaps emerging from decentralization. The Bank and IFC will provide further support to strengthen financial sector soundness, enhance financial infrastructure and improve access to financial services, including through capital markets development. This will include facilitating further autonomy of the State Bank of Vietnam (SBV), strengthening the regulatory and supervisory framework, and building capacity for its effective implementation. IFC activities will focus on broadening and deepening Vietnam’s financial markets as the main mechanism for capital allocation including engaging with top-tier and emerging top-tier financial institutions to strengthen their capital bases and attract international banking partners to strengthen and develop their long-term competitiveness. The Bank will work closely with the IFC to address priority reforms including on the SOE-related issues of soft budget constraints and weak corporate governance. The Bank and IFC will strengthen dialogue with Government on SOE reform and respond with financial support for restructuring of the sector if requested. IFC will continue support to introduction of global standards of corporate governance and risk management, and in attracting world-class strategic partners and investors. Other governance issues to be addressed include transparency and disclosure of financial information. The Bank will work with the accounting and audit professional bodies and regulators to strengthen the quality of corporate financial reporting by following up on recommendations from the Report on the Observance of Standards and Codes (ROSC) on Account and Audit completed in 2009. IFC will continue to support improvement of the business environment through investment climate advisory service activities focused on regulatory reform and will support the

transition of the Vietnam Business Forum to a self sustainable platform for dialogue between Government and businesses.

Box 4: EMCC to Succeed PRSC Series

With the PRSC series expected to conclude with its tenth and final operation in December 2011, the Bank has, at the Government's request, initiated discussions on what could follow: a DPO series of Economic Management and Competitiveness Credits (EMCC). Like the PRSCs, the EMCCs would be multi-year, multi-donor operations starting in FY12 but, like the CPS, with a 5 (rather than 10) year time horizon. The series would focus on critical reforms to enhance competitiveness, central to sustained growth and poverty reduction in Vietnam. Strategic and analytical underpinnings for the EMCCs would be drawn from the SEDS 2011-20, the Competitiveness Pillar of the CPS, the National Competitiveness Report, and recent Vietnam Development Reports. Competitiveness is a function of many factors, but one of the lessons from the PRSC series is the importance of a focused reform agenda under one series of budget support operations. The EMCCs would therefore focus on reforms to strengthen (i) macroeconomic stability and (ii) institutions for public sector governance and private sector development. They might also address cross-cutting issues related to the policy framework for infrastructure and skills critical to enhancing competitiveness, to complement investment operations in these areas.

65. Outcome 1.2: Improved quality and efficiency of infrastructure services. Considerable challenges remain in improving the quality and efficiency of energy, water, transport-related, and other services. In the energy sector, through complementary DPOs and sector investment loans (SILs) the Bank will continue to support transmission and distribution with emphasis on issues of operational efficiency, market competition, and transparent and cost reflective electricity pricing, while the IFC will promote energy efficiency. The Bank will finance investments supporting efforts to improve quality and efficiency of water supply, as well as integrated urban development initiatives in larger cities, covering urban planning, municipal management and the integration of major infrastructure and basic services to make these cities more attractive venues for investment. Project design will be informed by ongoing programmatic AAA on urban development. WBI will support the program with capacity building in urban planning for city officials. Support for a more competitive transport sector will include financing for upgrading of the national road network, investments in urban transport infrastructure and mass transit systems, and technical assistance in the areas of trade facilitation, coastal shipping services, and logistics. Greater attention will be given to policies and tools for more effective road asset management, addressing poor project and contract management and developing institutional and regulatory frameworks for multi-modal transport. With Vietnam a priority for MIGA, its Asia hub in Singapore will facilitate deeper engagement. MIGA's Political Risk Insurance is particularly attractive to investors in the infrastructure sector, so MIGA will contribute to improved quality and efficiency of infrastructure services. In addition, MIGA will launch several new products, including guaranteeing Government's payment obligations related to PPPs for priority infrastructure projects. The CPS program will support Government's plan to scale up public investment by mobilizing private resources for infrastructure development, including through the establishment of a sustainable framework for and implementation of pilot PPP projects. IFC is providing advisory services on PPP transactions and will invest in infrastructure projects, including as an anchor investor in large-scale strategic industrial infrastructure projects. To mainstream governance in this pillar, accountability, participation, and transparency issues will be addressed based on risk level and entry points of specific sectors and projects.

Box 5: World Bank's Infrastructure Strategy in Vietnam

During the CPS period, the Bank's strategic priorities in the infrastructure sectors in Vietnam will be to:

- Go beyond considerations of access to emphasize the improved quality of public energy, water, and transport services;
- Enhance effective O&M systems for physical and operational sustainability in transport operations, household water supply, irrigation systems;
- Connect the last remaining pockets of the population that lack access to basic services and economic opportunities through provision of rural water supply and sanitation, and rural access roads;
- Fill the missing middle in the transport network by supporting provincial roads, and thereby link rural communities with district and provincial centers;
- Generate quality growth by combining infrastructure investments with policy reforms (e.g., power sector reforms), and policy and capacity development support for the Ministry of Trade, Ministry of Construction, and selected cities;
- Enhance resilience of infrastructure and productive assets to climate change and natural disasters;
- Reduce the carbon footprint of Vietnam's economy by supporting renewable energy, energy efficiency, and cleaner technology options for urban transport;
- Do more integrated urban development planning, linked to regional development

66. Outcome 1.3: Increased capacity for innovation and value addition. A central element of Vietnam's innovation agenda is strengthening labor market skills by reforming how the education and training system is managed. The program will include the last in a series of three Higher Education DPOs addressing university governance (including autonomy, accountability, and financing). Bank support will gradually shift from support for expansion of supply of infrastructure and inputs, towards strengthening the education system as a whole and factors that impact service delivery, with a focus on adjustments to the finance and governance systems. Programmatic analytical work will lay the foundation for this shift, with a focus on skills needed for economic growth and an assessment of the ability of Vietnam's education system to deliver needed competencies. This will include an examination of the structure of the education and training system and scope for improving governance by enhancing school autonomy and accountability of education providers for learning results, and opportunities to improve spending efficiency and make it responsive to labor market needs. Strengthening capacity for measuring outcomes in the education system through student learning assessments at all levels will also remain central to the program. A new area of engagement for the Bank will be support, through both AAA and investment lending, for reforms in Vietnam's innovation systems to modernize and expand capacity. Support will be provided via investment lending for innovations in selected industries where there is potential to benefit large numbers of the population, and for the development of business incubation programs that leverage regional and sectoral approaches to facilitate development of innovative enterprises. The Bank will collaborate with IFC to support development of micro, small, and medium enterprises and in building competitiveness in select industries. The Bank will remain engaged in promoting upgrades and value-addition in Vietnam's agriculture sector, including through support for public-private partnerships for technology transfer, and ongoing operations financing agricultural research, advisory services, and capacity building and incentives to raise product quality and ensure food safety. Bank-IFC collaboration will seek to strengthen the enabling environment and capacity for agro-industrial development. AAA work will therefore support policy and institutional reforms needed to accelerate and manage structural change in Vietnamese agriculture, agricultural services, and agribusiness. Part of the expected structural change would relate to the respective roles and forms of interaction among public, private, and collective entities in the sector.

Pillar 1 – Indicative World Bank Group Instruments

DPOs: EMCC series, Power Sector Reform series, and Higher Education series

SILs: Portfolio: Financial Sector Modernization and Information Management System, Public Financial Management, Tax Administration Reform, Third Rural Finance, Second Transmission and Distribution, System Efficiency Improvement, Trung Son Hydropower, Renewable Energy Development, Urban Water Supply, Danang Priority Investment, Urban Upgrading, Urban Water Supply and Wastewater, Local Development Investment Funds, Ho Chi Minh City (HCMC) Investment Fund, Project Preparation Facility, Road Network Improvement, Mekong Delta Transport, Northern Delta Transport, Expressway Development DaNang-Quang Ngai, Hanoi Urban Transport, Haiphong Urban Transport, Higher Education 2, School Education Quality, New Model University, Agriculture Competitiveness, Livestock Competitiveness and Food Safety, ICT development. **Pipeline:** Distribution Efficiency, Mekong Delta Urban Upgrading, Medium Cities Development, Danang Sustainable City Development, Road Asset Management, Dau Giay-Phan Thiet Expressway, Inclusive Innovation, Fostering Innovation through Science Research and Technology, Higher Education 3

AAA: Vietnam Development Reports, Programmatic Public Finance Reviews, FSAP, Science and Innovation; Programmatic AAA in Financial Sector, Infrastructure Finance, Agriculture, Skills and Education System, and Governance and Anti-Corruption; Global Knowledge Transfer, Country and Sub-National Financial Management Assessments, Vietnam Knowledge Platform, and Trade Facilitation and Logistics Assessment

TFs: IDFs for Financial Management and Procurement Capacity Building, Multi-donor Trust Fund (MDTF) for Public Financial Management, MDTF for PFM, TFLA, FIRST Initiative for Financial Sector Capacity Building

WBI: Training programs for MPs on legislative process and budget oversight

IFC: Agricultural Competitiveness, Secured Transactions, Credit Bureau and Capital Markets, Better Work Vietnam, Tax Administration Simplification, Regulatory Simplification/Licensing Reform, PPP Advisory

Pillar 2 – Sustainability

67. Alignment with Government Strategy. Vietnam's SEDS and SEDP point to the need to strengthen the protection of natural resources and the environment, to mainstream this in development planning, and to implement measures to address natural hazards and climate change. Growing recognition of Vietnam's vulnerability to extreme weather events and the country's growing contribution to greenhouse gas (GHG) emissions has led to the development of adaptation and mitigation strategies. The WBG's CPS program on "Sustainability" will assist the government and other stakeholders to translate this increased recognition in the SEDP/SEDS of risks associated with the environment, natural resource degradation, and weather/climate into improved strategies, improved governance arrangements, and priority investments.

Pillar 2 - CPS Outcomes / Areas of Engagement

2.1: Improved natural resource management	2.2: Strengthened environmental protection and management	2.3: Enhanced preparedness for natural hazards and climate change
<ul style="list-style-type: none"> • Water Resources Management • Land Administration and Management • Forest and Biodiversity Conservation 	<ul style="list-style-type: none"> • Pollution Reduction • Climate Change Mitigation 	<ul style="list-style-type: none"> • Disaster Risk Management • Climate Change Adaptation

68. Outcome 2.1: Improved natural resources management. The Bank's program related to water resources management will continue to provide support for the upgrading and extension of physical infrastructure (including for irrigation, urban drainage, and inland waterway transport). Increased

attention will be given to strengthening institutional arrangements and incentives for more efficient water use and greater financial sustainability of services. For example, support will be provided to pilot measures to improve on-farm water use efficiency, apply institutional models for improved irrigation and residential water supply delivery, and strengthen capacities for river basin, inter-provincial, and coordinated trans-boundary water resources management. Sector governance will be improved through development of water user organizations to make collective decisions on water use and mitigate potential conflicts. The program will include an investment operation to enhance biodiversity conservation in marine and coastal areas, promote sustainable fisheries management, and bring about improvements in aquaculture practices and governance. The Bank will continue to support improved governance through strengthening the transparency of Vietnam's system for land administration, while stepping up support related to land use planning and development of more efficient land markets in urban, peri-urban and rural areas. Support will continue in selected areas related to forestry and biodiversity conservation, including continued support to high-quality smallholder agro-forestry plantations, forest law enforcement and governance, Vietnam's readiness to participate in the Reduction of Emissions from Deforestation and Forest Degradation (REDD) Program, biodiversity conservation and other measures through the Vietnam Conservation Fund, and efforts to reduce the illegal trade of wildlife and timber products. Instruments will include GEF and regional IDA operations.

69. Outcome 2.2: Strengthened environmental protection and management. The Bank will support measures for pollution reduction and prevention from various sources in order to improve the physical environment, and mitigate adverse health and economic impacts. For example, the program will support the safe disposal of hospital waste, investments and capacity building for pollution control enforcement at selected industrial parks, the introduction of compressed natural gas public buses, improved systems for waste water and solid waste management, and measures to manage livestock waste and promote safer use of pesticides. GEF-funded programs will develop national capacity to manage polychlorinated biphenyls (PCBs) and Montreal Protocol projects to phase out the use of ozone-depleting substances with a focus on hydro chlorofluorocarbons (HCFCs) and methyl bromide. WBG support for climate change mitigation is strong on both the IFC and Bank side and will include policy dialogue, investments and a more specific focus on enhanced energy efficiency – including through the development of renewable energy sources, policy actions in the industrial sector, demand-side energy efficiency measures (including tariff reforms), providing capital lines and advisory services, as well as awareness raising and strengthening of the regulatory environment, and analysis of low-carbon growth strategies. The program will also support climate change mitigation measures in relation to transport, urban development, and agriculture.

70. Outcome 2.3: Enhanced preparedness for natural hazards and climate change. The Bank continues to fill a financing gap for post-disaster reconstruction, helping to improve prioritization of budgetary resources promoting the principle of “build back better.” The Bank's support will increasingly focus on strengthening capacities to anticipate and reduce the impact of extreme weather events. Hence, the Bank will support strengthening of hydro-meteorological services and early warning systems, investments to reduce storm and flood risks in highly vulnerable areas, scaling up of community-based disaster risk management, improvements in area-based and urban disaster risk planning and mapping, and agro-weather advisory services. Technical assistance will be provided to assist Government in developing a comprehensive disaster risk financing strategy. Through TFs and a series of DPOs, the Bank's program will support strengthening governance for addressing climate change through capacity building for climate change-related analysis, planning, and M&E in five targeted ministries, as well as for enhanced inter-ministerial coordination. It will support a series of studies pertaining to climate change

adaptation in various sectors, emphasizing the scope for ‘no regrets’ types of measures¹⁹, while also assisting Government to better understand costs, benefits, risks, and alternatives to proposed investments.

Pillar 2 – Indicative World Bank Group Instruments

DPOs: Climate Change series, Power Sector Reform Series

SILs: *Portfolio:* Water Resources, Mekong Delta Water Management, Forest Sector Development, Land Administration, HCMC Environmental Sanitation, Coastal Cities Sanitation, Urban Water Supply and Wastewater, Danang Priority Investment, Hospital Waste Management, Hanoi Urban Transport, Haiphong Urban Transport, Renewable Energy Development, Natural Disaster Risk Management, Avian Flu and Human Influenza *Pipeline:* Irrigation Modernization and Rehabilitation, Coastal Resources for Sustainable Development, Regional Wildlife Conservation, Mekong Delta Urban Upgrading, Medium Cities Development, HCMC Environment and Sanitation Phase 2, Danang Sustainable City Development, Industrial Pollution Control, Managing Natural Hazards

AAA: Programmatic Climate Change AAA, Green Urban Transport, GHG Assessment for Danang

TFs: GEF Critical Ecosystem Partnership, GEF PCB management, GEF Cleaner Production Energy Efficiency, Montreal Protocol National CFC & Halon Phaseout, Low Carbon Development Study TF, Eco2Cities, REDD Program, Capacity building in Key ministries for dealing with Climate Change, PHRD Disaster Management, AusAID Urban Resilience in Can Tho Spatial Dimensions of Urban Poverty, GFDRR

WBI: Training program for MPs on climate change, and capacity building for urban planning for sustainability

IFC: Energy Efficiency and Cleaner Production Financing, Environmental and Social Risk Management for the Financial Sector, Waste Management, Corporate Governance, Green Building

Pillar 3 – Opportunity

71. Alignment with Government Strategy. The CPS program under the “Opportunity” pillar is aligned with the strategic development agenda laid out in the SEDP and the SEDS, including efforts to create equal opportunities for access to resources for development, basic services, and social welfare in rural and urban areas, to continue with policies for sustainable poverty reduction (especially in the poorest districts and among ethnic minorities), and to improve the quality of social services. Recognizing the importance of skills to finding productive and stable employment, Government has made improving the quality of human resources one of the three break-through priorities of the SEDS. Government is in the process of adopting its first ever Social Protection Strategy which sets out strategic development directions for the period 2011-2020. These include efforts to promote stable and more productive employment, make the social insurance system more sustainable and expand its coverage, develop social assistance, and improve targeting and management of poverty reduction programs.

Pillar 3 - CPS Outcomes / Areas of Engagement

3.1: Increased opportunities for the poor and household resilience to shocks	3.2: Improved basic infrastructure and public service delivery and access
<ul style="list-style-type: none"> • Livelihoods • Social Protection 	<ul style="list-style-type: none"> • Basic Infrastructure • Education • Health

¹⁹ For example, adaptive management practices at household and community levels, efficiency gains, and infrastructure rehabilitation.

72. Outcome 3.1: Increased opportunities for the poor and household resilience to shocks.

Building on insights from new poverty analysis, the Bank will support Government in its efforts to further strengthen poverty reduction and social protection policies, and to improve the livelihood and earning opportunities for the remaining poor and vulnerable, many of whom are ethnic minorities. Analytical work will be undertaken to underpin future investment lending focused on regions with very high rates of poverty, with support combining upgrades in basic productive infrastructure, measures to enhance/diversify livelihood opportunities, and additional measures emerging from the analysis/shocks. Programmatic AAA is underway in poverty analysis and M&E capacity building and social protection. Complementary support will be provided by both IFC and the Bank to strengthen financial inclusion and the provision of and access to micro-finance and other financial services for the urban and rural poor as well as rural micro enterprises and SMEs. IFC investment and advisory engagements will focus on: (i) supporting development of a viable commercial microfinance industry to improve access to finance for Vietnam's base of the pyramid and rural population; and (ii) increasing opportunities for the base of the pyramid by supporting investments with supply chains linkages into rural economies and by increasing private sector-oriented education. Informed by the ongoing AAA, the Bank will also step up its investment financing for further development of the social protection system, inter alia to establish linkages between assistance, insurance, and programs aimed at improving the earning opportunities of the working poor. The Bank anticipates this could involve the design of a new social assistance cash transfer program targeted at poor households. Bank support will also focus on reducing the risk of transmission of poverty from the current to the next generation by promoting better access of children from disadvantaged backgrounds to early childhood education and development services. Recognizing the growing challenge of population aging in Vietnam, the program will contribute to Government's efforts to enhance the financial sustainability, fairness and coverage of the contributory social insurance system as well as to develop mechanisms to expand coverage of workers, including in the informal sector. It will support Government's efforts to expand coverage and utilization of health insurance, in particular by the poor and the near-poor. Given their importance in driving vulnerability to shocks, food security will be a focus of analytical work and policy advice. Access to information and ability to exercise rights as provided by law will be critical for success in expanding opportunity. The CPS program will therefore strive for more open access to official information and support Government's efforts to strengthen capacity for and awareness of citizen's rights.

73. Outcome 3.2: Improved basic infrastructure and public service delivery and access. The program will continue to support the provision of basic infrastructure and related services in rural and urban areas. Continued support will be provided through financing of investments in rural areas to connect communities to basic access and improved all-weather roads and strengthen the management and maintenance of the rural road network in provinces throughout northern and central Vietnam. Efforts will continue to sustainably increase access to water supply and sanitation services (including through results-based approaches), and upgrade the living conditions in poor urban neighborhoods. With an ongoing investment operation the Bank will continue to support improvement of learning outcomes and education completion for primary education students, particularly disadvantaged primary education students, through co-financing of the Government's full-day schooling reform program and the promotion of greater school readiness. Measurement of the quality of service delivery and learning outcomes through student assessments will be central to these efforts. The Bank will also continue to support Government's efforts to expand health insurance coverage among the near-poor, as well as efforts to improve the delivery of health services, including through a planned investment operation aimed at improving governance of the health sector. Bank support will transition from traditional essential infrastructure investment and a single issue disease project approach towards national level engagement in policy and institutional capacity strengthening support, including on quality management (See Box 6).

Box 6: Addressing Vietnam's Remaining Poverty Agenda

In light of remaining as well as new poverty challenges, Vietnam is working to reframe its strategy to reduce poverty, vulnerability, and inequality with the specific aim of (i) ensuring more rapid progress for those left behind, with particular focus on ethnic minority households; (ii) consolidating gains and ensuring sustainable progress for lower income households and the near poor; and (iii) addressing new challenges, including rising inequality across regions and social groups, new vulnerabilities, and challenges linked to rapid urbanization and an emerging group of urban poor and vulnerable households.

The Bank launched a Programmatic Poverty Assessment for Vietnam in FY11, working in collaboration with country partners and building on a strong and ongoing program of technical assistance and capacity building for data collection and poverty analysis. The Programmatic Poverty Assessment aims to stimulate debate and new thinking in Vietnam on a second generation of poverty issues more relevant for Vietnam's emerging middle income economy and rapidly changing social and cultural environment. The findings of the assessment will inform the development of the Bank's future program.

The Bank's operational program in Vietnam will retain a strong focus on helping Vietnam address its remaining and new poverty challenges as a middle income country. First, there will be several interventions with a direct poverty reduction objective. Second, many World Bank-supported sectoral interventions will be targeted to the poor and near-poor and to remote regions and regions with high ethnic minority poverty. For example, regional health projects will continue to finance subsidized access to health insurance for the near-poor and thus address one of the major shocks that risk pushing vulnerable households back into poverty. Education interventions supporting full-day schooling or early childhood education and school readiness will be targeted to poorer regions, typically with high ethnic minority population shares, and attempt to provide opportunities for the next generation to escape poverty. Equally, rural and urban infrastructure interventions will focus on poor communities and neighborhoods and aim to help provide access to basic services and markets for the poor and disadvantaged.

Pillar 3 – Indicative World Bank Group Instruments

SILs: *Portfolio:* Second Northern Mountains Poverty Reduction, Third Rural Finance, Second Rural Energy, Rural Distribution, Third Rural Transport, Mekong Delta Transport, Red River Delta Rural Water, Mekong Delta Water, Urban Water Supply, Urban Upgrading, Danang Priority Investment, Coastal Cities Sanitation, Urban Water Supply and Wastewater, ICT Development, School Education Quality Assurance, Regional Health Projects (Mekong, Northern Upland, Central North), HIV/AIDS Prevention, Inclusive Innovation *Pipeline:* Social Protection Systems, Central Highlands Poverty, School Readiness Promotion,* Mekong Delta Urban Upgrading, Medium Cities Development, Danang Sustainable City Development, Rural Sanitation and Water Supply,* Health Sector Governance Strengthening, North East and Red River Delta Regional Health*

AAA: Programmatic AAA in the areas of Poverty Reduction, Social Protection, Skills and Education System, and Health; Quality Education for All Policy Dialogue

TFs: Governance and Poverty Policy Analysis and Advice Programme TF (GAPAP), Japan Social Development Fund (JSDF) for Quality Education for Ethnic Minority Children, GPE New School Project, Nordic TF on Human Rights

IFC: Microfinance: Capacity Building to MFIs, Payment Systems, Mobile Banking. Coffee Farmer Training Center (with ECOM)

* Results-based or output-based approach operations

74. The IFC's program for promoting inclusive economic growth is aligned with the opportunity pillar. Investment and advisory engagements will focus on: (i) supporting the development of a viable commercial microfinance industry to improve access to finance for Vietnam's base of the pyramid and rural population; and (ii) increasing opportunities for the base of the pyramid to participate in Vietnam's growth by supporting investments with supply chains linkages into rural economies and by increasing private sector-oriented education.

D. IMPLEMENTING THE FY12-FY16 CPS

Implementation Challenges

75. The main challenge for Vietnam program implementation is to achieve results faster. This has become more pronounced with the recent growth in the program. For the IFC, one of the main challenges to implementation is the fact that private sector in Vietnam is still relatively small and underdeveloped. Considerable capacity building is required in areas of corporate governance, capital efficiency, and professionalization of management. IFC is addressing this by seeking to engage with leading private sector groups and entrepreneurs to help them tackle these constraints and set standards for Vietnam's emerging private sector. For the Bank, while the quality of portfolio implementation continues to be satisfactory as evidenced by the review of Implementation Completion Reports (ICRs) by the World Bank's Independent Evaluation Group (IEG),²⁰ the country would benefit significantly if implementation of its investment program were accelerated and development objectives achieved at a much faster pace. Government has renewed its efforts by: (a) revising its ODA implementation regulations, and (b) working even more closely with development partners to sharpen the focus of ODA. Newer approaches to operations, such as results-based and output-based disbursement, are being discussed. Vietnam's National Target Programs (in place for the past several years to reduce poverty and improve the quality of basic services such as rural water supply, education, and health) may be useful vehicles for these new approaches. During the CPS period, the Bank and Government will work to assess underlying fiduciary systems capacity and to diversify lending instruments for faster development impact.

76. Capacity at sub-national levels is weak across a range of skills. These include technical, project management, and fiduciary skills (procurement and financial management – see Box 7). There is also a lack of depth of quality suppliers and service providers. For the Bank's portfolio, these capacity constraints are evident in procurement delays, quality of project management oversight, weaknesses in financial management (reporting and internal controls) and safeguards, and civil works contract administration.

Box 7: Ensuring Fiduciary and Institutional Development

The use of country systems is a key indicator of the Paris Declaration as adopted in Vietnam through the Hanoi Core Statement (HCS). Currently around 58 percent of Bank funds are disbursed through the government public financial management (PFM) systems, exceeding the HCS target of 50 percent. This is largely due to financing via the Bank's development policy lending which is in the form of direct budget support and fully relies on the country PFM systems.

Most PMUs are formally integrated into the country system in that they are managed by a senior government official accountable to the responsible line agency, comprised of seconded, functional department staff, and primarily subject to Vietnamese laws on public investment management. While almost all Bank-financed investment projects are off-budget, they are reported to the national legislature, and elements of the government system – such as budget execution procedures for counterpart funds, expenditure verification by State Treasury, government accounting classifications, controls and “cost norms,” and interim reporting using the Aligned Monitoring Tool – are employed whenever feasible. In addition, because the World Bank projects are funded outside the country's treasury system, Bank resources are consistently tracked using designated or special accounts. Separate annual financial statements are required and are subject to audit by independent audit firms.

The Bank aims to support strengthening of country fiduciary systems and increase their use. Program-based and results-based operations are being discussed with Government. Efforts will also be made to engage the State Audit of Vietnam as auditor, particularly in cases where project design or procurement is not complex.

²⁰ All of the 35 ICRs of Vietnam operations reviewed by IEG have been rated satisfactory or moderately satisfactory for development outcome, with zero disconnect vis-à-vis the final ISRs. This is the strongest evaluation record of any IDA borrower.

77. During the CPS period, the Bank will continue to work jointly with MPI and other donors to address systemic ODA implementation issues. This work will include: (i) support for revision of Decree 131, adopted in 2006 as the main legal framework for management of ODA in Vietnam; (ii) continued implementation of the Six Banks' 12-point Joint Action Plan; (iii) a study of options for streamlining project management unit (PMU) arrangements; and (iv) continued analytical work and support for the development of national fiduciary and safeguards capacities. This support will include (i) PFM capacity building, including the ongoing Bank-financed PFM operation and the related multi-donor TF, IDF grants, and with the planned introduction of results-based and output-based financing; and (ii) procurement capacity building, including through continued policy dialogue with relevant government authorities and the Six Banks, ongoing and planned IDF grants, TA for development of bidders' protest mechanisms, and governance and anti-corruption (GAC) action plans for high-risk projects.

78. The Bank is also undertaking analyses to learn from well-performing provinces and sectors. Provincial governments are now charged with more responsibility in managing investment operations. Despite limited capacity, some provinces manage the portfolio better than their peers. A recent initiative to focus the portfolio review at the provincial level has produced a number of lessons that will be shared with other provinces, and additional provincial-level portfolio reviews will be conducted. The portfolio's performance also differs by sector, with some sectors having a good record of faster and quality results. Lessons are now being studied and will also be applied to improve the overall portfolio.

Box 8: Fiduciary Risks

As noted in the CPS Completion Report (Annex 2) and also discussed in Annex 16, Vietnam has made good progress in establishing a sound public financial management (PFM) system and is committed to addressing the remaining PFM reform agenda. The level of project financial management performance across the Bank's investment lending portfolio exhibits some weaknesses, particularly in decentralized and geographically dispersed projects. Lack of coordination between project management units and relevant government agencies contributes to implementation delays, and follow-up of audit issues can be slow. Partly this reflects the fact that Vietnam's public procurement legal framework falls short of internationally accepted standards and acknowledged good practices. In addition, many implementing agencies still lack the necessary capacity. A number of issues have been noted, including dominance of dependent SOEs in the market, frequent occurrences of conflict of interest, weak contract management, collusion, and local authorities' insistence on following government procurement procedures or implementing "dual" procedures under Bank-financed projects. This situation leads to procurement delays, irregularities, and non-compliance.

During the CPS period, the Bank will continue to support progress on the PFM and procurement reform agenda, build institutional capacity, and improve aid effectiveness. Ongoing capacity building in financial management and procurement will be conducted for government agencies, project staff, and audit firms to reinforce the Bank's requirements and to address cross-cutting issues identified during Bank prior and post reviews and audits. Bank risk-based and joint fiduciary supervisions will continue to be conducted and measures incorporated in project arrangements to mitigate fiduciary risks.

79. At the project level, MPI and the Bank are giving priority to improving projects' readiness for implementation, accelerating their preparation, and managing the existing portfolio proactively. Readiness, in terms of detailed design, procurement and PMU arrangements, is being jointly assessed through systematic reviews of the lending pipeline. Implementation of the Bank-financed Project Preparation TA Facility needs to be improved to make financing for project preparation available in a timely manner. Proactive management of the existing portfolio includes (i) major restructuring and partial cancellation, not necessarily limited to problem projects, with the aim of faster implementation and therefore development impact; (ii) a high-level review meeting between the Bank and Government semi-annually, with the Prime Minister's Office directing the agreed follow-up actions; (iii) provincial portfolio reviews in a selected number of provinces; (iv) sectoral portfolio reviews with line ministries; and (v) a realistic assessment of the implementation progress, downgrading of project ratings in Implementation

Status and Results Reports (ISRs) if deemed necessary, and allocation of additional supervision resources if needed to improve implementation.

IDA, IBRD, and IFC Resources

80. An indicative IDA 16 allocation²¹ of about SDR 2.8 billion²² (equivalent to US\$4.2 billion) would be available to support Vietnam's economic and social development in FY12-FY14. This would be the largest IDA allocation to Vietnam of any IDA Replenishment, reflecting Vietnam's strong performance as well as the increase in overall IDA resources mobilized for IDA 16 compared with IDA 15. Vietnam could also receive additional IDA resources through its participation in IDA regional projects. The share of DPOs in the FY12-FY14 IDA program is currently estimated at about 25 percent and could rise if policy reform momentum increases.

81. Proposed FY12-FY14 IBRD commitments total US\$770 million, of which around US\$280 million is planned for two DPOs, and the balance for SILs. Most of these resources would likely support infrastructure development. FY15-FY16 IBRD commitments are anticipated to be in the range of US\$300 million to US\$550 million for SILs, and an additional \$100 million to US\$150 million for DPOs. Actual commitment volumes in the FY13-FY16 period are indicative only and will be determined annually, depending on how government demand and macroeconomic policy and performance evolve in the course of the CPS period, and on IBRD's lending capacity and demand from other borrowers. While the current preference of the Ministry of Finance is to allocate IBRD resources to revenue-generating sectors, this is expected to change over the medium and longer term to allow Vietnam to base its funding and expenditure decisions on economic rather than financial rates of return. To facilitate Vietnam's transition to IBRD, the Bank's Treasury will be providing several types of training to government officials early in the CPS period. An indicative IDA and IBRD lending program for FY12-FY14 is shown in Annex 5.

82. In FY11, IFC's commitments in Vietnam reached US\$ 700 million and mobilization reached more than US\$200 million. It is expected that IFC's portfolio for both investment and advisory services will continue to increase throughout the CPS period.

83. Infrastructure will likely continue to account for the largest share of Bank lending (especially IBRD), given the vast infrastructure needs for supporting Vietnam's rapid growth. The IFC also expects infrastructure to become an increasingly big part of its portfolio as the private sector plays a more important role in building and financing infrastructure. In addition to infrastructure, the IDA program will also support Vietnam's unfinished structural reform agenda, human development, natural resource management, and measures to address climate change. FY15-FY16 lending plans will be elaborated in the CPS Progress Report in mid-FY14.

Monitoring CPS Implementation

84. The results framework of this CPS will serve as a management tool for the Bank's Vietnam Country Team. Its design is streamlined to make it a useful monitoring tool. Progress towards achievement of the CPS outcomes will be monitored annually. The review will be facilitated by the Country Portfolio and Results Monitoring Tool (CPRT), a web-based system for monitoring progress

²¹ For IDA16 allocations, only FY12 allocation is firm, and allocations in FY13-14 are indicative and can change depending on total IDA resources available in FY13 and 14, the IDA resource allocation process, and exchange rate changes between the SDR and the dollar.

²² Of which 3 percent is assumed to be hard-term IDA.

toward CPS outcomes. The CPRT is populated with data from ISRs and the Bank's existing information systems, and can therefore provide real-time links between the lending portfolio performance and AAA to progress toward CPS outcomes. For the data forming the basis of these progress reviews to be current, the Country Team will ensure timely updates of ISR results indicators.

Trust Fund Program and Strategy

85. Trust Funds are a very important financing source for the Bank's country program in Vietnam. A significant part of trust fund resources are used to support Bank investment projects and policy operations through co-financing, project preparation, and background analytical work (see Annex 17). Trust funds also play an important role in knowledge transfers to Vietnam by supporting joint analytical work with Vietnamese research institutions and think tanks, capacity building, and training activities. Trust funds also help the country pilot innovative ideas such as the JSDF Trust Fund on Early Childhood Care and Development, and provide emergency support such as for Avian Influenza. TFs can thus help to leverage Bank resources further and are used as a unique platform for donors to provide joint assistance, e.g., the PRSC series.

86. The sources of trust funds are expected to change as Vietnam develops, and donors shift their attention to newer areas of support or start to scale down in Vietnam. Some donors have recently expressed their intention to shift their focus to emerging issues such as climate change, while others are scaling down or exiting Vietnam over the next several years. Development partners and the Bank are carefully reviewing the impacts of such a shift for Vietnam's SEDP through the work of developing the new ODA Strategic Framework. At the same time, the shift calls for even stronger attention to the effectiveness of aid. To this effect, the Aid Effectiveness Forum and other partnership groups have been working closely with the Ministry of Planning and Investment to intensify the synergy among the development partners' programs.

87. Implementation of the Vietnam trust fund portfolio has been successful, but some improvements are needed. These include more strategic alignment and realistic assessment of the time needed for implementation and achievement of results. Selection criteria have been developed and will be applied to TFs more systematically by the Bank's country team, and TFs will be included in portfolio performance reviews. Vietnam is central to the regional efforts to improve the way mobilize and utilize TFs.

E. DEVELOPMENT PARTNERSHIPS AND AID EFFECTIVENESS

88. Vietnam is not an aid dependent country – in 2010, ODA accounted for less than 5 percent of the country's gross national income (GNI) (see Annex 3) – but there is no question that the country has used ODA effectively in support of its development. With Vietnam's new status as a lower middle income country, several development partners have announced plans to scale down their activities or exit the country within the next 3-5 years. Other partners have indicated that they will gradually transform their relations with Vietnam to focus more on trade and commercial activities, including FDI from private companies originating in donor countries. This CPS period will therefore witness a transformation of Vietnam's ODA landscape to a smaller number of traditional development partners, and less grant and highly concessional resources. The Bank will work with Government to ensure that this transition is smooth and where appropriate, offer co-financing opportunities for partners who may find this useful as they reduce their field presence. The Bank will also begin planning for continuing important parts of its program for which donor funding might end during the CPS period.

89. The planned exit of several development partners does not diminish the importance of continuing to improve coordination among partners and strengthen harmonization with

Government programs, approaches, and procedures. Vietnam has made significant progress in coordination and harmonization, as the first country to localize the Paris Declaration in 2005 resulting in the Hanoi Core Statement. A recent evaluation of the Hanoi Core Statement identifies some of the reasons for success, including strong national ownership, impressive poverty reduction records (giving development partners the confidence that their money is well spent), absence of aid dependency (making donor conditionalities ineffective) and a limited timeframe for ODA (making the Government eager to spend the resources well). As the timeframe for both the Paris Declaration and the Hanoi Core Statement draw to a close, the Bank is supporting the Government in the development of the next round of Aid Effectiveness initiatives.

90. Vietnam's apex partnership forum is the Consultative Group (CG). The Bank and Government co-host the annual CG Meeting (in Hanoi) and mid-year CG (in a province). Nearly all multilateral and bilateral donors participate as do international NGOs. Development partners are discussing with Government how to transform the CG from a resource mobilization forum to a forum for more effective high level policy dialogue. In conjunction with the CG, the Government and donors also co-host the Aid Effectiveness Forum, the Vietnam Business Forum, and the Anti-Corruption Dialogue. The Vietnam Business Forum, co-chaired by the Government and IFC, will continue to be an important platform for dialogue between the Government and the private sector on private sector development and regulatory reform issues. It is also an important forum for development of Vietnam's local chambers of commerce and business associations. After several years of IFC funding, this forum will transition to one led and funded by private sector participants. This transition is expected to be completed by January 2012.

91. The Bank is also actively involved in a number of other donor/government coordination fora in Vietnam. These include the Aid Effectiveness Forum, the majority of Vietnam's 18 currently active Sectoral and International Partnership Groups, and the Six Banks Group (See Annex 18). The PRSC series has also continued to serve as an important vehicle for both policy dialogue and donor coordination. As the PRSC series comes to an end, the Bank is committed to making the successor operations take on a strong role in donor coordination around policy reform in the next CPS period. A special effort will be made to strengthen coordination and partnership with other large development partners in Vietnam, notably the ADB and JICA. This will be done through regular consultations and exchange of information on strategy and programming and by inviting ADB and JICA to provide inputs and comments at various stages in preparation of projects in areas where they are actively engaged. The Bank will ensure that in joint areas of activity with ADB and JICA, and indeed with other development partners, the Bank's value addition is clearly established and will seek to coordinate messages to Government on related policy issues. The Bank will also continue its close collaboration with the UN in shared engagement areas and through joint support for capacity building.

92. Government is taking two initiatives to improve aid effectiveness and harmonization. One is the development of a new ODA Strategic Framework (OSF) for 2011-2015. The OSF is aimed at laying out the Government's policies and guidelines for the mobilization, management, and utilization of ODA and less concessional loans in the context of the country's newly attained MIC status. The OSF is expected to be approved by the Prime Minister in November 2011. The other initiative is the ongoing revision of Decree 131 on management and utilization of ODA, led by MPI. The Bank is actively supporting this process through provision of technical assistance.

93. The World Bank continues to have a fruitful and open relationship with civil society. Beside the regular dialogues and consultations with CSOs on Bank policies and projects, and engagement with CSOs on project implementation, The Bank has been providing financial and technical resources, including the Vietnam Innovation Day and the Civil Society Fund, to CSOs to promote innovation at

grassroots level. The Bank will find opportunities to facilitate stronger participation of civil society in various mechanisms for dialogue between development partners and Government.

V. RISKS

Slowdown in the Global Economy

94. Since its accession to the World Trade Organization in 2007, Vietnam has become highly exposed to regional and global economic shocks. It is highly integrated with the rest of the world, with international trade constituting nearly 160 percent of its GDP and foreign direct investment and remittances together adding up to as much as 20 percent of GDP. A global recession or a period of prolonged growth slowdown could have a dramatic impact on Vietnam's exports and industrial output, as was demonstrated during the 2009 global economic crisis.

95. Unlike in 2009, when the Government responded with a large and timely stimulus package to stave off an economic crisis, the fiscal headroom is now limited. Therefore, if such a scenario were to materialize, it could lead to a slowdown in implementation of the CPS program for several reasons, including a shortage of counterpart funds resulting in diversion of Government funds from investment operations in the CPS program aimed at supporting long-term growth. Since the factors driving the risk of contagion are external and on a global scale, risk management measures include continued dialogue with Government agencies aimed at building better buffers against global shocks through improved domestic policy and economic management (e.g., increased foreign exchange reserves and more fiscal space to be able to finance a stimulus if needed), strengthened debt management capacity (a Debt Management Performance Assessment report for Vietnam is under preparation), and improved public financial management practices (a Public Expenditure and Financial Accountability self-assessment is also underway).

Heightened Macroeconomic Instability

96. During the past five years Vietnam has been experiencing recurring episodes of macroeconomic instability, fueled by external shocks and rooted in structural distortions in the economy. Recent growth has been driven by factor accumulation financed by easy credit generating inefficiencies of investments, highly leveraged SOEs, doubtful portfolio quality in the banking sector, and rising risks of financial sector instability. With the country in a political transition during the past 12 months, Government initially found it difficult to undertake tough measures to stabilize the economy, such as cutting back on public investments or keeping real interest rates positive, as such measures would have adversely affected the bottom line of the corporate sector and increased the non-performing loans of the banks. As a result, there was a significant build-up of contingent liabilities in the system. However, this risk has eased following the completion of the political transition and appointment of a new administration that is keen to address many of the outstanding structural problems.

97. Addressing these structural problems will take time, and continued macroeconomic instability is therefore a possibility during the next CPS period. Continued high inflation would increase Bank-financed project costs and therefore also the need for additional financing operations to ensure that project development objectives can be met. This would divert IDA resources from planned operations and put some program objectives at risk. In addition, macroeconomic instability could compromise the impact of poverty reduction efforts under the CPS program. The FSAP planned for 2012 will help identify financial sector vulnerabilities and structural weaknesses more comprehensively and can form the basis of a detailed reform program to make the financial sector more resilient in the long term.

98. Dialogue with Government, in close collaboration with the IMF, will be stepped up during the next CPS period. Regular monitoring and analysis of macroeconomic and financial indicators, including debt sustainability analysis and encouragement for greater accountability and transparency in macroeconomic and financial management, will remain a core part of the Bank's engagement. There will also be ongoing support to Government to address medium-term structural distortions in the economy through investment and development policy lending, and analytical and advisory services. At the request of the Ministry of Finance, the Bank is preparing a Debt Management Performance Assessment report and a Reform Plan Mission is scheduled in December 2011. An FSAP planned for 2012 will help identify financial sector vulnerabilities as a basis for further World Bank Group support.

Implementation Risks

99. Timely development impact of the Bank's portfolio is at risk mainly due to the slow implementation of investment operations. As discussed above, the Bank is working closely with Government to improve the ODA management system, strengthen the procurement legal framework as well as implementation capacity, and address project-level issues jointly with the Ministry of Planning and Investment on a systematic basis.

100. A relatively good legal framework on anti-corruption is in place, but implementation needs to be strengthened. Conflicts of interest are widespread, and oversight institutions such as the Judiciary, National Assembly, and State Audit are not fully independent from the Executive. During the CPS period, the Bank will continue a multi-pronged approach to managing this systemic risk to the CPS program. This approach will include: (i) continued technical assistance to State Audit, the Government Inspectorate, and the National Assembly to strengthen assurance and oversight; (ii) policy dialogue on measures to improve transparency in public administration, reduce risk of corruption, and improve systems of prevention and detection of collusive and corruptive practices; and (iii) internal audit capacity building in the Finance Ministry's Inspectorate, as well as other ministries and agencies, with a focus on risk-based audits and effective implementation of audit recommendations.

101. A specific risk to implementation of the Bank's portfolio is project-level corruption, given the fiduciary capacity constraints and systemic corruption risks discussed above. In addition to fiduciary mitigation measures (see Box 8 above), the country team will ensure that project governance and anti-corruption plans are credible and implemented fully. Progress in implementation of these plans will be monitored and measures agreed to address any gaps. Internal audit functions and capacity building will continue to be incorporated in all projects when feasible. Efforts to strengthen institutional governance and systematically take advantage of opportunities to enhance transparency, accountability and citizens' participation in projects should also help reduce corruption risks. The Bank will prepare sector-specific governance assessments to better understand the key challenges affecting sector efficiency and inform project design. These measures will become more critical as the Bank moves to design projects with greater reliance on country systems.

102. A CPS Progress Report will be prepared in mid-FY14, as a mid-term review of CPS implementation. It will assess progress to date toward achievement of CPS outcomes as gauged by indicators and milestones in the CPS results framework, and incorporate adjustments as needed to the strategy and program in light of changed circumstances, including (but not limited to) a slowdown in the global economy, heightened macroeconomic instability, and implementation issues.

ANNEX 1: RESULTS MATRIX

CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
Pillar 1: Competitiveness <i>SEDP indicators: GDP annual growth of 7.5-8%; inflation in secure limit; labor productivity increased by 50%; Total Factor Productivity; energy loss over GDP reduced to 2.5-3%; annual export turnover growth of 12.1%; average rate of capital mobilization for State budget reaches 25.1-25.4%; 38% urbanization rate; 55% trained labor rate; 300 students over 10,000 people; real income in 2015 will be 2-2.5 times that of 2010; urban unemployment rate reduced to approx. 4%</i>		
Outcome 1.1: Improved Economic Management and Business Environment SEDS Goal 1: Improve Market Institutions in Accordance with a Socialist Oriented Market Economy, Ensure Macroeconomic Stability, and Effectively Mobilize and Utilize Resources		
<p>1. Sound macroeconomic framework maintained as evidenced by (i) moderate credit growth and strengthened loan portfolio; (ii) fiscal consolidation through more efficient investment and improved revenue effort.³</p> <p><i>Baseline:</i> <i>(i) 31 % annual credit growth rate (2008-2019 average)</i> <i>(ii) fiscal deficit 5.5 % of GDP per year (2008-2010 average)</i></p> <p><i>Target:</i> <i>(i) <20% annual credit growth rate (FY12-FY16 average)</i> <i>(ii) fiscal deficit less than 4 % of GDP per year (FY12-16 average)</i></p> <p>2. Provinces using the integrated</p>	<p>Macro-Economic Policy Framework^{1,3}</p> <ul style="list-style-type: none"> - Policy dialogue with Government stakeholders (SBV, MOF, MPI) informed by the Bank's regular macroeconomic monitoring and reporting - Debt sustainability analysis conducted jointly with IMF annually - Debt Management Performance Assessment conducted by 2012 and input provided to Government Debt strategy - Modern approaches to management of public debt and SOE liabilities adopted including (i) integrated recording of debt; and (ii) processes for identification and analysis of fiscal risks by 2013 (PFM) - Annual analytical EMCC report on promoting reforms to address binding constraints to competitiveness - Vietnam Knowledge Platform with Government and civil society established to promote dialogue on economic management by 2013 <p>Public Financial Management¹</p> <ul style="list-style-type: none"> - Prioritized Implementation Plan adopted by end 2012 for the Financial Development Strategy (2011-20) - Treasury and Budget Management Information System (TABMIS) developed with enhanced functions by 2013 (PFM) - TSA implemented in all Banks serving Treasury by 2013 (PFM) - Robust Internal Audit function to strengthen internal controls in MOF and at least three key line ministries established by 2013 - Vietnamese Standards on Auditing updated to align with International 	<p>Ongoing:</p> <p>Fin Sector Modern & Info Mgmt System (FY09) (P088759) Public Financial Management Reform (FY03) (P075399) Tax Administration Modernization (FY08) (P099376) Rural Finance 3 (FY08) (P100916) IFC Vietnam Licensing Simplification (2009-2012) IFC Capital Market Phase I (2008-2013)</p> <p>Pipeline:</p> <p>PRSC 10 (FY12) EMCC 1 (FY13) EMCC 2 (FY14) IFC Tax Simplification for MSMEs (2012-2016) IFC Capital Market Phase II (2012-2016) IFC Credit Bureau Phase II IFC Collateral Registry Phase II IFC Microfinance (2012-2016)</p> <p>AAA: Programmatic Public Finance Reviews, Country and Sub-National Financial Management Assessments, Vietnam Development Reports, Vietnam Knowledge Platform, FSAP, Taking Stock, Programmatic Financial Sector AAA, Enhancing Roles of MSMEs, Programmatic Governance and Anti-Corruption TA, Capital Market Development, WBI Training programs for MP's on legislative process and budget oversight</p>

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
<p>Treasury and Budget Management Information System (TABMIS) ¹</p> <p><i>Baseline: 30 (2010)</i></p> <p><i>Target: 63 (2015)</i></p> <p>3. Individuals and firms listed in a public credit registry with information on their borrowing history from the past 5 years</p> <p><i>Baseline: 29.8 % (2011)</i></p> <p><i>Target: 40% (2015)</i></p> <p>4. Domestic commercial banks have current financial and balance sheet data on their webpage ¹</p> <p><i>Baseline: 49% (2011)</i></p> <p><i>Target: 74% (2015)</i></p> <p>5. SOEs divested during the 2011-2015 period</p> <p><i>Baseline: 0 (2010)</i></p> <p><i>Target: 450 (2015)</i></p>	<p>Standards on Auditing by 2013</p> <ul style="list-style-type: none"> - Simplified procedures and strengthened IT systems for tax administration resulting in increased share of VAT refund requests processed within 15 days from 67% in 2009 to 90% in 2013 and tax audits resulting in additional tax assessments of 70% by 2013 (Tax Administration Project) - VAT registration threshold introduced, Risk-based Audit applied resulting in \$19 mil savings for micro and small-medium enterprises (MSMEs) by 2015 (IFC) - Simplified accounting regimes for Business Households, SMEs resulting in tax registered businesses increase from 37% to 47% by 2015 (IFC) - Programmatic Public Finance reviews conducted by 2013 - First Public Expenditure and Financial Accountability (PEFA) assessment completed to serve as baseline for monitoring PFM progress by 2013 <p><u>Financial Sector</u></p> <ul style="list-style-type: none"> - FSAP conducted by December 2012 - Technical specifications for the modernized IT database system at SBV completed by 2013 (Financial Sector Modernization and Info Management System) - Strategy for Public Credit Registry completed by 2013 (TA) - Enhanced framework for credit risk management adopted using both quantitative and qualitative criteria by 2013 (PRSC 10, Financial Sector TA) - All financing institutions participating in rural finance program compliant with accreditation scheme (RF3) ¹ - Risk management system for two main state owned commercial banks improved by 2013 (RF3) - Best practice on bond trading and bond issuance introduced by 2013 (IFC) - Action plan to improve government bond market in place by 2013 (PRSC) - 7 banks with Annual Reports prepared by International Financial Reporting Standards (IFRS) by 2013 up from 5 banks in 2011 ¹ <p><u>Market-based Regulations</u> ¹</p> <ul style="list-style-type: none"> - Time bound plan to separate state-ownership rights from regulatory function 	<p><u>Trust Funds:</u> MDTF for Economic Management and Competitiveness Credit, MDTF to Support Public Financial Management Modernization 2, Cofinancing RETFs to PRSC 10, Financial Sector Modernization and Info Management System, Tax Admin Modernization</p>

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
	<ul style="list-style-type: none"> in SOEs in place by 2013 (PRSC 10) - Vietnam Development Report (VDR) on SOE published - MOF publishes every six months a report on SOEs operational performance - 30 licenses/permits cut-down or simplified by 2013 (IFC) - 20% reduction in compliance costs for MSMEs by 2012 (IFC) 	
Outcome 1.2: Improved Quality and Efficiency of Infrastructure Services SEDS Goal 5: Quickly Develop Infrastructures, Especially Transportation Infrastructures		
6. Duration of interruptions in 500kV transmission system per 100 circuit km <i>Baseline: 15.43 minutes (2010)</i> <i>Target: 13% improvement (2015)</i>	<u>Energy</u> <ul style="list-style-type: none"> - No single electricity generation company owning more than 40 percent of capacity by 2015 (Power Sector DPO)¹ - Contracts for 90% of demand for non build-operate-transfer generation based on pricing methodologies and standard format published by MOIT by 2014 (Power Sector DPO)¹ - Scada Energy Management System in place by June 2014 (TD2) - 502 km 500kV and 180 km 220kV transmission lines constructed in Mekong Delta, HCMC area and greater Hanoi area by June 2014 (TD2) - Expansion of transformer capacity by 2500+3370 MVA (500/220) and 2625 MVA 220/110) by June 2014 (TD2) - Procurement of 260 MW Trung Son dam main contracts completed by 2013 	<u>Ongoing</u> Transmission and Distribution 2 (FY06+AF FY11) (P084871) System Efficiency Improvement, Equitization & Renewables (FY02+AF FY10) Trung Son Hydropower Project (FY11) (P084773) Renewable Energy Development (FY09) (P103238) <u>Pipeline</u> Power Sector Reform DPO2 (FY12) Power Sector Reform DPO3 (FY14) Distribution Efficiency (FY13) (P125996) <u>Trust Funds:</u> Cofinancing to Renewable Energy
7. Reduced volume of water physically lost from water supply system in selected cities (i) in HCMC <i>Baseline: 27,300 m3/day (2011)</i> <i>Target: 125,000 m3/day (2015)</i>	<u>Water</u> <ul style="list-style-type: none"> - Water companies supported have a working ratio of less than 0.90 (UWSW) - Database of water utility performance published by 2014 (UWSW)¹ - Non-revenue water reduction program implemented in HCMC (UWS) 	<u>Ongoing</u> Urban Water Supply (FY05) (P073763) Urban Water Sup & Wastewater (FY11) (P119077) Local Development Investment (FY10) (P094055) HCMC Investment Fund (FY07) (P104848) <u>Pipeline</u> Mekong Delta Urban Upgrading (FY12) (P113904) Medium Cities Development (FY12) (P116398) Danang Sustainable City Dev (FY14) (P123384) <u>Trust Funds:</u> Cofinancing to Urban Upgrading

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
<p>8. Reduced transport times on targeted transport corridors:</p> <p>(i) <i>Road Network Improvement Program</i> Baseline: Details available sep. Target: 15% decrease (2012)</p> <p>(ii) <i>Hanoi 2nd Ring Road</i> Baseline: 28 min (2011) Target: 22 min (2015)</p> <p>(iii) <i>National Highway 91 (MDTP)</i> Baseline: TBD by June 2012 Target: TBD by June 2012</p>	<p>Transport</p> <ul style="list-style-type: none"> - 336 km of national roads and short bridges improved and 850 km maintained by 2013 (RNIP + MDTP) - 250 km of Mekong Delta waterways and 200 km waterways between Quang Ninh -Viet Tri and Hanoi-Lach Giang improved by 2013 (NDTP & MDTP) - Major arterial urban roads constructed in Danang (7 km), Hanoi (5 km) and Haiphong (10 km) by 2014 (DPIP, HUTP, HPUTP) - Contract awarded for Danang – Quang Ngai Expressway and concession awarded for Dau Giay – Phan Tiet Expressway by 2013 - 50 black spots on 600 km of road treated for improved road safety by 2013 (RSP) - Governance in transport sector review completed by 2013 and Governance and Transparency Action Plans for transport projects satisfactorily implemented¹ - Trade facilitation and logistics audit (TFLA) conducted by 2013 	<p>Ongoing</p> <p>Road Network Improvement (FY04) (P059663) Mekong Delta Transport (FY07) (P083588) Northern Delta Transport (FY08) (P095129) Expressway Danang- Quang Ngai (FY11) (P106235) Project Preparation Facility (FY10) (P118610) Danang Priority Investment (FY08) (P086508) Hanoi Urban Transport (FY10) (P083581) Haiphong Urban Transport (FY11) (P111548) Road Safety (FY05) (P085080)</p> <p>Pipeline</p> <p>Mekong Delta Transport AF (FY13) (P126605) Road Asset Management (FY14) (P123961) Dau Giay – Phan Tiet Expressway (FY14) (P123961)</p> <p>AAA TFLA, Programmatic Infrastructure Finance</p> <p>Trust Funds: TF Infrastructure Policy and Sector Support, cofinancing RETFs to Rural Transport 3, Mekong Delta Transport, GEF – Hanoi Urban Transport</p>
<p>Outcome 1.3: Increased Capacity for Innovation and Value Addition</p> <p>SEDS Goal 3: Comprehensively Develop Agriculture Towards Modernity, Efficiency and Sustainability</p> <p>SEDS Goal 4: Strongly Develop Service Industries, Especially Services That Offer High Value, Great Potentials and Enhanced Competitiveness</p> <p>SEDS Goal 9: Improve the Quality of Human Resource, Reform Comprehensively, and Rapidly Develop in the Areas of Education and Training</p>		
<p>9. Higher Education students benefitting from improved curriculum, facilities, laboratories and research activities through TRIG grants (number)</p> <p>Baseline: 200,000 (2010) Target: 250,000 (2013)</p>	<p>Skills and Innovation Systems</p> <ul style="list-style-type: none"> - 300 curricula revised, 20,000 staff receiving training, 95 laboratories/libraries upgraded etc. by 2013 (HE2) - Vietnamese-German Model University established with an updated charter by 2013 (NMUP)¹ - Government research institute conversion to semi-autonomous status according to agreed roadmap (FIRST)¹ - Workforce benchmarking and employer surveys completed by 2013 - 100% of higher education institutions disclosing information on the institution's staff, academic programs, finances and expected learning 	<p>Ongoing</p> <p>Higher Education 2 (FY07) (P079665) School Education Quality Assurance (FY09) (P091747) New Model University (FY10) (P110693) Agriculture Competitiveness (FY09) (P108885) Rural Finance 3 (FY08) (P100916) Livestock Comp & Food Safety (FY10) (P090723) ICT development (FY06) (P079344)</p> <p>Pipeline</p> <p>Higher Education DPO 3 (FY13) (P116354)</p>

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
<p>10. Farmers in targeted areas adopting good agricultural practices (number) <i>Baseline: 0 (2011)</i> <i>Target: 23,500 (2015)</i></p> <p>11. Additional jobs created as a result of investments supported <i>Baseline: 32,142 (2011)</i> <i>Target: 100,000 (2015)</i></p>	<p>outcomes on their websites by 2013 (up from 90% in 2010) ¹</p> <ul style="list-style-type: none"> - Technology innovation fund pilot initiated (FIRST), challenge fund launched for at least one area (Inclusive Innovation Project) and virtual incubation pilot program implemented by 2013 (TA) - Policy and plan to establish a multi-tiered higher education structure specifying roles of different types of higher education institutions operating under different ownership models by 2013 ¹ - Decrees supporting the implementation of the Law on Gender Equality and the National Strategy on Gender Equality developed ² <p><u>Agriculture Value Chains and Rural SMEs</u></p> <ul style="list-style-type: none"> - 50,000 farmers trained in new farming practices and 50,000 smallholder producers benefiting from critical infrastructure by 2013 (ACP) - 40% of slaughterhouses supported by the project operation at the national hygienic standards (LIFSAP) - Cumulative investments made by rural enterprises under rural finance project reach \$270 million by 2013 (RF3) - 43,600 SME borrowers from the Rural Development Fund by 2013 (RF3) - Vietnam SME Development Plan and Roadmap for 2015 developed by 2012 	<p>Private Higher Educ Loan Fund (FY14) (P117395) Higher Education 3 (FY14) Inclusive Innovation (FY13) (P121643) Fostering Innovation through Research, Science and Technology (FY13) (P117394)</p> <p><u>AAA:</u> Programmatic Skills and Education System, Science and Innovation AAA, Programmatic Agriculture Competitiveness Bank-OECD joint innovation review of Vietnam, Global Knowledge Transfer, Agro-industry Strategy</p> <p><u>Trust Funds:</u> Business Incubation and Green Technology, Russian TF Educational Quality Assessment, Cofinancing to Second Higher Education, cofinancing to Agricultural Competitiveness, KTF – Workforce Development</p>

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
Pillar 2: Sustainability <i>SEDP indicators: 42.5% forest coverage in 2015; 70% of industrialized and export processing zones with wastewater treatment plants, 85% solid waste collection rate; 85% medical waste collection rate; 80% severe environment polluters regulated</i>		
Outcome 2.1: Improved natural resources management (“Green”) <i>SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.</i>		
12. Increased water productivity in pilot areas <i>Baseline: TBD at start of MDWM project</i> <i>Target: 20% improvement (2015)</i>	<u>Water Resources Management</u> - 2 provinces have water resources management plans that consider impacts on upstream development and climate change by 2013 (MDWMP) - Irrigation management transfer piloted in three schemes and irrigation modernization principles introduced in six large schemes by 2013 (VWRAP) - Primary and secondary canals rehabilitated in the Mekong Delta to improve conveyance and storage capacity by 2013 (MDWMP) - Coastal and marine database systems provide regular and reliable data for fisheries planning and management by 2015 (CRSDPI) - 1,000 coastal farmers and fishermen trained in good aquaculture/agriculture practices and in sustainable near shore capture fisheries through co-management arrangements by 2015 (Coastal Resources for Sustainable Development Project) <u>Land Administration and Management</u> ¹ - 86 district land administration offices operational by 2013 (VLAP) - 1,696,000 ha of cadastral mapping available in digital form by 2013 (VLAP) - 3,000,000 Land Use Right Certificates in line with Land Law issued by 2013 (VLAP) <u>Forest and Biodiversity Conservation</u> - 8,000 Ha of additional smallholder plantation area supported (FSDP AF) - Management effectiveness of Special Use Forests will improve as measured by Management Effectiveness Tracking Tool by 2013 (FSDP) - Drivers of deforestation study completed by 2013 (REDD Program)	<u>Ongoing</u> Water Resources (FY04) (P065898) Forest Sector Development + GEF(FY05) (P066051) Mekong Delta Water Management (FY11) (P113949) Land Administration Project (FY08) (P096418) <u>Pipeline</u> Forest Sector Development AF (FY12) (P126542) Coastal Resources for Sust. Develop. (FY12) P124702 Irrigation Modernization and Rehabilitation (FY15) Regional Mekong Water Resources (FY13) Regional Wildlife Protection (FY13) <u>AAA:</u> Programmatic Governance and Anti-Corruption TA <u>Trust Funds:</u> REDD Program, Vietnam Conservation Fund, Cofinancing to Land Administration, Forestry TF, GEF Critical Ecosystem Partnership
13. Time required for land related transactions - transfer ¹ <i>Baseline: 44 days (2007)</i> <i>Target: 10 days (2015)</i>		
14. Targeted smallholder plantation area certifiable according to international standards for sustainable forestry ¹ <i>Baseline: 0% (2010)</i> <i>Target: 50% (2013)</i>		

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
Outcome 2.2: Strengthened Environmental Protection and Management (“Clean”) SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.		
15. Additional wastewater treated (m3/day) <i>Baseline: 0 (2011)</i> <i>Target: 14,200 (2015)</i>	<u>Pollution reduction</u> - 8.40 km wastewater interceptor and 59.5 km of sewers completed in HCMC by 2013 (HCMC Environmental Sanitation+Vietnam Urban Upgrading Projects) - Completion of the drainage, wastewater collection and wastewater treatment plants in Nha Trang, Quy Nhon and Dong Hoi by 2014 (CCSP) - Danang wastewater treatment plant constructed by 2014 (DPIP) - 150 km of drainage constructed in low income urban areas completed and 4,144 ha benefitting from improved drainage coverage and flood protection measures by 2013 (Vietnam Urban Upgrading Project, UWSWP) - Inventories of PCBs are carried out in all regions by 2014 (GEF PCB) - Feasibility studies completed for central effluent treatment plants for supported industrial parks by 2013 (Industrial Pollution Control Project) - Compliance with the CFC, MBr, HCFC and Halon phaseout schedule stipulated in the Montreal Protocol - 30 health care waste management plans approved by regulatory authority by 2013 (Hospital Waste Management Support Project)	<u>Ongoing</u> HCMC Environmental Sanitation (FY01) (P052037) Coastal Cities Sanitation (FY07) (P082295) Urban Water Sup & Wastewater (FY11) (P119077) Danang Priority Investment (FY08) (P086508) Urban Upgrading (FY04) (P070197) Local Development Investment (FY10) (P094055) HCMC Investment Fund (FY07) (P104848) Project Preparation Facility (FY10) (P118610) Hospital Waste Management (FY11) (P119090) <u>Pipeline</u> Mekong Delta Urban Upgrading (FY12) (P113904) Medium Cities Development (FY12) (P116398) Danang Sustainable City Dev (FY14) (P123384) HCMC Env. & Sanitation 2 (FY14) (P127978) Industrial Pollution Control (FY13) Northern Mountains (FY14) <u>Trust funds:</u> GEF PCB Management Project (FY09)(P099460), Cofinancing to Urban Upgrading, GEF – Coastal Cities Environmental Sanitation, GEF – Coastal Cities Project, National CFC and Halon Phase-out Plan, Preparation for HCFC Phaseout Project Stage 1
17. CO2 emissions reductions compared to business as usual scenario associated with investments <i>Baseline: 0</i> <i>Target: 1.5 million tons (WB)</i> <i>+ 1 million tons (IFC) (2015)</i>	<u>Climate Change Mitigation</u> - Action plan to improve energy efficiency in key industry launched by 2014 (GEF Clean Production and Energy Efficiency) - Demand side management/demand load control regulation established by 2013 (Power Sector DPO) - Regulations establishing roadmap for energy efficiency measures and operationalize benchmarking in key energy-intensive industrial sectors by Dec 2013 (CC DPO)	<u>Ongoing</u> Hanoi Urban Transport (FY10) (P083581) Haiphong Urban Transport (FY11) (P111548) Renewable Energy Development (FY09) (P103238) IFC E&S Risk Management for Banking Sector (2011-2014) IFC Energy Efficiency Loans and Technical Assistance to Local Banks (2008-2013) IFC Equity investments in energy related industries (2012)

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
	<ul style="list-style-type: none"> - Regulation on environmental and social risk management for banking sector issued by SBV by 2013 (IFC) - Integrated urban transport plans for HCMC and Haiphong by 2013 (Eco2Cities) - Bus Rapid Transit System developed in three Hanoi corridors by 2015 (HUTP) - Line 2 Bus Services in Haiphong (3,400 passengers/day) upgraded by 2015 (HPUTP) - Reference scenario for low carbon development endorsed (CC DPO) - 400 MW of renewable energy capacity installed by 2013 (REDP) - Climate innovation center to support adoption of green technology in private sector established by 2013 	<p>Pipeline Power Sector Reform DPO2 (FY12) Climate Change DPO 1 (FY12) (P122667) Distribution Efficiency (FY13) (P125996) Climate Change DPO 2 (FY13) Power Sector Reform DPO 3 (FY14) Climate Change DPO 3 (FY14) Danang Sustainable City Dev (FY14) (P123384)</p> <p>AAA: GHG Assessment for Danang, Green Urban Transport, Programmatic Climate Change AAA</p> <p>Trust Funds: GEF Clean Prod & Energy Effic (FY12) (P116846), Vietnam Climate Change Partnership, Eco2Cities, Business Incubation and Green Technology, Integrated Planning for Urban and Transport in HCMC</p>
Outcome 2.3: Enhanced Preparedness for Natural Hazards and Climate Change (“Resilient”) ³ SEDS Goal 11: Protect and Improve Quality of the Environment, Proactively and Effectively Respond to Climate Change, as well as Prevent and Fend off Natural Disasters.		
18. Targeted provinces and communes with disaster risk management plans ³ <i>Baseline: 0 provinces 0 communes (2011)</i> <i>Target: 10 provinces 100 communes (2015)</i>	Disaster Risk Management ³ <ul style="list-style-type: none"> - Law on Natural Disaster Prevention and Mitigation finalized for adoption by 2013 (CC DPO) - 95% of completed sub-projects withstanding subsequent disaster events of same type up to the intensity of a 1-in-30 year event by 2013 (Natural Disaster Risk Management Project) - National level design standards for mainstreaming disaster risk reduction into transport infrastructure investments by 2013 (GFDRR) - Business Plan for Hydro-Met Sector adopted by 2013 (Managing Natural Hazards) - Dam safety guidelines prepared and emergency preparedness plans for 10 irrigation dams available by 2013 (VWRAP) - Identification of gaps for improving Early Warning Systems by 2013 (GFDRR) - M&E system for National Strategy on Disaster Risk Management established 	<p>Ongoing Water Resources (FY04) (P065898) Natural Disaster Risk Management (FY06 + AF FY10) (P073361) Northern Mountains Poverty Reduction 2 (FY10) (P113493) Avian Flu and Human Influenza (FY07 +AF) (P101608)</p> <p>Pipeline Climate Change DPO 1 (FY12) (P122667) Managing Natural Hazards (FY12) (P118783) Climate Change DPO 2 (FY13) Climate Change DPO 3 (FY14)</p> <p>AAA: Programmatic Climate Change AAA</p>

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CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
<p>19. Coherent framework for prioritization of climate change adaptation action in key sectors is available³</p> <p><i>Baseline: No (2011)</i> <i>Target: Yes (2015)</i></p>	<p>by 2013 (GFDRR)</p> <ul style="list-style-type: none"> - Multisectoral Avian Influenza simulation exercises conducted and reviewed at district level in selected provinces (AHIP AF) <p>Climate Change Adaptation³</p> <ul style="list-style-type: none"> - Adaptation methodology to guide prioritization finalized and application initiated by 2013 (CC DPO) - Coordinated program with statutory framework for integrated water management in place by 2013 (CC DPO) - National coordination platform for Disaster Risk Reduction and Climate Change Adaptation established by 2013 (CC DPO) - Five key ministries update climate change preparedness/response strategies based on improved analysis, clearer prioritization and time-framing, and clearer delineation of the roles and responsibilities of different stakeholders by 2013 (Vietnam CC Partnership TF) - Climate change adaptation studies completed 	<p>Trust funds: Eco2Cities, Disaster Risk Financing Strategy (GFDRR), Agricultural Risk Management Information System (GFDRR), Vietnam Climate Change Partnership, Cofinancing TFs to Natural Disaster Mitigation, GFDRR – Disaster Risk Management Capacity Building Program, AHI Control and Preparedness TFs, cofinancing TFs to Natural Disaster Risk Management, Urban Resilience in CanTho (AusAID)</p>

Pillar 3: Opportunity

SEDP indicators: Average poor household rate reduced by 2-3% per annum; Human Development Index will stay at advanced medium level; 8 doctors per 10,000 people; 30 sick-beds per 10,000 people; 96% rural population provided with hygienic water; 98% urban population provided with hygienic water

Outcome 3.1: Increased Opportunities for the Poor and Household Resilience to Shocks³

SEDS Goal 3: Develop Geographic Regions Harmoniously and Sustainably, and Build Urban and Rural Areas That Meet Our New Standards

<p>20. Households in targeted areas reporting improvements in accessibility to basic productive infrastructure (%)</p> <p><i>Baseline: n/a (2011)</i> <i>Target: 60 % (2015)</i></p>	<p>Livelihoods³</p> <ul style="list-style-type: none"> - 100 pilot livelihoods subprojects are up and running (NMPPR-2) - 60% of women and ethnic minorities satisfied with public representation and service delivery in targeted Northern Mountains communes (NMPPR-2)² - A national database on poor/near-poor households maintained and available on timely basis for usage by relevant ministries, agencies for targeting, monitoring and evaluating purposes¹ - Full implementation of national gender indicator system by 2013² - Elaboration of a multi-sector poverty reduction program for Central Highlands by 2013 (Central Highlands Poverty) 	<p>Ongoing</p> <p>Northern Mountains Poverty 2 (FY10) (P113493) Rural Finance 3 (FY08) (P100916) Road Safety (FY05) (P085080) Urban Upgrading (FY04) (P070197)</p> <p>Pipeline</p> <p>Social Protection Systems (FY13) (P123960) Coastal Resources for Sust. Develop. (FY12) (P124702) Central Highlands Poverty (FY14) (P128072) School Readiness Promotion (FY12) (P117393) Mekong Delta Urban Upgrading (FY12) (P113904)</p>
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¹ Outcomes, Areas of Engagement, Indicators and Milestones that are related to cross-cutting theme Governance

² Outcomes, Areas of Engagement, Indicators and Milestones that are related to cross-cutting theme Gender

³ Outcomes, Areas of Engagement, Indicators and Milestones that are related to cross-cutting theme Resilience

CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
21. Social Protection indicator (to be established by CPS Progress Report)	<ul style="list-style-type: none"> - 16,000 micro-finance sub-loans to first time borrowers by 2013 with more than 40% of microfinance sub-loans to women borrowers (RF3) ² - More than 40,000 loans made for house improvements for poor households (disaggregated by gender of household head) by 2013 (VUUP) ² <p><u>Social Protection</u> ³</p> <ul style="list-style-type: none"> - Design of a Social Protection program to be piloted completed by 2013 - National Assembly adopts amendments to the social insurance law based on input from World Bank TA by 2013 - Fatality rates on targeted corridors reduced from 8.3 to 6 per 100 million vehicle km by 2013 (Road safety) - Improved working conditions and labor relations for 500,000 workers by 2014 (IFC) 	<p>IFC Microfinance (2012-2016) IFC Vietnam Better Work Phase II (2012-2013)</p> <p><u>AAA:</u> Programmatic Poverty Assessment, MOLISA M&E Support, Programmatic Social Protection</p> <p><u>Trust Funds:</u> Gender issues in Labor and Social Protection during Vietnam's transition to a MIC</p>
Outcome 3.2: Improved basic infrastructure and public service delivery SEDS Goal 8: Firmly Develop Healthcare and Improve the Quality of Medical Provision to the People SEDS Goal 9: Improve the Quality of Human Resource, Reform Comprehensively, and Rapidly Develop in the Areas of Education and Training		
22. Rural households with access to (i) electricity in project provinces <i>Baseline: 87.3 % (2011)</i> <i>Target: 90 % (2014)</i> (ii) an all-season road <i>Baseline: 78 % (2010)</i> <i>Target: 81 % (2014)</i> 23. People provided with access to improved water sources (i) in rural areas in Red River and Mekong Deltas <i>Baseline: 0 (2009)</i> <i>Target: 1,100,000 (2015)</i>	<p><u>Basic Infrastructure</u></p> <ul style="list-style-type: none"> - 32,000 km of low voltage lines and 32,000 km of medium voltage lines and 1,706 km of distribution lines rehabilitated or constructed in project areas by 2014 (RE2+RD) - 900 MVA transformer capacity in rural grids installed and more than 250,000 KVA distribution substations rehabilitated or constructed by 2014 (RD+RE2) - 3000 km of rural road constructed or rehabilitated by 2014 <i>and</i> 315 km of road improved to all-weather standard and 58 km of waterways improved by 2013 in Mekong Delta (Third Rural Transport Project+MDTP) - 20 rural communities in Red River Delta that have functioning, well operated and maintained water supply schemes by 2013 (Red River Delta Rural Water) - 25 rural water supply systems constructed and expanded by 2013 (MDWMP) - 16,275 new piped household water connections by 2013 (UWSWP+ Danang+Mekong Delta Urban Upgrading Project) - Basic infrastructure for e-government established in MIC, GSO, Hanoi and 	<p><u>Ongoing</u></p> <p>Rural Energy 2 (FY05+ AF FY09) (P074688+ GEF) Rural Distribution (FY08) (P099211) Rural Transport 3 (FY06) (P075407) Mekong Delta Transport (FY07) (P083588) Red River Delta Rural Water (FY06) (P077287) Mekong Delta Water (FY11) (P113949) Urban Water Supply (FY05) (P073763) Danang Priority Investment (FY08) (P086508) Urban Upgrading (FY04) (P070197) Coastal Cities Sanitation (FY07) (P082295) Urban Water Sup & Wastewater (FY11) (P119077) Project Preparation Facility (FY10) (P118610) ICT Development (FY06) (P079344)</p>

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³ Outcomes, Areas of Engagement, Indicators and Milestones that are related to cross-cutting theme Resilience

CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
(ii) in targeted urban areas <i>Baseline: 393,000 (2011)</i> <i>Target: 1,121,000 (2015)</i>	Danang by 2013 (ICT) ¹ - At least 1500 ethnic minority women effectively carrying out road maintenance and erosion prevention by 2013 (Third Rural Transport Project) ²	<u>Pipeline</u> Rural Transport 3 AF (FY12) (P113498) Rural Sanitation and Water Supply (FY14) (P127435) Mekong Delta Urban Upgrading (FY12) (P113904) Medium Cities Development (FY12) (P116398) Danang Sustainable City Dev (FY14) (P123384) Northern Mountains (FY14) Regional Mekong Water Resources (FY13) Mekong Delta Transport AF (FY13) (P126605) <u>AAA:</u> Rural Broadband TA, Programmatic Governance and Anti-Corruption TA <u>Trust Funds:</u> Cofinancing RETFs to Rural Distribution, Rural Transport 3, Mekong Delta Transport, Coastal Cities Sanitation
24. Grade 5 students achieving independent learner status (SEQAP provinces) (disaggregated by gender) ² (i) in Vietnamese <i>Baseline: 55.8% in 2007</i> <i>Target: 66% in 2015</i> (ii) in math <i>Baseline: 70.5% in 2007</i> <i>Target: 80% in 2015</i> 25. Health insurance coverage among the poor and near poor (%) ³ (i) Poor <i>Baseline:</i> <i>29% Mekong (2008)</i> <i>Target:</i> <i>90% Mekong (2012)</i>	<u>Education</u> - Students receiving at least 30 periods per week in SEQAP provinces reach 57% by 2015, up from 48% in 2010 (SEQAP) - 23% of principals/vice-principals receiving at least 5 days of training per year by 2012, up from 19% in 2010 (SEQAP) - 70% of schools in SEQAP provinces with at least 1 toilet cubicle on site by 2015, up from 56% in 2010 (SEQAP) - Active learning material developed for two primary grades by 2013 (GPE-New School Project) - Baseline school readiness assessment completed by 2013 (School Readiness Promotion Project) <u>Health</u> --Different options for health insurance payment mechanism developed by 2013 ³ - Share of district hospitals in claims reimbursed by health insurance is 44% or more by 2013 (Central North Region Health Project) - 80% of eligible provincial district health staff have successfully completed	<u>Ongoing</u> Mekong Regional Health Support (FY06) (P079663) Northern Upland Health Support (FY08) (P082672) Central North Region Health (FY10) (P095275) Hospital Waste Management (FY11) (P119090) HIV/AIDS Prevention (FY05) (P082604) School Education Quality Assurance (FY09) (P091747) Project Preparation Facility (FY10) (P118610) Road Safety (FY05) (P085080) Avian and Human Influenza (FY07 + AF) (P101608) <u>Pipeline</u> North East and Red River Delta Regional Health (FY13) Health Sector Governance (FY14) School Readiness Promotion (FY12) (P117393) <u>AAA:</u> Quality Education for All Policy Dialogue, Programmatic Skills and Education System, Programmatic Health AAA, Programmatic Poverty Assessment

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³ Outcomes, Areas of Engagement, Indicators and Milestones that are related to cross-cutting theme Resilience

CPS Outcome Indicators	Milestones	World Bank Group Program (<i>indicative</i>)
<p>(ii) Near poor</p> <p>Baseline: (2008)</p> <p>7% Mekong</p> <p>10% Central North</p> <p>20.4% Northern Upland</p> <p>Target: (2015)</p> <p>50% Mekong (2012)</p> <p>40% Central North</p> <p>70% Northern Upland</p>	<p>training provided (Northern Upland Health Support Project + Mekong Regional Health Support Project + Central North Region Health Project)</p> <ul style="list-style-type: none"> - 70% of district hospitals provide full set of health services according to national norms by 2014, up from 51% in 2010 (Northern Upland Health Support Project) - 100 district hospitals and district prevention health centers constructed, renovated and/or equipped by 2014 (Northern Upland Health Support Project + Central North Region Health Project + Avian and Human Influenza Project) - 70 standard tests can be performed by preventive health centers by 2012 (Mekong Regional Health Support Project) - Review of health sector governance by 2013 ¹ - 90% of provinces prepare high quality HIV/AIDS Provincial Action plans and establish adequate M&E systems by 2013 (HIV) 	<p>Trust Funds:</p> <p>AHI Control and Prevention TFs, HIV/AIDS Prevention TF, HIV AIDS Return on Investment, EC-financed Vietnam Health Care Support to the Poor of the Northern Uplands and Central Highlands, JSDF – Improving Quality Basic Education for Ethnic Minority Children in three disadvantaged provinces, cofinancing to Mekong Health Support, IDF – Improving Effectiveness and Sustainability of Social Health Insurance, KTF – Vietnam Health System Governance Strengthening, HRBF – Developing Results focused Health Care financing mechanisms in Vietnam, GPE-New School Project (P120867)</p>

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ANNEX 2: VIETNAM CPS FY07-FY11 COMPLETION REPORT

Date of CPS Board Discussion: February 1, 2007 (Report No. 38236-VN)

Date of Progress Report: November 24, 2009 (Report No. 51659-VN)

Period Covered by the CPS Completion Report: July 2007 to June 2011

CPS Completion Report prepared by:

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With inputs from members of the Vietnam Country Team

EXECUTIVE SUMMARY

During the 2007-2011 CPS period, Vietnam attained lower middle-income status, continued to reduce poverty, and advanced institutional reform in line with the strategic objectives set out in Vietnam's Socio-Economic Development Plan (SEDP) 2006-2010. The country became IBRD eligible in 2007 and received its first IBRD loan in 2009. By the end of the CPS period, three key challenges have emerged: (i) the sustainability of growth in the face of increased vulnerability to macroeconomic instability and adverse climatic shocks; (ii) concerns about its quality of growth in the face of unreliable infrastructure, and (iii) a slowdown in poverty reduction, particularly in remote ethnic minority communities.

The Country Team rates aggregate progress toward achieving CPS outcomes as *moderately satisfactory*. Across the broad range of engagement areas, the CPS program achieved results in line with expectations, without reversals or deficiencies. However, program delivery fell somewhat short of the ambitious and broad institutional transformation goals set out in the CPS. With hindsight, the expectations for institutional transformation did not take the constraints of the political economy and less favorable external environment of the country fully into account. One aspect of the reform agenda, the share of SOEs in GDP, has indeed declined during the CPS period. Nonetheless, the broader transformation of the role of the State in the economy from producer to regulator (the overall objective of the CPS) has not been completed. The reasons for this are complex and relate to factors of ideology, political economy, and the government's concept of a socialist market economy, which reserves considerable powers of leadership and intervention for the state. However, a combination of analytical work, technical assistance and policy dialogue has set the basis, albeit with some delay, for delivering second generation institutional reform in the next CPS, but priority areas will need to be selected with care.

The Country Team rates *World Bank Group performance as satisfactory*. The WBG program grew in scope and size, aided by the greater availability of IDA and IBRD resources. The Bank responded promptly and effectively to unexpected events, such as the food and global financial crises, and is responding to emerging concerns such as climate change. Access to IBRD resources financed budget support in 2009 and 2010 that helped the authorities soften the impact of the external crisis. IFC engagement maintained a strategic focus on the quality of the business environment and finance, while investments more than tripled towards the end of the period. Innovative components were introduced in the design of several projects, thereby setting the foundation for greater future impact. Delivery improved with a shorter lag between Board approval and effectiveness, but slow implementation (reflected in low disbursement ratios and widespread extensions of project closing dates) remains an issue. The Bank continues to be one of Vietnam's key development partners delivering results across a broad range of engagement areas in collaboration with others.

1. DEVELOPMENT OUTCOMES

2. **The 2007-2011 CPS was implemented during a period of continued economic growth despite various external shocks, including the global financial crisis, enormous volatility in commodity prices, and several damaging typhoons.** In 2009, Vietnam reached a per capita income of USD1,010 (World Bank Atlas methodology), thereby surpassing the USD 1000 per capita target set for 2010 in the SEDP, and crossing the Bank's threshold for (lower) middle income country status.

3. **Vietnam's economy grew at an average of 6.7 percent per annum in real terms over the 2007-2010 period.** The 2008 global crisis hit Vietnam when the economy had stabilized after a period of overheating in 2007, resulting from massive capital inflows. Facing a decline in foreign direct investment (FDI) commitments and expecting sluggish external demand for exports in the wake of the global crisis, the government shifted policies toward supporting growth. Monetary policy was loosened and a sizable fiscal package (5 percent of GDP) was executed. As a result, Vietnam's real GDP grew by 5.3 percent in 2009, one of the better performances in developing Asia, but lower than Vietnam's growth rate of 6.3 percent in 2008, and also its lowest since 2000. Robust growth in manufacturing supported by resilient external demand for Vietnam's exports also helped support growth in 2009. By 2010, growth had recovered to 6.8 percent, partly on the back of a commodity price surge, strong export performance, and continued loosening of monetary policies during the last quarter of 2010.

4. **Indicators of Vietnam's ability to create an enabling business environment have improved.** According to the 2011 Doing Business Database, Vietnam was the fastest reformer in South East Asia from 2005 to 2010, ranked 78 of 183 economies in 2011²³. Nevertheless, Vietnam is in one of the most competitive regions in the world and ranks lower than most of its neighbors. Its improved ranking also masks great variation across different aspects of the business environment. For example, Vietnam scores very well on access to credit and contract enforcement, but very poorly on protecting investors and collecting taxes, and implementation of reform is slow. Issues such as corruption, red tape, and lack of transparency are still high on the list of investors' concerns. Despite some signs of modernization and an emerging trend of urbanization, structural transformation of the economy has not been profound. Vietnam has continued to rely on exports of agricultural, mineral and other commodities and of light manufactured goods featuring low value addition and use of low skilled workers.

5. **Vietnam's integration into the global economy deepened, but there are concerns about the quality of growth and efficiency of public investment.** Exports expanded briskly from \$47.6 billion in 2007 to \$71.6 billion in 2010. An increase in FDI helped the country's integration into the regional and the global economy. Food and agricultural products continue to be major drivers of exports. Yet, many of Vietnam's export products are sold at lower prices than those of major competitors due to low or uneven quality and the virtual absence of recognized brands or geographical indicators. This has constrained translation of Vietnam's enormous agricultural export growth into a significant increase in wealth among the majority of farmers. Furthermore, in some cases (e.g., aquatic products) this export expansion has been accompanied by insufficient attention to adverse environmental impacts. In addition, growth has been underpinned by high levels of public and private investment (42 percent of GDP in 2010, of which 16 percent is public and 26 percent private), and the high Incremental Capital Output Ratios are raising concerns about the effectiveness of public investment, in particular.

²³ The 2010 World Competitiveness Report ranks Vietnam above many other countries with higher per capita incomes. The 2009 IFC Enterprise Survey positions Vietnam well with comparator countries in the world.

6. **The positive trend in reducing poverty continued, even if the pace slowed.** Vietnam is widely acknowledged for its high and sustained poverty reduction. Poverty fell from 58.1 percent of the population in 1993, to 28.9 percent in 2002, and to only 14.5 percent by 2008. Early estimates from the 2010 Vietnam Household Living Standards Survey (VHLSS) suggest that poverty is continuing to fall, albeit at a slower rate than the first half of the 2000s. It is increasingly concentrated in remote rural areas and among certain social groups (especially ethnic minority populations). The slower pace of poverty reduction reflects the increasing challenges of reaching core poverty groups largely disconnected from the economy and its sources of growth. There are growing concerns about poverty and, in particular, vulnerability in Vietnam's cities and peri-urban areas due to a rising urban population (including a heavy influx of migrant workers), increasing demand for urban services, and a continuing rise in the cost of living. Urban issues are emerging as one of the priority concerns for the authorities.

7. **Awareness of environmental and climate-related risks has increased.** The basic institutional and legal framework for environmental protection has been laid out, partly through the Amended Law on Environmental Protection, effective in 2006, and the National Environmental Protection Strategy up to 2010 and related vision for 2020. In addition, the Government adopted its National Target Program to Respond to Climate Change in December of 2008. Various sector strategies have addressed environmental or climate change concerns such as those related to water, natural disaster management, and energy. This institutional strengthening sets a more solid basis for addressing the mounting environmental vulnerabilities that include continued degradation of natural resources, the impact of pollution on human health, and weak monitoring systems and enforcement of rules. However, despite the growing awareness of environmental issues, it remains to be seen whether the legal and regulatory changes will be effectively implemented.

8. **Macroeconomic volatility has emerged as a major concern.** The direction of macroeconomic policy has undergone various adjustments over the CPS period. The Government initially aimed at stabilizing the economy as inflation peaked at 20 percent in 2008 (with food prices increasing by 28 percent that year). As the global financial crisis hit, the focus turned to accommodation in early 2009, switched again but briefly to stabilization at the end of 2009, reversing to accommodation again by the middle of 2010, driven by political transition in 2010-2011. Inflationary pressures followed the inflow of external resources that came in after the WTO accession and put pressure on the country's absorptive capacity. In addition, the food crisis and the global financial crisis required countervailing policies which, while successful in meeting short-term objectives, induced volatility in the macroeconomic environment. In addition, while the government has avoided major crises in the difficult environment during the past few years, the instability revealed weaknesses in the fiscal strength of the State Owned Enterprise (SOE) sector, most clearly illustrated by the recent problems of Vinashin, the shipbuilding economic group. The country's credit rating was downgraded by Fitch and Moody's as well as S&P in 2010. The immediate priority for the country is to address the risks to macroeconomic stability and, in doing so, re-establish the confidence of the markets and build buffers that may cushion the impact of future adverse shocks. The Government recognizes this and has taken an important step in this direction by adopting Resolution 11, which lays out a plan to tackle the recent macro-economic instability and also address some of the underlying drivers of recurring instability. The measures adopted under the Resolution 11 have started to show results towards regaining Vietnam's macroeconomic stability, but issues remain in relation to the investment budget, reforms of the state-owned enterprises and measures on better communication with the market. Therefore, initial success notwithstanding, there are reasons to remain vigilant and avoid premature withdrawal of the stabilization measures.

II. PROGRAM PERFORMANCE

9. **The commitments made in the CPS and related results matrix - as amended by the CPS Progress Report in 2009 - form the basis for assessing the contribution of the CPS program to the achievement of Vietnam's development objectives.** Appendix 1 takes detailed stock of the achievement of results and

identifies the corresponding delivery instruments and lessons learned for each outcome area. The main findings from this stocktaking are discussed below. Details are presented in Appendix 1.

A. Pillar 1: Improving the Business Environment

10. **The CPS period saw a number of improvements in the business environment.** A simplification of rules for businesses fostered a rapid increase in small and medium enterprises (SMEs). Furthermore, the share of the SOE sector in the economy declined marginally with the equitization²⁴ of close to 1,000 public enterprises. IFC advisory services, with the support of a multi-donor Trust Fund, worked with the authorities on promoting business procedure simplification. The Bank focused on simplifying procedures and improving compliance in tax and customs that led to greater client satisfaction, as shown in recent surveys. In addition, innovation is beginning to receive greater attention as part of a strategy for greater involvement in private sector development, broadening its scope beyond a focus on Doing Business indicators.

11. **However, the governance of SOEs remains a concern for the quality of the business environment.** The State Capital Investment Corporation created to enhance the governance of the remaining public enterprises does not cover the large economic groups, whose increasing importance is raising concerns about an uneven playing field for the state and private corporate sectors and concerns about risks to fiscal and financial sustainability. Improving the governance of SOEs has been a fixture of the PRSC dialogue; the slow progress reflects the government's policy stance that the large economic groups are important vehicles for competing in a WTO environment.

12. **The CPS scaled up engagement in higher education and human capital development as part of the effort to support greater competitiveness.** The first operation in the Higher Education DPO series supported the development and implementation of an adequate institutional framework for improved higher education, which the Second Higher Education DPO and the New Model Universities Project will support further. The IFC has also been actively involved in human capital development through its advisory work, including through raising the capacity of trainers and supervisors in garment and corporate governance activities and through financial services.

13. **The program delivered solid results in the financial sector within the limits imposed by a slow-moving institutional agenda.** The 2010 revisions of the laws on Credit Institutions and on the State Bank should allow Vietnam to address concerns about the strength and sustainability of the financial sector. Preparation of these laws was aided by technical assistance (IDF grant and FIRST Initiative) and analytical work that also supported changes in regulations on loan classification and provision, prudential ratios for the safer operation of commercial banks, and disclosure and supervision. Although these laws came later than expected, efforts are making headway at transforming the way SBV, the Credit Information Center and Deposit Insurance of Vietnam conduct their core functions. In addition, progress in improving the inter-bank payment system has provided a technical and institutional platform for fast, timely and safer clearance and settlement of financial transactions among banks and between regions. The IFC made good progress on promoting moveable asset collateral registries to allow micro-borrowers and SMEs to post moveable assets as collateral. In addition, they provided support to improve the institutional framework for access to finance for SMEs and micro-borrowers. Nevertheless, as the owner of five large financial groups, the state remains a dominant player in finance, and efforts to improve the governance of large economic groups would benefit the stability of the financial sector. A Financial Sector Assessment Program (FSAP) was not carried out as intended during the CPS period, but the Government has now agreed to undertake an FSAP.

²⁴ "Equitization" is a partial form of privatization used by the Vietnamese Government.

14. **IFC increased its commitments in Vietnam from USD62 million in FY07 to over USD1 billion in FY11, including their asset management business.** Trade finance over the five-year period totaled USD970 million. It implemented a counter-cyclical strategy that helped clients withstand the market volatility, and its active involvement in the financial sector is contributing to improving governance. As a result of Vietnam's financial crisis in 2007 and the global crisis and economic downturn that followed in 2008, other lenders and financiers withdrew from Vietnam, investment slowed, exports declined, and the government shifted to expansionary fiscal and monetary policies. IFC launched the Global Trade Finance program in Vietnam, providing guarantees to banks for trade related deals on a per-transaction basis, and access to trade finance through an extensive global network of bank partners. Focused mainly on the top tier banks, the program has been an important source of long-term liquidity, with over USD500 million lent to SMEs over the past three years. The IFC has also introduced the sector to new financial products in nascent or underserved markets, such as SME and energy efficiency financing. As the banking sector sought to strengthen its capital base in 2009 and 2010, the IFC engaged top-tier banks to place equity and long-term capital, and supported the transition of the sector to more market-oriented decision-making and governance practices. The IFC complemented investment activities by scaling up advisory services delivered to the financial sector, with a focus on risk mitigation, financial infrastructure sustainability, and support to banks to standardize the short-term loan process as they shifted away from longer-term lending. IFC established the Corporate Governance project in 2008, which aims to improve financial performance (reduced costs of capital, higher valuations, and/or improved loan terms), and operational efficiency (improved operations and/or clearer roles) by promoting better corporate governance practices among companies in Vietnam. In 2010, IFC launched an energy efficiency financing program providing capital, and advisory services to help banks develop new lending products.

15. **The CPS contributed to agricultural and rural development through excellent results in increasing access to credit, especially for women²⁵, and improvements in the efficiency and transparency of the land administration system.** In agriculture, the Bank's efforts are now increasingly focusing on increased efficiency, sustainability and value addition in agricultural supply chains.

16. **Vietnam has increased generation capacity and reliability while taking the first steps towards broader sector reform supported by the Bank group's financial as well as advisory engagement.** Investments in transmission and distribution have helped expand the electricity network and its reliability through reduced technical losses, which jointly with tariff realignment have improved the financial soundness of the main public sector energy holding company (EVN) and enabled it to expand capacity, nearly reaching the goal of doubling capacity. In addition, a process of improving the institutional foundation in energy has been initiated, with the separation of the transmission, distribution and generation assets and the creation of a dispatch center. This achievement should help deliver reliable and cost-efficient electricity over the long term.²⁶

17. **Increased Bank support in the transport sector has financed investments, quality improvements, and institutional innovation to improve governance.** The program has progressed well on the development objectives in the Road Network Improvement Project on improving the road network, as well as on addressing challenges in implementation of agreements under the Resettlement Action Plan. The Bank has furthermore responded positively to the Government's request to provide complementary financing for broadening Highway I, the main corridor linking South and North. Dialogue and technical assistance under the Road Safety Project are contributing to a lower incidence of traffic accidents. Investments to upgrade multimodal transportation along the two main river deltas (the Mekong River and the Red River) are on track to expand the length of the waterways and the highways. Sector work and policy dialogue have supported several initiatives geared towards (a) sustainable financing, including work to assist the Ministry of Transport with drafting a decree to establish a

²⁵ The assistance has been delivered by the Rural Finance II and now Rural Finance III.

²⁶ The Bank supported the development of this institutional agenda through the PRSC series and recently through the first Power Sector Development DPL.

Road Maintenance Fund, (b) assistance to develop an expressway network in Vietnam, setting out guidance on key financing, regulatory and institutional issues for the organization of the expressway sector in Vietnam, and (c) a study on Urban Transportation Investment in Medium-sized Cities in Vietnam, which prepared a strategic framework for small and medium-sized cities in Vietnam to support the development of sustainable urban transportation infrastructure. Lastly, improving sector governance is receiving increased attention, and to reduce risks of malfeasance the Bank has introduced the use of Technical Audits and Governance, Transparency and Anti-corruption Plans (GTAP) on all transport projects.

18. **Gaps in provision of water and sanitation services are being reduced in urban areas.** Access to potable water as well as the number of households with septic tanks stand around 75 percent (up from 58 percent in 2006) in urban centers in 2009. In the big cities, over 90 percent of the population has access to potable water. In addition, there was good progress, supported by the Bank, in developing the legal and regulatory framework for: (i) water supply, by moving towards a commercial orientation, and (ii) sanitation, through introducing the ‘polluter pays’ principle as well as cost recovery. Analytical work on urban issues has been taking stock of the rising urban challenges that affect the quality of life as well as competitiveness in line with the emerging Government priority on urban development.

19. **The reliability and adequacy of infrastructure remain a concern, despite recent gains.** The reliability of energy, the quality of water, the reliability and efficiency of transport networks, and the demand-responsiveness and effectiveness of public agricultural support services are often ranked as some of the main constraints to competitiveness and quality of life. The full amount of resources needed to close these gaps far exceeds what is available from the public sector, so participation of the private sector remains an important component of any strategy that seeks greater efficiency of investments and resource mobilization. However, the progress towards the stated CPS objective to involve the private sector in financing and management of new infrastructure has been limited to pilot initiatives. Both the World Bank and the IFC have been preparing to play active roles in engaging the private sector in infrastructure through public-private partnerships. IFC has invested in two port projects as Public-Private Partnerships (PPPs) and has also been advising on the Nghi Son 2 power plant PPP, all of which have been successful examples of private sector participation in infrastructure and go beyond pilot projects. However, work is still needed in terms of convincing the government to recognize these as models for further PPP development.

B. Pillar 2: Strengthening Social Inclusion

20. **Rural areas are more connected to markets and services, and rural populations are on average closer to roads and have greater access to electricity.** The percentage of the rural population with access to safe water has also increased (from 62 percent in 2005 to 83 percent in 2011). The CPS contribution came through a series of operations that maintained continuity with the previous CPS. Some of the operations are exemplary and innovative, such as the Rural Energy series, which IEG considers a source of valuable lessons for other countries. The Community Driven Development (CDD) approach used with the poorest communities has proven an effective instrument for outreach, as seen e.g. through the recently completed Community Based Rural Infrastructure Project. The Red River Delta Rural Water Supply project, which has increased access to water supply, introduced cost recovery and sustainable delivery models for rural water supply as well as microfinance for sanitation.

21. **Coverage of affordable quality health care services and primary education has continued to increase in both rural and urban areas.** The CPS program contributed to major progress towards full-day schooling. Uniform performance standards for teachers are in place, building on efforts under the previous CPS. National tests show improvements in the performance of primary students and tuition in secondary and tertiary education is being introduced to better reflect market conditions and enhance policies to protect the poor. While retaining its focus on improving quality, work in education is expanding to cover primary education for disabled

children and pre-school education. Analytical work contributed to the government's 2020 education strategy. The major concern lies with the governance of the education system and informal practices that require parents to make additional contributions to school and teachers. On health, the Bank supported the authorities in drawing operational and policy lessons. This led to a revised Health Strategy by law in 2008. All citizens are now eligible for health insurance coverage, with the national budget supporting the participation of the poor and the informal sector. In addition, the law establishes a framework for national standards and a unified licensing system for health care practitioners. Effective coverage of health insurance, including for the poor and the near-poor increased from 43.8 percent in 2008 to an unofficial estimate of 62 percent today. Additional Bank contributions have centered on improving health services and enhancing access to and quality of these services as well as supporting regional blood transfusion centers and safe practices in relation to HIV/AIDS.

22. Ethnic minorities in rural areas are more integrated into development processes, but big challenges remain. The Bank and several development partners have supported the government's priority of empowering ethnic minorities first through self-standing operations and more recently through a collective DPO series (the P-135), which supports a Government program in providing basic infrastructure to poor communities by bringing improvements to different aspects of the planning and implementation of the program. Reviews of the first Northern Mountain Poverty Reduction Project identified the sustainability of the communal investments as a risk and therefore the P-135 also emphasized the need to finance maintenance in order to achieve sustainability. Less progress was achieved under the program's livelihoods support activities. The Government has recently designed the scope and institutional responsibilities under a new National Target Program on Poverty Reduction. It is anticipated that many of the reforms adopted under P-135 will be carried over in the implementation of the new program. While continued refinements in the approach to infrastructure planning, development and maintenance are anticipated, questions remain as to the best approaches to broaden livelihood opportunities available to ethnic minority communities.

23. Increased attention was given to the development of a comprehensive social protection system. Building on the 2008 Vietnam Development Report (VDR) on Social Protection and a policy note assessing Vietnam's social safety net in 2010, the Bank and the Government of Vietnam deepened their policy dialogue on strengthening both the pension and social assistance systems. On pensions, the Bank has been providing technical assistance for planned revisions to the Social Insurance Law, including on (a) extending pension coverage to the informal sector; (b) enhancing the fiscal sustainability of the pension system and the administrative capacity and fund management practices of Vietnam Social Security (VSS); and (c) introducing a unified beneficiary identification number for VSS programs. Moreover, the Bank and VSS have been exploring options for supporting administrative reforms in VSS, though a final decision has not been reached. On social assistance, policy dialogue has been initiated on strengthening the social safety net through the possible introduction of a cash transfer program to address chronic poverty and help the poor and vulnerable better respond to shocks.

24. Vietnam has made good progress in addressing gender disparities. Less progress has been made in mainstreaming gender into the Bank program. A gender equality law is in place and under the PRSC series, efforts were made at unifying the legal framework on gender. The country ranks relatively well on gender issues, with major progress being made over the last decade. Nevertheless, gender gaps remain in relation to the forced retirement age as well as employment and wage levels, especially in the informal economy.

C. Pillar 3: Strengthening Natural Resource and Environmental Management²⁷

25. **The Bank has worked with the Government on a wide range of analytical work that raised the awareness of the nature and scope of environmental challenges and the capacity to meet them.** The 2011 VDR focuses on managing natural resources and a country-specific climate change strategy for the Bank has been produced. These two products and related work form a basis from which to provide greater coherence to ongoing and forthcoming activities on a wide range of concerns from forestry to water management, land degradation, natural risk prevention, rising urban pollution and global warming. The Bank has been scaling up support in this area through investment and technical assistance.

26. **Progress in sustaining and managing natural resources (especially forest and water) includes an improved institutional setting and achievement of targeted objectives on the ground.** The direct support on forestry is helping form smallholder plantations that meet international standards for sustainable forestry, but little data is available on progress in the forestry sector. Through the PRSC series, the CPS has supported the development of linkages between the protective and economic functions of forests as well as developing guidelines for forest development. In addition, it has helped clarify the responsibilities for integrated rural basin management and the issuance of guidelines for the efficient use of water resources. Support for water resource management has been included in a range of Bank operations. Less progress has been made in the overall protection of critical natural habitats, but a range of small GEF-financed projects contributed to protection of selected key protected areas. The Bank furthermore provided TA to the Ministry of Natural Resources and Environment (MONRE) to support their development of a national strategy on Climate Change, currently in draft form.

27. **Ambitious programs for redressing the gaps in the management of household sanitation (and less so industrial pollution) as well as for renewable energy are underway.** The CPS program has been actively involved in addressing the gaps in household sanitation with good progress on (a) the legal and regulatory framework and (b) increasing coverage, considering the low base from which the work started. A lending program is in place to meet remaining challenges. In addition, initiatives on industrial pollution included a rich program of analytical work carried out jointly with the Government and preparation of an IDA credit on industrial pollution (planned for FY13). Industrial wastewater treatment still needs significant attention, as less than 30 percent of the wastewater from industrial parks is treated in centralized facilities. Progress toward a lower-intensity carbon economy was made through investments in energy demand side management and renewable energy development. Achievements thus far include removing barriers to small scale (up to 30MW) renewable energy development, the issuance of a standardized “no negotiations” Power Purchase Agreement (PPA) and an avoided-cost tariff formula for small renewable projects to connect to the grid. The target of 200MW renewable capacity has been met (doubled) by the end of the CPS period.

28. **During the CPS, both the Government and the Bank increased attention to climate change adaptation and mitigation, thus forming the basis for a fuller agenda in the next CPS.** The Vietnam Program recently developed a Climate Change Strategy, which reports on the Bank’s involvement in a range of investments and analytical work on adaptation and mitigation during the CPS period. Attention to innovation and partnerships has been a key feature of Bank engagement. Efforts under the Montreal Protocol Project supported the government in phasing out chlorofluorocarbons (CFCs) through promoting the use of non-ozone depleting substances. In April 2011, the Vietnam Government, through the Bank’s support, also obtained the

²⁷ Initially the CPS focused on two result clusters: (a) “Better sustaining and managing natural resources” and (b) “Improved management effectiveness of household and industrial pollution.” The CPS Progress Report from 2009 added a third results cluster on “Improved climate change adaptation and mitigation.”

Montreal Protocol Multilateral Funds in phasing out hydro chlorofluorocarbons (HCFCs). A Clean Technology Fund (CTF) was approved and an innovative carbon finance program launched.

D. Pillar 4: Improving Governance

29. **The CPS program built on an ongoing agenda of: (a) improving public financial management (PFM), (b) more participatory approaches as a way of modernizing planning towards development objectives, and (c) lowering corruption in key services.** Towards the end of the CPS period, the attention to sector governance was broadening the scope of the engagement, following a more thematic approach. The 2010 VDR on Modern Institutions examined (a) the process of devolution of power to lower levels of government and (b) and the changing accountability system. The 2010 VDR confirms the significant progress that Vietnam has made in governance over the long haul, but notes disconnects between devolution and accountability that have opened a wedge, which is creating opportunities for corruption.

30. **Good progress has been made on the public financial management agenda.** Some of the achievements include piloting an Integrated Chart of Accounts in central ministries and over half the provinces and publishing budget execution information in a timely manner. Contributors to the achievements are the Financial Management Project, a multi-donor Trust Fund on Public Financial Management, and the PRSC series. Existing evaluations of long-term progress in the area of PFM and budget processes have been positive, as can be seen in the IEG review of the first eight PRSC operations, the recently concluded Country Financial Accountability Assessment (CFAA)/Country Procurement Assessment Report, and the 2010 VDR²⁸. However, gaps are likely to remain at the level of medium term planning, procurement, internal audit, reporting and the modernization of fiscal practices at the provincial and communal levels. The government is conducting a PEFA self-assessment to support the current agenda, identify gaps, lay out the work ahead and contribute to the preparation of the new State Budget Law. The Bank is providing the necessary guidance and quality assurance support to the government during the process.

31. **During the 2009 global crisis, the CPS scaled up efforts to improve the institutional set-up for selecting and implementing public investment.** The policy content of the Public Investment Reform (PIR) DPO to help the country mitigate the impact of the global crisis focused on improving the institutional basis for public investment, thus responding to a recurrent concern of the authorities and the development community regarding the effectiveness of public investment. The PIR has successfully supported legislative amendments (Land, Procurement Law, Investment Law, Construction Law and Enterprise Law) to overhaul the fragmented and overlapping regulatory framework, although there is still uncertainty regarding the possible approval of the Law on Public Investment linked to the second DPO operation. In addition, the Project Preparation Technical Assistance Facility Project has been put in place to support efforts to ensure readiness for implementation and quality of such investment. Neither the PIR nor the Project Preparation Project was considered in the initial CPS design but provide good examples of the readiness of the program to address emerging challenges.

32. **Pilot efforts at introducing participatory planning and execution have been successful.** Vietnam's forceful decentralization drive has transferred considerable power to local authorities in the management and use of public resources. In this context, the CPS program supported more participatory approaches to planning and execution with success, through several CDD operations and the P-135 DPO. With hindsight, however, the World Bank could have engaged more forcefully with the decentralization process in terms of increasing capacity and strengthening accountability, a weakness noted in the 2010 VDR on Modern Institutions. The lack of good quality data in support of planning, monitoring and evaluation remains an additional weak point.

²⁸Like in many other countries, the Vietnam process of pushing for reforms through the PFM program has been lengthy, but the program has nevertheless been viewed as delivering substantial improvements over the long haul.

33. **Understanding of the scope of administrative corruption increased, but the impact of anti-corruption measures is somewhat unclear.** The 2010 VDR on Modern Institutions finds that administrative corruption is substantial as indicated by surveys. However, overall corruption is assessed by respondents as having remained at the same level or decreased slightly, with some indicators improving and others deteriorating. Thus, the emphasis on reducing administrative corruption is on the right track, as in the customs and tax projects as has been mentioned under pillar 1²⁹. Issues such as asset declaration, undertaking compliance audits for public procurement, and overall support for selected aspects of the Government's Anti-Corruption Strategy received attention through the PRSC and progress has been made, although the lack of a supporting monitoring system to track the impact of the implementation to some extent impairs assessment of the effectiveness of these efforts. The pace of implementation of the Law on Corruption Prevention and Control has been slow.

III. BANK GROUP PERFORMANCE

A. Design

34. **The SEDP 2006-2010 laid out a path of transition towards a socialist market economy and foresaw Vietnam reaching middle-income country status by 2010.** The WBG anchored the 2007-2011 CPS on the SEDP, a strategy it judged satisfactory in facing the challenges of continued growth and poverty reduction³⁰. The 2007 VDR, *Aiming High*, laid out the analytical underpinnings of the CPS strategy. The CPS maintained the focus of the previous CAS on: (a) improving the business environment, (b) social service delivery, and (c) governance. It added the need to address environment challenges as a fourth pillar, thus aligning with the four pillars of the SEDP. The commitment to improving the CPS program performance emphasized: (a) higher disbursement ratios, (b) shorter preparation and effectiveness lags, and (c) timely delivery of results by reducing project extensions. The design of the results framework took into account the lessons learned from the Completion Report of the FY01-F06 CAS, linking the results more tightly with the interventions. The FY07-FY11 CPS had a carry-over program of 37 operations under implementation. The PRSC series remained the main instrument of policy dialogue³¹. It is assessed that the design of the CPS, including the alignment with the four pillars used in the SEDP worked relatively well. However, the CPS design could have benefitted from having the selectivity criteria set much more tightly. Nonetheless, the CPS was implemented during a period of rapidly growing engagement, and accommodating certain emerging needs was essential in supporting the country.

B. Implementation

35. **Commitments exceeded expectations under the CPS, driven by larger IDA allocations and access to IBRD financing.** The Bank committed a total of USD4,471 million with annual commitments increasing from USD710 million in FY07 to USD2,348 million in FY11, of which around USD1,068 million came from IBRD funding. As of the end of FY11, USD5,518 million of IDA resources had been committed for disbursement. IFC commitments totaled USD1,800 million over the 5 year period, including commitments through their asset management business.

²⁹ The Customs Project was cancelled in FY11 before completion, for reasons shown under Outcome 1.1 in Appendix 1, which also includes lessons learned in relation to the cancellation.

³⁰ The IMF-World Bank Joint Staff Advisory Note (JSAN), discussed by the Board on December 5, 2006.

³¹ The SEDP 2006-2010 made direct and clear statements regarding the *regional* development orientation of the plan. To a considerable extent these orientations have been driving the demand for assistance from the Bank and other development partners. With hindsight, the CPS could have paid more explicit attention to these orientations.

36. **Alignment of the CPS program with national priorities has been an important driver of results.** With a focus on infrastructure and regional/local interventions, the CPS program successfully reflects the Government's political priority to seek expansion of services and opportunities across the national territory. In fact, by the end of FY11, 80 percent of the portfolio by sectors was concentrated in energy (22 percent), transport (23 percent), urban (21 percent) and rural development (14 percent). In addition, a good share of the CPS program is targeted towards provincial and local levels, with a focus on poverty. Historically, alignment with national priorities has contributed to Vietnam's good performance, as seen by the fact that all Bank projects completed in Vietnam have been rated as satisfactory or moderately satisfactory (See Appendix 4). Looking only at this CPS period, the program exhibits a similar performance up to now: of 18 Bank operations completed between 2006 and 2010, 12 were rated as satisfactory and 6 as moderately satisfactory. Alignment of IFC's program has fitted and supported how the private sector has developed - focusing on financial institutions - both building their capital bases and also taking them into new product areas (SME financing, housing lending, energy efficiency lending) and developing the institutional infrastructure required to improve access to finance. Later in the five-year period, IFC responded to the global financial crisis by rolling out its Global Trade Finance Program, providing USD970 million of liquidity to Vietnam's exporters as other financial institutions withdrew.

37. **The program has seen an increase in the stock of commitments and some improvements in delivery.** The Bank disbursed USD4,695 million during the CPS period, going from USD475 million in FY07 to USD1,170 in FY11. There has been some increase in disbursement rates of SILs from 12.7 percent in FY07, although the FY10 disbursement ratio of 18.8 percent could not be sustained in FY11, which ended with a disbursement rate of 14.9 percent. Funds disbursed under SILs increased from USD374 million in FY07 to USD653 million in FY11. The program has seen a rising stock of commitments and a larger share of budget support operations. While the slight increase in the disbursement ratio is due in part to the greater maturity of the projects under implementation, the Country Team has also focused more attention on the Bank's portfolio, including through joint high level reviews of problematic and at-risk projects. Furthermore, an Action Plan was developed in the realm of the Six Banks Group as a result of the Joint Portfolio Performance Review³², which focuses on reducing common impediments or barriers to implementation, but it is not yet clear to what extent this has had a significant impact on implementation. The time lag between loan approvals and effectiveness was reduced from 7.6 months in FY07 to 2.6 months in FY11. However, the average lag/delay of 2 years in implementing projects identified in the 2007 Portfolio Review remains the same. The number of extended projects went from 4 projects in FY07 to 9 projects in FY11. Some of the extensions have provided additional financing to cover cost increases, especially as a result of high inflation in 2009. However, implementation is still delayed by inadequate readiness for implementation at the point of effectiveness as well as by problematic procurement practices. IFC's portfolio performed well during the financial crisis, with restructurings associated with project-specific issues rather than macroeconomic conditions.

38. **Greater attention to upstream design and innovation is planting seeds for enhanced effectiveness and impact.** On the Bank side, the design of the P-135 DPO as a budget support operation was path-breaking by linking disbursements to institutional changes needed to improve delivery of this national program rather than disbursing against program expenditures. The Project Preparation Technical Assistance Facility Project is another example of focusing on design to facilitate implementation. The shift towards sector DPO programs has been accompanied by institutional deepening. On the IFC side, an emphasis on aligning strategy and project design between IFC's investment and advisory business has paid off. Much of the work IFC has done to develop the public goods of institutional infrastructure and a framework for private sector development (the

³² The Bank participates in a Joint Portfolio Performance Review (JPPR) with the Six Banks Group and Government every two years. A nine-point action plan was developed to improve the effectiveness of ODA project implementation, and endorsed under a Prime Minister Decision in July 2008. The Sixth JPPR was finalized in November 2009. Implementation progress, jointly monitored under the leadership of MPI, has been uneven to date, with progress on procurement unremarkable. The last Country Program Portfolio Review (CPPR) was undertaken in FY08.

Vietnam Business Forum, the Vietnam Bond Market Association, the Bank Training Center, various regulatory and tax reform projects, and the Vietnam Corporate Governance Forum) has provided IFC with credibility and presence as a partner for both the private sector and government in Vietnam's economic development. Furthermore, IFC's ability to combine investment capital and advisory services at the investment level has allowed IFC to develop game-changing interactions such as IFC's investment in Vietinbank, the first major equitization to be completed after the global financial crisis, and the development of the energy efficiency lending market.

39. **The WBG program has been responding to unforeseen circumstances and emerging challenges.** The Bank provided timely support to Vietnam to address the impact of the 2008/2009 global financial crisis. In the absence of an IMF program, the Bank was a key interlocutor on policy issues, including fiscal policy. Additional funding from IBRD sources allowed the government to take an anti-cyclical fiscal stance. The program is now responding to emerging risks such as increased macro-economic volatility through intense policy dialogue and analytical work. For IFC, the financial crisis also allowed the institution to play a counter-cyclical role, providing funding and advice at a time when global financial institutions were reducing their exposure to Vietnam. IFC was able to roll out new products that unexpectedly met huge demand, such as the Global Trade Finance Program, which is expected to lead to the development of other short-term lending products to increase access to finance for rural and agricultural borrowers. IFC's decentralization, placing decision-making and execution capacity closer to the client and giving client relationship managers a greater role and voice in developing and executing business has been key in IFC understanding its countercyclical role and building its program in Vietnam and identifying the right partners to engage with during a time of financial crisis.

40. **The Bank program expanded and broadened its coverage.** While it was to respond to the emerging needs, the expansion is of concern as well. The number of operations in place increased from 39 by the end of FY06 to 50 by the end of FY11, and the average size of the new loans has expanded partly due to the increased use of DPOs³³. The administrative cost of a growing portfolio and lending pipeline is putting pressure on other parts of the program, notably AAA.

41. **As intended in the CPS, the PRSC series was the main instrument for policy dialogue between the Government, the Bank and other members of the development community.** The PRSC maintained a flexible approach within the range of CPS areas of engagement, with the emphasis on supporting the policy reform process while nurturing strategic breakthroughs. When breakthroughs occurred, deepening of the policy reforms shifted to budget support operations such as in higher education, energy, and public investment³⁴. An IEG evaluation found the contribution of the first eight PRSC operations to development outcomes as well as to the Bank performance satisfactory. In addition, the PRSC series brought together a large group of development partners (varying from 3 to 11) who contributed 43 percent of total resources of PRSCs 1-9. The PRSC series overall has received favorable reviews, but towards the end of the series it has been raised whether the operations focused too much on 'process' and too little on 'action', a point that should be considered when designing the new policy lending series to take the place of the PRSC.

42. **The CPS continued the practice of producing a yearly flagship publication, the Vietnam Development Report (VDR) jointly with other members of the donor community.** The Bank delivered a strong AAA program despite budget pressure. The VDRs are appreciated by the government and development partners.³⁵ Although nominally the production of these reports absorbs a small amount of resources, a good

³³ The average size of SILs also increased considerably, from USD130 million in FY07 to USD271 million in FY11 (excluding AF).

³⁴ The share of DPLs and additional financing increased from 34% in FY07 to 64% in FY10, but then decreased again to 31% in FY11.

³⁵ Aiming High (2007), Social Assistance (2008); Capital Matters (2009); Modern Institutions (2010) and Natural Resources Management (2011).

share of the other Economic and Sector Work (ESW) feeds into these reports. Arguably, in the process, traditional ESW such as public expenditure reviews and sector analysis to inform on key priorities such as competitiveness (agriculture, technology), volatility, structural transformation, and fiscal and financial sustainability has declined. The shift to programmatic AAA announced by the CPS Progress Report has been initiated with support for major pieces of work, including on urbanization, poverty, and food security.

IV. KEY LESSONS AND RECOMMENDATIONS

43. **The Vietnam program continued its strong record of development impact across a broad range of areas, with 32 completed projects for which all available development outcome ratings were either Satisfactory (S) or Moderately Satisfactory (MS) (See Appendix 4).** The World Bank Group's partnership with the authorities and the development community is strong. As Vietnam has become a lower middle income country and is seeking to become a modern industrialized economy, new challenges are emerging that call for the WBG to adjust its business model. Innovations in delivery practices combined with a continued strong partnership with the authorities should allow for a gradual readjustment of the program.

44. **The WBG needs to respond to the emerging vulnerabilities and challenges in Vietnam with adequate policy and technical support as well as financial resources.** The WBG has already begun to address macroeconomic, environment, climate change and urban vulnerabilities jointly with the national goal of increasing the sophistication of the economy through AAA and some operations. To strengthen the response, the WBG must close the gaps that remain from the past CPS (SOE corporate governance, private sector development, etc.).

45. **The WBG should maintain a demand-driven focus within a framework of selectivity that prioritizes those areas where the WBG can contribute the most to meeting current challenges for Vietnam.** As noted, alignment with national priorities has helped the quality of program implementation. At the same time, the potential areas of new engagement have been increasing and the tendency is for a further expansion to new areas. The WBG needs to carefully select what it supports and how to achieve the best results, including by continuing to support the "unfinished" agenda in relation to poverty reduction and provision of basic social services and infrastructure to the most disadvantaged.

46. **The principles guiding selectivity need to be tightened to avoid diffusing the Bank's program too thinly.** A selectivity strategy could focus, for instance, on transferring mature programs to the budget, with the Bank supporting well designed new areas of engagement with clear exit strategies for capacity building. Certain criteria should be met for an operation to be added to the Bank's Vietnam program.

47. **Attention to implementation should be complemented with greater attention to program and project design. Downstream attention to implementation has yielded results, and efforts should continue.** However, they should be complemented by greater attention to design and selection of instruments. Such efforts have already been initiated and the Country Team will continue its focus on improving design and exploring alternative delivery approaches that accelerate the delivery of intended results.

48. **Commitments on institutional reform should be credible while still pushing to move the agenda forward.** The CPS committed its support to a major institutional transformation of the country as the basis for delivering and sustaining middle income status. The institutional attainments, while notable, fell short of expectations, in part because of the breadth of the agenda. The coming strategy should take a more realistic and strategic view of the targets for institutional reform, identifying to the extent possible such targets in dialogue with government. Rather than making unilateral commitments that lack credible backing from the counterpart, the WBG should maintain and strengthen an advocacy dialogue through AAA and other instruments that inform

the authorities and the country about institutional options. The outcome of this dialogue can then be introduced into the program gradually as agreements are reached.

49. **One of the lessons coming out of the PRSC series (the later operations) and the recent PIR operations is that strong Government ownership of the reform program is even more important as Vietnam undertakes second generation reforms which are more complex and tend to take longer.** Engagement areas for policy reforms should be chosen more selectively as there are limited resources to tackle increasingly complex challenges. Adequate time should be invested to build a strong dialogue underpinned by solid analytical work with the aim of strengthening Government ownership of reforms.

50. **Attention should be given to decentralization issues, including the emerging challenges of urban development.** According to the 2010 VDR on Modern Institutions, the transfer of fiscal resources and implementation power has created a wedge between control and accountability at the local level, which can affect effectiveness and open opportunities for corruption. At the same time, a large portion of the investment program of the Bank is implemented at the local level in line with Central Government preferences, while the urban development challenges are mounting. The new CPS could evaluate possibilities for supporting capacity building at the local level, beginning perhaps with a needs assessment that takes stock of the status and impact of the decentralization experience and the performance of the Bank program on the ground. It may also seek to contribute to addressing the wedge between the allocation of responsibilities and the structure of accountability at the local level.

51. **IFC and the Bank should focus on developing sector-specific strategies that combine the strengths of both institutions.** This is increasingly important as Vietnam looks to address the infrastructure gap, the impact of growth and industrialization on the environment and looks to integrate the rural economy and populations into Vietnam's economic growth. For example, in infrastructure, the two organizations bring more to the table combined than any other development finance institution.

52. **The results framework could be used more regularly as a tool for setting strategic priorities and monitoring accountability.** While the CPS results framework was more aligned with the program than the previous CAS framework, it was broad and extensive, but, most importantly did not take account of the likelihood of delivery or monitoring and information requirements. The lack of periodic reviews, in the context of recurrent monitoring, disconnected the results framework from the program and discouraged ownership from the team. A results framework must, to the extent possible, allow the tracking of progress in program delivery, and eventually evaluation. Initially, the results framework must be grounded on those elements of the program that are mature and likely to be delivered. The results framework can be updated periodically to reflect the evolution of the program. Updating is most relevant when strategies cover a longer period of time, which is the case of Vietnam. Lastly, the results approach should be consistent across instruments, and not only be applied in the CPS.

APPENDIX 1: SUMMARY OF VIETNAM 2007-2011 CPS PROGRAM

Self-Evaluation Summary of Vietnam CPS Program			
CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
PILLAR I: BUSINESS DEVELOPMENT			
1.1 Improved business climate and stronger competitiveness	<p>Status: <u>Partially Achieved</u></p> <p>Justification for Status: the achievements include continued equitization, enactment of the Enterprise Law, strengthening of tertiary education institutions and higher levels of credit channeled to agriculture. With the number of higher education graduates rapidly increasing, the focus of the Bank program has been on improving the quality of tertiary education and building on the achievements and lessons learned from completed operations.</p> <p>However, the privatization of large state-owned enterprises is behind schedule, Vietnam is not yet fully recognized as a market economy and a comprehensive competitiveness agenda has yet to be fully articulated.</p> <p>Details on progress made under each outcome indicator:</p>		<p>Support for strengthening the business environment was highly relevant, particularly in the post-WTO accession world. Reports are that the quality of the business environment improved, with a partial support from the CPS program. With hindsight, accession to WTO contributed to a higher volatility of the economy, given the limited capacity of the economy to absorb capital inflows. In addition, the creation of the Large Economic Groups to strengthen the competitive position of the country is in fact creating an uneven playing field between public and private actors. These events emerged after the design of the CPS, and the PRSC series has taken the issues on board, albeit only towards the end of the CPS period. These events show the need for a partnership strategy to be flexible enough to react promptly to emerging circumstances that may impair the sustainability of the macro-economic environment, the quality of the business environment and the CPS program itself.</p> <p>The state remains a dominant player in finance, as the owner of five large financial groups; two of which have been equitized, but none of which have strategic international partners. The link between the public banks and the large economic groups has heightened concerns, given that the international crisis has evidenced cracks in the balance sheets of some of the large economic groups, the extent of which has yet to be fully determined and disclosed. Therefore efforts to tighten the governance of large economic groups would increase the stability of the financial sector</p> <p>Customs Modernization Project Cancellation: The Customs Modernization Project was terminated on April 4, 2011 at the client's request after having disbursed USD1.8 million, or 2.6 percent of the allocated credit amount. In contrast to slow disbursement due to significant consultant recruitment delays leading to procurement delays for Vietnam Customs Information System (VCIS) and control equipment components, the institutional development components of the project showed</p>
<p><i>Increase in non-state enterprises satisfied with legal and regulatory framework, as measured through Investment Climate Assessments (ICAs)</i></p> <p>➤ Satisfaction with the legal and regulatory environment</p> <p>➤ Equitization of enterprises with 100% state ownership: Baseline (2006): 2100 enterprises (with 100% state ownership) Target (2010): 1000 enterprises</p> <p>➤ Model privatizations of large SOEs</p>	<p>➤ An ICA was undertaken in 2006 and was never published for various reasons. The possibility of undertaking another ICA is currently being explored</p> <p>➤ 1,205 enterprises with 100% state ownership (2010)</p> <p>➤ None have been undertaken</p>	<p>Lending: PRSC 6-9</p> <p>AAA: PSD Competitiveness and Innovation VDR 2007: Aiming High</p>	
<i>Strengthened export orientation</i>		Lending:	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<p>➤ Ratio of exports to GDP:</p> <p>Baseline (2005): 69% Target (2010): 72%</p> <p>➤ WTO commitments met on time</p>	<p>➤ 71% (2010)</p> <p>➤ 26 countries, including Japan, Australia, Germany and New Zealand have granted market economy status to Vietnam, before the end of 12-year period agreed in WTO accession negotiations. However, a few major developed economies are yet to officially grant Vietnam market status. There has only been limited progress in meeting retail trade commitments.</p>	<p>PRSC 6-9, Agricultural Competitiveness project</p> <p>AAA: VDR 2007: Aiming High, Vietnam WTO Accession (FY07), WTO AAA (FY08), PSD Competitiveness & Innovation (FY10)</p>	<p>good implementation progress. Results achieved against institutional development performance indicators have been extremely positive. A significant portion of the technical assistance included in the project design has been delivered to good effect. Importantly, a comprehensive analysis and reengineering of business processes based on the implementation of globally agreed standards has been completed and draft bidding documents for the procurement of the VCIS prepared. Initial progress in operational modernization was strengthened by a completed legal assessment and project activities focused on organizational restructuring and strengthening. The preparation of a comprehensive training strategy was completed and is being used already.</p>
<p><i>More efficient customs procedures for imports</i></p> <p>➤ Average import customs clearance times for commercial shipments at ports reduced:</p> <p>Baseline (2004): 57 hours Target (2010): 32 hours</p>	<p>➤ Average customs clearance times at ports have been reduced significantly to 14 hours equivalent of a 75% reduction (2011)</p>	<p>Lending: Customs Modernization (cancelled in FY11, before completion)</p> <p>AAA: VDR 2007: Aiming High</p>	<p>However, around the time of the Mid Term Review key counterparts became concerned about the possibility that procurement could not be completed and achieve full implementation process for the VCIS within an allowable extension of the closing date and began exploring alternative options that could accelerate VCIS implementation and increase long term sustainability. The GDVC informally advised that it was considering a number of options including the possibility of directly acquiring a suitable operational VCIS from a neighboring country as part of a possible bilateral cooperation arrangement. The Mid-Term Review mission advised the GDVC that the Bank's procurement rules would not allow the IDA credit to be used to support direct contracting of a major IT system such as the VCIS. The mission also stressed that experience elsewhere suggested such an approach might take considerable time to finalize and could incur a number of other risks that might ultimately delay implementation significantly. Given the above context, and based on a review of various project restructuring options with key counterparts, the Mid-Term Review mission recommended that counterparts consider either continuing implementation through extending the project by another 3-5 years to ensure sufficient time for full and effective deployment or terminating the project as implemented to date. On December 6, 2010, the State Bank of Vietnam, on</p>
<p><i>Improved employability of graduates with advanced degrees</i></p> <p>➤ Ratio of doctorate-qualified professors to graduate students in universities (public and non-public):</p> <p>Target (2010): 1:25</p>	<p>➤ n/a</p>	<p>Lending: Second Higher Education Project and DPO, New Model Universities</p> <p>AAA: TF for education quality assessment via standardized tests, VN Skills for Growth – Tertiary Education (FY07)</p> <p>IDFs and Trust Funds > USD1 million: Second Higher Education Project Co-financing</p>	
<p><i>Improved rural business climate, as indicated in rural ICAs</i></p> <p>➤ Improved rural business climate</p> <p>➤ Access to sustainable, rural finance increased. Coverage of formal rural credit services increased :</p> <p>Baseline (2000): 50%</p> <p>➤ At least 30-35% of new loans issued to women</p>	<p>➤ Rural ICA not undertaken</p> <p>➤ 70%</p> <p>➤ Percentage of end-borrowers who are women under the Microfinance Loan Fund (MLF): 42.2%</p>	<p>Lending: Rural Finance II and III; Agriculture Competitiveness Project; P-135 DPOs</p>	

Self-Evaluation Summary of Vietnam CPS Program			
CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	Note: The Second Rural Finance Project financed over 400,000 sub-projects, facilitated total investment of USD740 million equivalent, and created over 255,000 new jobs. 37% of the end-borrowers under that project are women. As of January 31, 2011 the Third Rural Finance Project: Number of sub-projects financed: 30,784; of which 15,969 by the Rural Development Fund (RDF), 14,815 by MLF. Total investment generated by the Project: USD 118 million. Number of new jobs created by RDF: 32,142		<p>behalf of the Borrower, notified the Bank of its intention to terminate the project and the remaining credit was cancelled. The termination occurred before the due credit closing date thus allowing the cancelled funds to revert to the Vietnam IDA program.</p> <p>Among number of lessons learned (to be discussed in more detail in the ICR) is the need for additional attention to project ownership and leadership performance by the beneficiary, and the overly optimistic disbursement schedule developed during project approval. The initial 5-year implementation plan with relatively linear disbursement schedule clearly proved to be overly optimistic, given the borrowers limited experience, the need for a two stage procurement process and the need to undertake complex business process reengineering prior to developing detailed bidding documents for the major ICT procurement. These problems could have been identified sooner and preventive measures taken including increased supervision frequency and intensity and the timing of the delayed Mid-Term Review being conducted closer to the initial schedule. Some project management pro-activeness was, however, constrained by lack of adequate budget to manage such a high risk project. Increased attention to the cumulative impact of procurement delays may have allowed the project to be identified and included in the problem portfolio earlier and therefore drawn additional management attention to the status of the project.</p>
<p><i>Continuing to support foreign investment through MIGA's insurance facility for investors concerned about political risk.</i></p> <p>➤ MIGA involvement in Vietnam;</p>	➤ Still limited MIGA involvement. By the end of the CPS period, MIGA is planning to step up their engagement in Vietnam in the near future.		
<p><i>Enhanced accounting and auditing professions for better corporate financial reporting</i></p> <p>➤ Completion of Reports on the Observance of Standards and Codes (ROSC) Accounting & Audit (A&A) assessment and implementation of its recommendations</p>	➤ ROSC A&A assessment completed in FY09. It was agreed in 2010 not to publish final draft report. Discussions with government counterparts to develop a Country Action Plan based on the ROSC A&A recommendations are ongoing.	<p>Lending: PRSC 6-9</p> <p>AAA: ROSC (Accounting & Audit)</p>	
1.2. Financial system more efficient, stable and responsive to the needs of business and households	<p>Status: <u>Partially Achieved</u></p> <p>Justification for Status: Key achievements include passage of fundamental legislation on the Central Bank and credit institutions, partial equitization of state owned banks and modernization of the banking payments infrastructure. Financial deepening has also improved with fast growth in credit over the past few years. However, the laws were approved with a delay and hence some of the follow-up actions could not be undertaken within the CPS period. Also there is concern about the health of the banking system given the very rapid credit growth equality of data</p>		<p>The pace of implementation of the strategy has been slow, showing that the CPS seems to have overestimated the progress that could have been made. A similar observation was made regarding the previous CPS. The recommendation is to develop more realistic expectations of what can be accomplished during the CPS period and to focus attention on a few key priorities.</p> <p>Note: A Financial Markets Institutional Development Project was under preparation but dropped in FY10</p>

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	<p>on the financial sector indicators and concerns regarding the sector's exposure to SOEs/large economic groups (the health of many of which is also of considerable concern). Furthermore, there has been limited progress on involving the private sector in the financing of infrastructure.</p> <p>Details on progress made under each outcome indicator:</p>		
<p><i>SBV transformed into modern central bank responsible for independent monetary policy and bank supervision</i></p> <p>➤ SBV Transformed in a modern central bank</p> <p>➤ SBV strengthened through management information system and revised structure of regional branches</p> <p>➤ Pilot Interbank Payments System expanded</p> <p>➤ Action plan for necessary regulatory overhaul, based on Financial Sector Assessment Program (FSAP)/ROSC finding</p>	<p>➤ Revised SBV Law and Revised Credit Institutions Law had been approved by mid- 2010 and both are effective as of January, 2011. Implementation is underway.</p> <p>➤ The financial sector modernization and information management system project for the modernization of SBV, the Credit Information Center and the Deposit Insurance of Vietnam became effective in late July 2009. As the project is implemented, the institutional framework, information management and business engineering, etc will be strengthened.</p> <p>➤ Interbank Payment System has been significantly expanded under the Payment System and Bank Modernization Project II. Average volume and value of transactions in 2008 increased three and six times respectively compared to 2005.</p> <p>➤ An FSAP has not yet been undertaken. However, it has been agreed with the Government and is planned to be undertaken in the near future.</p>	<p>Lending: PRSC 6-9, Payment System & Bank Modernization II, Financial Sector Modernization & Info Management System</p> <p>AAA: Financial Sector Strategy, Policy Banks Reform, Support to SBV, ROSC (Accounting & Audit)</p> <p>IDF and Trust Funds > US\$1 million: IDF for Capacity Strengthening of the Vietnam Association of Certified Public Accountants, IDF for Strengthening Accounting Capacity of State-Owned Banks, IDF for Development of Legal Foundation of Vietnam's Banking System</p>	
<p><i>Financial sector corporate governance strengthened.</i></p> <p>➤ 3 of 5 State-Owned Commercial Banks (SOCBs) equitized</p> <p>➤ The share of Non-Performing Loans (NPLs) in total banking credit to decline:</p>	<p>➤ 2 of 5 SOCBs have been equitized.</p> <p>➤ NPLs ratio (Vietnam Accounting System (VAS)) was 2.3% as of September 2010. The IAS/IFRS based NPL</p>	<p>Lending: PRSCs, Payment System & Bank Modernization II, Financial Sector Modernization & Info Management System, HCMC Investment Fund, Local Development Investment Fund, Rural Finance II, III</p> <p>AAA:</p>	

Self-Evaluation Summary of Vietnam CPS Program

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<p>Baseline (2005/6): 8-10% Target (2010): less than 5%</p> <p>➤ Revised Central Bank and Credit Institutions law to provide profit orientation and full autonomy to SOCBs passed by 2008.</p>	<p>numbers are not reported by SBV. Various estimations (by rating agencies and accounting firms) place International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) NPLs to be 3-5 times VAS NPLs for individual banks</p> <p>➤ The Revised SBV and Revised Credit Institutions Law was delayed, but approval in mid- 2010. It sets a basis upon which to begin working on improving the governance of financial institutions.</p>	<p>Financial Sector Strategy, Policy Banks Reform, Support to SBV (including on AML), ROSC (Accounting & Audit),</p> <p>IDF and Trust Funds > US\$1 million: IDF for Capacity Strengthening of the Vietnam Association of Certified Public Accountants, IDF for Strengthening Accounting Capacity of State-Owned Banks, IDF for Development of Legal Foundation of Vietnam's Banking System</p>	
<p><i>Private share of total financing of infrastructure increased</i></p> <p>➤ Municipal financial markets and non-subsidized lending facilities developed in selected jurisdictions (HCMC) or lines of business (Water)</p> <p>➤ Bond market development road map issued by 2007</p>	<p>Note: There is no reliable statistics regarding the share of private financing for infrastructure. The WB AAA on Infrastructure Financing in Vietnam produced in December 2008 noted that there is limited private sector participation in infrastructure and Vietnam has yet to establish a comprehensive institutional framework that provides transparent, consistent and clear rules of the game for the private sector to participate in the delivery and financing of infrastructure.</p> <p>➤ Developed with support of the HIFU (HCMC) and Local Development Investment Funds (water)</p> <p>➤ Delayed. The bond market roadmap is expected to be issued with PRSC 10 in FY12</p>	<p>Lending: PRSC 6-9, Water Supply Dev, HIFU and LDIFs</p> <p>AAA: Bond Market Development Roadmap, Financial Sector Strategy</p> <p>IDF and Trust Funds > US\$1 million: IDF for Capacity Strengthening of the Vietnam Association of Certified Public Accountants, IDF for Strengthening Accounting Capacity of State-Owned Banks, IDF for Development of Legal Foundation of Vietnam's Banking System</p>	
<p>1.3. More Efficient and Reliable Provision of Infrastructure Services</p>	<p>Status: <u>Achieved</u></p> <p>Justification for Status: Major progress has been made in the institutional transformation of the energy sector, while at the same time increasing capacity and financial sustainability. The agenda on transport has supported building the basic core network in the country and is on track; although more work is needed in terms of solid logistics. Availability of water in urban areas has increased, with over 90 percent coverage in large urban centers. Although infrastructure has kept up with demand, it remains a major constraint to continued economic growth, and the participation of the private sector in construction, management and finance was below the original expectations set under the CPS.</p> <p>Details on progress made under each outcome</p>		<p>The institutional breakthrough in the energy sector was followed by a sector specific DPO to firm up the achievements. The dialogue around the PRSC provided the entry point. The lesson would seem to be that the DPL follows rather than leads policy reform. Hence the relevance of up-fronting policy dialogue supported by quality AAA in those areas that constrain growth and quality of life outcomes.</p> <p>Considerable attention has been given to urban development through a wide range of operations on water, sanitation, transport and environment; an emerging trend upon which to build greater synergy across urban interventions is seeking to improve the strategic and management capacity of urban centers (e.g. Vietnam Urban Upgrading Project and Danang Priority Infrastructure Investment Project).</p>

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<p><i>Efficient and reliable provision of urban infrastructure services (water, wastewater and sanitation, telecommunications): Increasing consumer satisfaction with municipal services provided, and rising consumer willingness to pay for urban infrastructure services</i></p> <p>➤ Increased share of urban households with improved access to water supply and sanitation services:</p> <p><u>Urban Water Supply:</u> Baseline (2006): 58% average with improved access: 75% in big cities and 20-30% in small towns)</p> <p><u>Urban Sanitation:</u></p> <p>➤ Improvements in efficiency and cost-recovery for target urban utilities</p> <p>➤ Improved capacity of cities and towns to plan, manage and maintain urban investments</p>	<p>indicator:</p> <p><u>Urban Water Supply:</u> 70% with improved access : 90-95% in cities and 50-60% in small towns</p> <p><u>Urban Sanitation:</u> Households with toilets: 68% Households with septic tanks: 76% (higher rates in cities) Wastewater collected and treated: 9%</p> <p><i>Note: Different definitions are used to measure water supply and sanitation in different settings, which makes it difficult to assess these indicators completely accurately</i></p> <p>➤ The cost recovery in the water supply sector is higher than sanitation due to low tariffs and increased costs (for construction and O&M)</p> <p>➤ A benchmarking for water supply companies has been carried out. A similar exercise is to be implemented on WW and SW management</p>	<p>Lending: Three Cities Sanitation, Urban Upgrading, HCMC Environmental Sanitation, Danang Priority Infrastructure Development, Coastal Cities Environmental Sanitation, Water Supply Development, VN-HIFU Development Local Development Investment Fund, Urban Water Supply and Waste Water, Coastal Cities (GEF), ICT Development</p> <p>AAA: Regional Development & Urbanization, Sanitation Management for Urban Areas</p> <p>IDF and Trust Funds > US\$1 million: Urban Upgrading co-financing, Urban Water Supply Development II Project TA, TFs on Coastal Cities Environmental Sanitation</p>	
<p><i>Power demand met in adequate quantity and acceptable quality, and improved commercial and financial efficiency of the energy sector, as evidenced by: Cost reflective electricity tariffs for different consumer categories</i></p> <p>➤ Increase Generation capacity: Baseline (2005): 12,000MW Target (2010): 25,000 MW</p>	<p>➤ Generation capacity (at the end of 2010) was 21,542 MW, a little below target mostly due to delay in construction of new power plants, affected by</p>	<p>Lending: System Energy, Equitization and Renewables; Rural Energy 2, Rural Distribution, Transmission and Distribution 2, Renewable Energy, Trung Son Hydropower, Power Sector DPO</p> <p>AAA: TA for VN Energy Efficient Program</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	insufficient investment and delay in land clearance and compensation. The surge in equipment costs and financing during 2008-2009 contributed both to investment shortage and construction delay (EVN statistics)	IDF and Trust Funds > US1 million: System Efficiency Improvement, Equitization, and Renewables Project TA, Demand-Side Management and Energy Efficiency Project TA, Hydroelectric Power Project Preparation, Rural Energy II	
<p><i>Performance improvements in EVN and affiliated or successor power companies</i></p> <p>➤ EVN self financing ratio >25%, debt service coverage >1.5 times, debt: equity ratio 70:30</p> <p>➤ Single-buyer electricity market in place with an independent regulator and unbundled sector players</p>	<p>➤ EVN's financial performance has improved compared during the CPS period but is still somewhat unsatisfactory. The company still makes net losses, although significantly less than a few years ago. The GoV has recently updated and increased electricity tariff every year as required in PM Decision 21 (2009), however generation costs also increased significantly due to larger demand growth and drought in recent years. The government recognizes that in addition to completion of tariff reform to follow market principle, it is essential to focus on energy efficiency and saving, demand response/control to reduce the fast demand growth</p> <p>➤ Pilot for single buyer Competitive Generation Market (VCGM) is being completed, to start in the second half of 2011 and full VCGM to start in 2012. Development of regulations and market rules, consultation and approval took longer than expected, but has resulted in greater consensus and understanding and international good practice regulations adapted to Vietnam conditions.</p>	<p>Lending: Power Sector Reform DPL, Rural Energy 2, Rural Distribution, Trung Son Hydropower, Equitization and Renewables Transmission and Distribution II</p> <p>AAA: TA for VN Energy Efficient Program</p> <p>IDF and Trust Funds > US1 million: System Efficiency Improvement, Equitization, and Renewables Project TA, Demand-Side Management and Energy Efficiency Project TA, Rural Energy II</p>	
<p><i>Increased diversity in ownership of generation and distribution with net fixed power assets in non-EVN ownership increased from 20% in 2005 to >30% by 2010</i></p> <p>➤ Gas operations under regulation and open to private sector participation, and sufficient gas supply for power and industrial use</p>	<p>➤ The development of new gas fields has not kept pace with trends in natural gas demand and there are growing concerns about the sufficiency of gas supply to existing gas-fired generators and other users. The Chevron deal, meanwhile, has been a break-through, as it will enable the development of power plants in the O Mon complex based on the reserves from the Gulf of Thailand. However, full build-out of the O Mon</p>	<p>Lending: PRSC 6-9, Power Sector Reform DPO, System Efficiency Improvement, Equitization, Renewable Energy</p> <p>AAA: TA for VN Energy Efficient Program, VN Gas sector Development</p> <p>IDF and Trust Funds > US1 million: System Efficiency Improvement, Equitization, and Renewables Project TA, Demand-Side Management and Energy Efficiency Project TA,</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	complex will utilize all of the gas from those Chevron-operated fields. In part because of the tight domestic supply outlook, The Government is accelerating its consideration of liquefied natural gas import (LNG) options, and has asked the Bank to provide technical assistance on the current state of the East Asian LNG market, and on sitting possibilities for LNG terminals. The agreement to start work on gas market development has been included as a PRSC prior action.	Rural Energy II	
<p><i>Reduced logistics and transport costs and improved mobility of cargo and freight: a. Cost per ton kilometer of inland transport (road and waterway) reduced, b. Ship to door transshipment times in selected hubs reduced</i></p> <p>➤ Lengths of waterways improved in Red River and Delta Baseline: 0 Target (2013): 539 km</p> <p>➤ Lengths of waterways improved in Mekong Delta Baseline: 0 Target (2011): 401 km</p> <p>➤ Lengths of highways improved in Mekong Delta Baseline: 0 Target (2011): 98 km</p>	<p>➤ Preparation work is delayed. 539 km waterways were designed and are under procurement</p> <p>➤ 29 km (2011, Mekong Infrastructure Development Project)</p> <p>➤ 22 km (Mekong Infrastructure Development Project)</p>	<p>Lending: Northern Delta Transport, Mekong Delta Transport, Mekong Transport & Flood Protection, Rural Transport III, Road Network Improvement</p> <p>IDF and Trust Funds > US\$1 million: Although there were no transport specific Trust Fund, DIFID Funded Infrastructure Policy and Sector TF included the transport sector amongst its components.</p>	
<p><i>Transport Medium Term Expenditure Framework (MTEF) with prioritized investments within budget constraints</i></p> <p>➤ Added indicator: Annual MTEF prepared for Transport sector starting 2007</p>	<p>➤ Transport sector MTEF's prepared for 2007, 2008, 2010 and 2011.</p>	<p>AAA: Infrastructure Policy/Regulatory Reform</p> <p>Trust Funds > US\$1 million: Infrastructure Policy and Sector Co-financing TFs to Rural Transport III, Mekong Delta Transport Infrastructure Development Co-financing</p>	
PILLAR II: STRENGTHEN SOCIAL INCLUSION			
2.1. Better access to markets and basic social services for the rural poor	<p>Status: <u>Achieved</u></p> <p>Justification for Status: following the successful efforts during the previous strategy, the WB and other development partners continued to support government efforts to increase the availability of basic infrastructure</p>		<p>The positive results are driven by mature programs, especially in rural roads and rural energy. Therefore, it may be appropriate to take account of the maturity of the program and the track record in committing to results, while taking a more tentative approach in new areas of engagement.</p>

Self-Evaluation Summary of Vietnam CPS Program

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	<p>services in rural areas, specially roads and electricity. Today access to electricity in rural areas is almost universal and about 80% of the population has access to roads. Progress has also been made in increasing rural access to quality (potable) water and sanitation services, although a significant gap still remains for rural poor.</p> <p>Details on progress made under each outcome indicator:</p>		
<p><i>Average traveling time to district centers in targeted rural areas is reduced</i></p> <p>➤ Households in targeted communities/villages with access to motorized transport services for hire increased : Baseline (2006): 79% Target (2011): 84%</p>	<p>➤ 81% (Third Rural Transport)</p>	<p>Lending: Rural Transport III Community-based Rural Infrastructure, P-135 DPOs, Northern Mountain Poverty Reduction</p> <p>IDF and Trust Funds > USD1 million: DFID funded a client executed TF to support the Rural Transport 3 Project Third Rural Transport Project co-financing</p>	
<p><i>Increase in the proportion of rural households with access to electricity and information services</i></p> <p>➤ Rural Electrification rate increases: Baseline (2005): 88% Target (2010): 94%</p> <p>➤ Investment in distribution, maintained at >\$300 million/year between 2005 and 2010 1,000 LDUs with an efficiency index of 100 (index calculated based on improvement in billing, collection rates, technical efficiency etc.) by 2010</p> <p>➤ Improved planning and institutional arrangement of rural ICT investment</p>	<p>➤ 96.3% at household level, exceeding the target of 94% by 2010 (EVN statistics)</p> <p>➤ Investment in distribution 2005-2010 was VND22,220 billion (about USD275 million/year at 2007 exchange rate)</p> <p>➤ Key lessons drawn for planning and institutional arrangement of rural ICT investment. Implementation under preparation.</p>	<p>Lending: Rural Energy II, System Efficiency Improvement, Equitization & Renewables, Rural Distribution</p> <p>AAA: Rural Electrification Impact Studies</p> <p>IDF and Trust Funds > USD1 million: Rural Distribution Co-financing</p> <p>Lending: ICT Development</p> <p>AAA: ICT Development</p>	
<p><i>Increase in the number of targeted poor households using improved water supplies and sanitation services</i></p>		<p>Lending: Red River Delta Rural Water Supply, Mekong Delta Water Resource Management for Rural Development</p>	

Self-Evaluation Summary of Vietnam CPS Program			
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<ul style="list-style-type: none"> ➤ Percentage of rural population with access to water increased: Baseline (2005): 62% ➤ Rural Water Supply and Sanitation Enterprises established 	<ul style="list-style-type: none"> ➤ 83% of the rural population has access to hygienic water but only 42% uses water that meets the national quality standard of clean water by the Ministry of Health standards ➤ 4 rural water supply and sanitation enterprises established as pilots (under Red River Delta Rural Water Supply & Sanitation Project) 		
2.2. Better coverage of affordable quality health care services and primary education for poor and near poor	<p>Status: <u>Partially Achieved</u></p> <p>Justification for Status: Achievements include the approval of a revised Health Law that the CPS program supported and that has facilitated access to health insurance now estimated to cover 62 percent of the population (above the 55 percent target). However, missing data on key health indicators and health insurance coverage makes it difficult to conclude with certainty whether the outcome has been fully achieved. The road safety statistics are improving. The HIV/AIDS program shows increased use of preventive methods. However, there is a slight increase in HIV/AIDS incidences</p> <p>Details on progress made under each outcome indicator:</p>		<p>Again, the positive results are driven by mature programs, especially in health and education. It will be important to focus the future engagement on consolidating results as well as moving towards more focus on quality in both education and health and to scale up the policy dialogue and institutional support where possible. The social assistance agenda introduced towards the end of the CPS period is proving relatively difficult to manage, but nonetheless important to pursue further.</p>
<p><i>Percentage of poor and others using and expressing satisfaction with health services increased from 25% in 2005 to 50% in 2010</i></p> <ul style="list-style-type: none"> ➤ Coverage of health insurance: Baseline (2005): 28% Target (2010): 50% ➤ Proportion of communes with doctors and facilities of Ministry of Health: Baseline (2005): 68% Target (2010): 80% 	<ul style="list-style-type: none"> ➤ Unofficial sources put coverage at 62% at the end of the CPS period (last official numbers from 2008: 43.8%) ➤ 65.9% (from 2008, no newer data available by mid-2011) 	<p>Lending: Mekong Regional Health Support, Northern Upland Health, Central North Health Support</p> <p>AAA: VN Health Issues Paper VN Health Policy Notes VN Implementing Health Insurance Law (FY09) Health Systems Strengthening Support (FY11) Health Sector Reform TA IDF and Trust Funds > USD1 million: Mekong Health Support Project co-financing, Healthcare Support to the Poor of the Northern Uplands and Central Highlands, IDF for Improving Effectiveness and Sustainability of Social Health Insurance, IDF for Developing Results Focused Health Care Financing Mechanisms in Vietnam</p>	
<p><i>Reduced traffic accidents and fatalities</i></p> <ul style="list-style-type: none"> ➤ National Road Safety Strategy adopted 	<ul style="list-style-type: none"> ➤ First draft of the Performance Based National Road 	<p>Lending: Road Safety Project</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
specifying achievable performance targets and a financing plan by end-2009	Safety strategy was submitted to the Government for review.		
<p><i>Groups at risk of contracting HIV/AIDS in participating provinces reporting safer injection practices</i></p> <ul style="list-style-type: none"> ➤ Percentage of at risk groups in participating provinces reporting safer injection practices: Baseline (2005): 20% Target (2010): 60% ➤ Percentage of at risk groups in participating provinces reporting condom use: Baseline (2008): 93.3% ➤ HIV/AIDS prevalence rate among 15-49 age group: Baseline (2007): 0.41% ➤ Health workers and communities report reduced stigma and discrimination related to HIV/AIDS, as measured in bi-annual surveys. 	<ul style="list-style-type: none"> ➤ 85.9% (2010) ➤ 93.6% (2010) ➤ 0.44% (2010) ➤ There is no evidence that stigma and discrimination have been reduced; however, there is no specific evaluation among health workers, no questionnaire on stigma and discrimination towards at risk groups. There is no comprehensive, specific strategy on reduction of stigma and discrimination. 	<p>Lending: HIV/AIDS Prevention</p> <p>AAA: HIV/AIDS Strategy</p> <p>IDF and Trust Funds > USD1 million: DFID HIV/AIDS Prevention Co-financing</p>	
<p><i>Primary student completion rate increased in targeted, disadvantaged districts and for ethnic minorities and women, at least corresponding to national rates</i></p> <ul style="list-style-type: none"> ➤ Proportion of primary students in full-day program: Baseline (2005): 25% <i>Nationwide</i> Target (2010): 50% <i>Nationwide</i> Baseline (2005): 9% in districts in <i>lowest quintile</i> Target (2010): 27% in districts in <i>lowest quintile</i> ➤ Primary education completion rate nationwide: Baseline (2005): 72% 	<ul style="list-style-type: none"> ➤ 36.5% Nationwide (2009/2010) ➤ 19,09% in the lowest quintile (2009/2010) ➤ Percentage of school children aged 14 complete primary education levels in targeted, disadvantaged 	<p>Lending: School Education Quality Assurance, Primary Education for Disadvantaged Children</p> <p>AAA: High Quality Basic Education for All, Constraint Assessment-Bottleneck</p> <p>IDF and Trust Funds > USD1 million: Basic Education in Vietnam, Primary Education for Disadvantaged Children, TF to Support Basic Education in Vietnam, Improving Quality Basic Education of Ethnic Minority Children in Three Disadvantaged Provinces Primary Teachers Co-financing, Upper Secondary Education Enhancement Project</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
Target (2010): 86%	<p>districts increased to 96% against the national rate of 94.1% (2010)</p> <p>➤ (Percentage of girls aged 14 complete primary education is 95.9% in the targeted districts against national rate of 93.9% (2010))</p>		
<p><i>Grade 5 learning outcomes improved, by halving the proportion of pupils below the functional reading level from 11% in 2001 to 5% in 2010, with at least a corresponding improvement for students in the lowest socio-economic level</i></p> <p>➤ Percentage of Grade 5 pupils below the functional reading level: Baseline (2001): 11% Target (2010): 5%</p> <p>➤ Primary school FSQI Index increased nationwide and in districts in the lowest quintile:</p> <p>Baseline (2005): 67 nationwide Target (2010): 80 nation-wide</p> <p>Baseline (2005): 61 in districts of the lowest quintiles; Target (2010): 80 percent of the lowest quintile</p>	<p>➤ 9.7% (figures are from 2007 and target is assessed to have been met, but no new data available by mid-2011)</p> <p>➤ 71.4 Nationwide (2010)</p> <p>➤ 68.3 in districts in the lowest quintile (2010)</p>	<p>Lending: School Education Quality Assurance, Primary Education for Disadvantaged Children</p> <p>AAA: High Quality Basic Education for All, Constraint Assessment-Bottleneck</p> <p>IDF and Trust Funds > USD1 million: Basic Education in Vietnam, Primary Education for Disadvantaged Children, TF to Support Basic Education in Vietnam, Improving Quality Basic Education of Ethnic Minority Children in Three Disadvantaged Provinces, JSDF TF on Early Childhood Care and Development.</p>	
2.3. Ethnic minorities in rural areas more fully integrated into development processes	<p>Status: <u>Partially achieved</u></p> <p>Justification for Status: Programs supporting greater empowerment of ethnic minorities are most mostly on target; however, poverty reduction amongst ethnic minority groups lags behind reduction in the general population.</p> <p>Details on progress made under each outcome indicator:</p>		
<i>Under-5 mortality gap for ethnic minorities reduced</i>		<p>Lending: 2nd P135-Phase I, Northern Mountains Poverty</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<ul style="list-style-type: none"> ➤ Under-5 mortality rate gap between regions: Baseline (2006): 62.6/1,000 live births in Northern Upland/ Central Highland and 7.9/1,000 live births and the Delta Regions ➤ Effective criteria for poverty targeting, both for men and women, under new Program 135 agreed by 2008 ➤ Effective and comprehensive M&E system for Program 135 in place. 	<ul style="list-style-type: none"> ➤ Data not available ➤ Criteria for budget allocation were set up at every P135-2 province guiding allocation to be more pro-poor. Output was fully achieved. ➤ M&E system for P135-2 was designed and installed, streamlining underway. P135-2 was the first national program that has an M&E system in place though not all provinces have been able to run it due to technical issues. Thus, this output was partially achieved 	<p>Reduction</p> <p>AAA: Social & Land Conflict Management, Crisis Impact Analysis & Social Protection Policy Monitoring</p> <p>IDF and Trust Funds > USD1 million: 2nd P135 Co-financing</p>	
<p><i>Control over public expenditure resources decentralized to communes</i></p> <ul style="list-style-type: none"> ➤ 100% of Zone 3 communes and poorest villages in Zone 2 communes act as investment owners in Program 135 – Phase 2: Baseline (2005): 15% Target (2010): 100% 	<ul style="list-style-type: none"> ➤ 86.1% of Zone 3 communes and 96.3% of poorest villages in Zone 2 communes act as investment owners (2010) 	<p>Lending: 2nd P135-Phase II, 2nd Northern Mountains Poverty Reduction</p> <p>IDF and Trust Funds > USD1 million: 2nd P135 Co-financing</p>	
<p><i>Increase in forestland allocated to ethnic minorities</i></p> <ul style="list-style-type: none"> ➤ Share of ethnic minority households to which forest land allocated: Baseline (2004): 38.5% Target (2011) : 75% 	<ul style="list-style-type: none"> ➤ 68.4%³⁶ (2008, no newer data available) 	<p>Lending: Coastal Wetlands Protection and Management , Forest Sector Development</p> <p>AAA: Forest Sector Support II, Social & Land Conflict Management</p> <p>IDF and Trust Funds > USD1 million:</p>	

³⁶ These figures indicate substantial progress, but it should be noted that they include forest land allocated under forest protection and plantation contracts, and some studies indicate that forest land allocation does not necessarily lead to improvement in livelihoods.

Self-Evaluation Summary of Vietnam CPS Program			
CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<ul style="list-style-type: none"> Average forest area allocation to ethnic minority households: Baseline (2004): 9,626 square meters Target (2011): 18,000 square meters 	<ul style="list-style-type: none"> 16,556 square meters⁷(2008, no newer data available) 	2 nd P135 Co-financing	
2.4. Improved policies and infrastructure to address the needs of urban poor and migrants	<p>Status: <u>Partially achieved</u></p> <p>Justification for Status: Based on reaching the intended improvements in water and sanitation in targeted low-income urban areas. However, the program did not track improvements in access to social and public services by the urban poor and migrants.</p> <p>Details on progress made under each outcome indicator:</p>		<p>While the program has indeed focused on improving policies and infrastructure to address the needs of urban poor and thereby indirectly migrants in urban areas, the program has not tracked possible improvements in access to services specifically for migrants. Thus, for purposes of results measuring, it would have been advisable to not include migrants specifically in the outcome. However, the focus of this outcome area on urban poor reflects the current priorities of the government well and might be an area which the government would like to see scaled up in the next CPS period.</p>
<p><i>Increase in the number of targeted urban poor that use basic water supply and sanitation services</i></p> <ul style="list-style-type: none"> On-site improvement of targeted slum areas; Baseline (2005): 75% with housing meeting minimum Government standards; Target (2010): 100% Housing improvement and sanitation loans issued to low-income urban residents in target cities 	<ul style="list-style-type: none"> 95% of targeted low-income areas met minimum standards (under the Urban Water Development Project, 2011) Over 54,000 home improvement and sanitation loans issued. The repayment rate is about 98% (2011, under the Urban Water Development Project) 	<p>Lending: Three Cities Sanitation, Urban Upgrading, Urban Water Supply Development , Coastal Cities Sanitation, Priority Infrastructure Investment, Local Development Infrastructure Fund, PRSC 9-10, HCMC Environmental Sanitation, Urban Water Supply and Waste Water</p> <p>AAA: Regional Development & Urbanization Infrastructure Policy/Regulatory Reform, Medium Cities Transport, Sanitation Management for Urban Areas</p> <p>IDF and Trust Funds > USD1 million: Coastal Cities Environmental Sanitation Project co-financing, Urban Upgrading Co-financing</p>	
<p><i>Increase in number of unregistered migrants that use basic public services</i></p> <ul style="list-style-type: none"> Design and implement improved regulation for the provision of basic services, regardless of migrant status 	<ul style="list-style-type: none"> Data on provision of services for migrants NA 		
2.5. Vulnerability to natural disasters and other shocks reduced	<p>Status: <u>Partially achieved</u></p> <p>Justification for Status: The CPS program's support to</p>		

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	<p>reducing the vulnerability to natural disasters and other shocks has lead to preliminary progress in institution building, but the full impact will only visible be during the next CPS period.</p> <p>Details on progress made under each outcome indicator:</p>		
<p><i>Reduce annual costs of damages from floods and storms 2006-2010, compared to 2001-2005</i></p> <ul style="list-style-type: none"> ➤ Reduced annual cost of damages ➤ Strategy and action plan for natural disaster risk management approved ➤ Targeted community populations reporting improved early warning of floods and storms ➤ Forecasting flood with 80% preciseness on Red River 48 hours in advance, on Mekong River 3-5 days in advance 	<ul style="list-style-type: none"> ➤ Information on the costs and damages from floods and storms unavailable ➤ Strategy approved in November 2007 ➤ Targeted communities reporting improved early warning is not yet available ➤ Flood forecasting earlier than 24 hours is not yet available but is in progress. 	<p>Lending: Coastal Wetlands Protection and Management, Natural Disaster Risk Management Mekong Transport and Flood Protection</p> <p>AAA: VDR 2010: Modern Institutions, Agriculture and Rural Economic & Sector Work, Prioritizing Climate Change Investments, VDR 2011 – Natural Resources & Environmental Management, GFDRR TA for Disaster Mitigation and Preparedness</p> <p>IDF and Trust Funds > USD1 million: JSDF for Innovative Approaches to Community-Based Disaster Risk Management, Natural Disaster Risk Management Project co-financing</p>	
<p><i>Improved natural disaster preparedness at the commune level</i></p> <ul style="list-style-type: none"> ➤ Number of Safer Commune Plans prepared: Baseline (2005): 0 Target (2010) : 30 	<ul style="list-style-type: none"> ➤ 10 Safer Commune Plans prepared as of Aug. 2008, under the Natural Disaster Risk Management Project (no newer data available) 	<p>Lending: Natural Disaster Risk Management</p> <p>AAA: VDR 2010: Modern Institutions, Agriculture and Rural Economic & Sector Work, Prioritizing Climate Change Investments, VDR 2011 – Natural Resources & Environmental Management, GFDRR TA for Disaster Mitigation and Preparedness</p> <p>IDF and Trust Funds > USD1 million: JSDF for Innovative Approaches to Community-Based Disaster Risk Management, Natural Disaster Risk Management Project co-financing, Natural Disasters Mitigation PHRD co-financing</p>	
<p><i>Strengthened bio-security at farm level</i></p> <ul style="list-style-type: none"> ➤ Improved veterinary services, including surveillance, control and protection 	<ul style="list-style-type: none"> ➤ Training of veterinarians and meat inspectors supported by the Livestock Competitiveness and Food 	<p>Lending: Livestock Competitiveness and Food Safety</p> <p>AAA:</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
capacity	Safety Project is being revised to reflect changing needs and new regulation.	<p>Agriculture and Rural Economic & Sector Work</p> <p>IDF and Trust Funds > USD1 million: Smallholder Recovery Assistance from Avian Influenza and Vigilance against further Outbreaks. Avian and Human Influenza Control and Prevention, Avian and Human Influenza Control and Preparedness.</p>	
2.6 Modernized Social Security	<p>Status: <u>Partially Achieved</u></p> <p>Justification for Status: Analytical Work on Social Security carried out in 2008 set the basis for a new dialogue and new policy initiatives. However, the Social Security Modernization Project, which has been in the pipeline for several years, is still not delivered. Discussions are ongoing on whether the project can move ahead.</p> <p>Details on progress made under each outcome indicator:</p>		
<p><i>Added outcome: Policy framework in place for effective and financially sustainable social security system</i></p> <ul style="list-style-type: none"> ➤ Adopt Social Insurance Law making the system financially viable and extending its coverage ➤ Prepare a strategic plan to ensure prudential and effective investment of social security funds ➤ Added output: Introduce single social insurance number for all targeted benefits and social insurance programs 	<ul style="list-style-type: none"> ➤ Completed under PRSCs 6-7. ➤ Completed under PRSC 8. ➤ Not yet introduced 	<p>Lending: PRSCs 6-9</p> <p>AAA: Social Security Reform TA, Social Security Modernization TA</p> <p>IDF and Trust Funds > USD1 million: IDF for Capacity Building for Analysis of Wage and Social Insurance Policies</p>	

Self-Evaluation Summary of Vietnam CPS Program			
CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<i>Modernization program for social security system administration developed and implementation initiated</i> ➤ Improve efficiency, performance, and accountability of administration of the social security system	➤ Approach are still in early stages of design in the context of preparation of the Social Security Modernization Project, but progress in project preparation has been slow due in part to the limited experience of the implementing agency in preparing Bank projects	Lending: PRSC series AAA: Social Security Reform TA, Social Security Modernization TA IDF and Trust Funds > USD1 million: IDF for Capacity Building for Analysis of Wage and Social Insurance Policies	
<i>Policy framework in place for expanded coverage of workers</i> ➤ Introduce voluntary pension program for farmers and informal sector	➤ Completed under PRSC 6-7	Lending: PRSC 6-7 AAA: Social Security Reform TA, Social Security Modernization TA IDF and Trust Funds > USD1 million: IDF for Capacity Building for Analysis of Wage and Social Insurance Policies	
PILLAR III: MORE SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES, AND REDUCED ENVIRONMENTAL DEGRADATION			
3.1. Better sustaining and managing natural resources	Status: <u>Partially achieved</u> Justification for Status: There has been significant progress under the Land Administration Project, which has made it easier for people to access land titles. There has furthermore been improvement in terms of combining forest protection with sustained livelihood and poverty reduction; less progress however has been seen in relation to the protection of critical natural habitats. Also there are concerns about the transparency in the allocation of land titles. Details on progress made under each outcome indicator:		
<i>Households in buffer zone communities less dependent on unsustainable harvesting of forests in buffer zones for their livelihoods</i> ➤ Improve detection of and strengthened suppression of illegal forest activities	➤ Forestry Law Enforcement and Governance (FLEG) country assessment completed and training delivered.	Lending: Coastal Wetlands Protection and Management, Forest Sector Development (IDA & GEF), Chu Yang Sin National Park (GEF) AAA:	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<ul style="list-style-type: none"> ➤ Increase in household income in buffer zone communities ➤ Expansion of area under protection contracts 	<p>MOU with Lao PDR on cross-border collaboration; MOU with Thailand underway.</p> <ul style="list-style-type: none"> ➤ Poverty rate in vulnerable communes reduced 38% compared with project start. ➤ 4,662 and 1,214 ha of new mangroves planted in forest protection zones and buffer zones, respectively; 34,395 ha put under protection contracts; 	<p>Forest Sector Support II, Social & Land Conflict Management, VDR 2011 – Natural Resources & Environment Management</p> <p>IDF and Trust Funds > USD1 million: Forest Sector Development Project co-financing, First and Second TF for Forests co-financing,</p>	
<p><i>Increased coverage of critical natural habitats in protected areas</i></p> <ul style="list-style-type: none"> ➤ Protected Areas coverage: Baseline (2005): 5.5% ➤ Percentage of forest area that is closed canopy forest: Baseline (2005): 5 percent 2008: 3.8 percent ➤ Biodiversity conservation mainstreamed ➤ Expansion of Marine Protected Area system and wetlands under protection 	<ul style="list-style-type: none"> ➤ 6.25% percent (from 2011 VDR) ➤ No available data by the end of the CPS period, but strong indication of continuing decline of closed canopy forests, even while total forest cover is increasing ➤ Biodiversity conservation mainstreamed in the forest and fishery sector development strategies for 2006-10 and their action plans and implemented under the Forest Sector Development Project (FSDP), Coastal Wetland Development Project, and GEFs. ➤ No remarkable expansion of Marine Protected Areas (as well as Special Use Forests) in terms of their number and area. No changes observed in overall quality of management of Marine Protected Areas (or Special Use Forests) 	<p>Lending: Coastal Wetlands Protection and Management, Forest Sector Development (IDA & GEF), Chu Yang Sin National Park (GEF), Green Corridor Project (GEF), Pu Luong Cuc Phuong Protected Area Project (JSDF)</p> <p>AAA: Forest Sector Support II, Social & Land Conflict Management, VDR 2011 – Natural Resources & Environment Management</p> <p>IDF and Trust Funds > USD1 million: Forest Sector Development Project co-financing, First and Second TF for Forests co-financing, Coastal Wetlands Protection and Management and Development Co-financing</p>	
<p><i>Reform of State Forest Enterprises (SFEs) accelerated</i></p> <ul style="list-style-type: none"> ➤ Improved allocation, titling and management of production forestland coming out of SFE reform 	<ul style="list-style-type: none"> ➤ Some improvements made on pilot basis supported with Vietnam Conservation Fund/FSDP grants (51) and GEFs. An update and policy recommendations are under preparation under FLEG study. ➤ About 1 million ha of underused forest land has been reallocated from SFEs. However its allocation to 	<p>Lending: Land Administration</p> <p>AAA: Social & Land Conflict Management, VDR 2011: Natural Resources & Environment Management</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	households and local business is slow and lacks transparency. Nationally, percentage of forest land allocated to households increased from 27% in 2006 to 28-29% in 2008 (23,000 ha under FSDP for the plantation of 22788 ha of forest as of Dec 2008). However, this percentage remains very low in Central Highlands, i.e. 2.5% and 3%.		
<p><i>Lower transaction cost and higher satisfaction among end users of improved land administration</i></p> <p>➤ Nationwide, the percentage of provincial land registration offices with fully operational one-door service provision increased: Baseline (2005) 2% Target (2010): 50%</p> <p>➤ Increase percentage of households whose land use right certificates are under the names of either a woman or both spouses</p>	<p>➤ 31 provincial land registration offices established, equivalent to 49% of all provinces. However, the development of a database and the purchase of equipment have not yet been concluded. No District Land Registration Offices are operational, but are pending the users' service training and 'down and up' links. 196 commune level access points are operational, equipped with computers and other office equipment, but without up-link and staff training (2011)</p> <p>➤ It is estimated the percentage doubled in 2008 from 16% in 2004 (15% for agricultural land and 18% for resident land). However, the indicator was not included in the 2010 VHLSS and therefore no new data is available</p>	<p>Lending: Forest Sector Development Project</p> <p>AAA: Social & Land Conflict Management, VDR 2011: Natural Resources & Environment Management</p>	
<p><i>River basin management organizations allocating water resources more effectively</i></p> <p>➤ Number of river basins with operational inter-provincial management</p>	<p>➤ The number of River Basin Management Organizations increased from 3 in 2006 to 4 at present. However, as was the case at time of the Progress Report, in general they still operate ineffectively if at all.</p>	<p>Lending: Water Resources Assistance, Mekong Delta Water Resource Management for Rural Development</p> <p>AAA: VDR 2011 – Natural Resources & Environment Management</p>	
<p>3.2. Improved management effectiveness of household and industrial pollution</p>	<p>Status: <u>Partially achieved</u></p> <p>Justification for Status: The CPS program has made good progress on the legal and regulatory framework and cost recovery in the area of household sanitation as well as some progress on increasing the coverage rates, considering the low base from which the work started. In addition, analytical work on industrial pollution was carried out jointly with the Government and preparation of an FY13 lending operation was initiated. However,</p>		

Self-Evaluation Summary of Vietnam CPS Program

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	<p>indicators were not met in this area and less than 30 percent of the wastewater from industrial parks is treated in centralized facilities. Progress toward a lower-intensity carbon economy was made through investments in energy demand side management and renewable energy development. In renewable energy, targets were surpassed for several indicators.</p> <p>Details on progress made under each outcome indicator:</p>		
<p><i>Reduced pollution from domestic wastewater</i></p> <p>➤ Percentage of wastewater flows from cities that is subject to at least primary treatment: Baseline (2005): 0 Target (2010): 40%</p>	<p>➤ Less than 10% of urban wastewater flows subject to at least primary treatment (2011)</p>	<p>Lending: Three Cities Sanitation, Coastal Cities Environmental Sanitation (IDA & GEF), HCMC Environment and Sanitation, HIFU, Water Supply & Wastewater</p> <p>AAA: Sanitation Management for Urban Areas, , VN Sanitation Management for Urban Areas (FY10)</p> <p>IDF and Trust Funds > USD1 million: IDF for Improving the Institutional Capacity for Water Pollution Control</p>	
<p><i>Use of wastewater treatment and solid waste services increase in target cities</i></p> <p>➤ Average cost-recovery of wastewater treatment and solid waste collection services increased</p>	<p>➤ In general the solid waste tariffs are in better shape with the cost recovery around 60-80%. For the waste water sector, it is necessary to distinguish between the environmental protection charge (up to 10% of water bill, defined by Decree 67, not fully applied) and the waste water fee (based on a full cost recovery approach as defined in Decree 88, applied in some cities with as-built waste water facilities). It is noted that the cost recovery in waste water is less than 10%</p>	<p>Lending: Three Cities Sanitation, Urban Upgrading, HCMC Environmental Sanitation, Coastal Cities Environmental Sanitation (IDA & GEF), Water Supply & Wastewater, Hospital Waste Management</p> <p>AAA: Sanitation Management for Urban Areas, VN Wastewater Decree (FY07)</p> <p>IDF and Trust Funds > USD1 million: IDF for Improving the Institutional Capacity for Water Pollution Control</p>	
<p><i>Reduced traffic congestion and related air pollution in urban areas with increased use of public transportation systems</i></p> <p>➤ Improved public bus transport system in Hanoi</p> <p>➤ Construction of 15km of Bus Rapid</p>	<p>➤ Detailed design for Hanoi Bus Rapid Transit in progress, construction to be completed by end 2012</p>	<p>Lending: Hanoi Urban Transport (GEF)</p> <p>AAA: VN – Promote Strategic Urban Planning</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<p>Transit by end 2013</p> <p>➤ Development of Air Quality Management System for Hanoi by end 2013</p>	<p>➤ Not relevant</p> <p>➤ Work is ongoing for Air Quality Management System for Hanoi, to be completed by end 2013.</p>		
<p><i>Improve safe collection and disposal of PCB oils from 0 (2005) to 57 % (2010) of PCB oils. Overall PCB waste is quantified (2010).</i></p> <p>➤ Safe collection and disposal of PBC oils</p> <p>➤ PCB management system in place for Vietnam for priority areas</p>	<p>➤ Updated information not available</p> <p>➤ The GEF-financed project to improve management of PCBs began in 2010 and will continue until 2014 by which time needed management systems will be in place</p>	<p>Lending: PCB Management (GEF)</p> <p>AAA Many analytical studies carried out as part of preparation of PCB project</p> <p>IDF and Trust Funds > USD1 million: IDF for PCB Management</p>	
<p>➤ 70% industrial zones with wastewater treatment systems and 100% of new industries apply clean technology</p>	<p>➤ Current levels of treatment of industrial wastewater have not changed significantly and remain at about 30% (as was the case at the time of the Progress report). An IDA-financed project on Industrial Pollution control is under preparation and will address this problem during the period of the next CPS.</p>	<p>Lending:</p> <p>IDF and Trust Funds > USD1 million: National CFC and Halon Phase-out Plan, IDF on Water Pollution Control</p>	
<p><i>100 percent of investment projects have environmental and social assessments of international standards, and all sectoral plans and regional programs contain strategic environmental assessments.</i></p> <p>➤ Policies and procedures on public participation and consultation developed and in use for key sectors</p>	<p>➤ Articles 8, 20 and 21 in the new Urban Planning Law issued on June 17, 2009 by Standing Committee of National Assembly requires public participation and consultation, providing the rights and responsibilities of all stakeholders included in urban planning design process and guidelines for the progress of public consultation. Technical support was provided to MONRE on land valuation and revision of the Land Law along with relevant decrees and guidelines relating to involuntary resettlement and the development of Vietnam's capacity for implementing them. The Government issued a decree to mandate the timely preparation, public consultation and review of an Environment Impact Assessment (SIA) and a Strategic Environmental Assessment (SEA)</p>	<p>Lending: PRSC, PIR I</p> <p>AAA: (policy dialogue), TA on Urban Planning Law</p>	
<p><i>Improved energy system efficiency, with electricity losses reduced to about 10% in 2010 from 12% in 2005</i></p> <p>➤ Peak demand and electricity consumption reduced by 120MW and 500GWh</p>	<p>➤ The ICR for the DSM and Energy Efficiency Project indicates total peak load demand reduction of 310 MW</p>	<p>Lending: Transmission and Distribution, Rural Distribution System Energy, Equitization & Renewables, Demand-Side Management & Energy (GEF), 2nd Rural Energy (GEF), Renewable Energy Development, Clean</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
through DSM activities by 2010	and energy saving of 2506 GWH (direct and indirect effects), exceeding the target. (Draft ICR report, 2011) ➤ By the end of 2009, the T&D losses stood at 9.6%. However, in 2010, power T&D losses slightly increased to 10.25% against the target of 10% . Some distribution corporations did not meet the targets because they are taking over low voltage distribution networks from poor performing local distribution units. (EVN statistics, 2011)	Production & Energy Efficiency (GEF) AAA: TA for Vietnam Energy Efficiency Program	
<i>Increased capacity and utilization of renewable energy</i> ➤ A 200MW increment of renewable contributing capacity to grid in 2010 ➤ 1 million CERs contracted for SAdelivery by 2010	➤ About 400 MW increment of renewable energy contributing to grid from 2005 to 2010, exceeding the target. During 2009-2010 only, 250 MW of grid connected renewable energy generation was added to the system during 2009-2010 and 400 MW are under construction. (EVN and MOIT statistics, 2011) ➤ As of 2010, 26 CDM projects were registered out of 124 submitted projects. The registration rate remain low compared with other countries (22% versus average of 36.7%) (JICA report, 2010)	Lending: System Energy, Equitization & Renewables, Renewable Energy Development, AAA: TA for Vietnam Energy Efficiency Program (?)	
3.3 Improved Climate Change Adaptation and Migration	Status: <u>Partially Achieved</u> Justification for Status: This outcome was only introduced at the time of the Progress Report in late 2009 and therefore there has been limited time to achieve the goals. The progress in terms of sectoral and provincial climate change adaptation strategies is uneven. Studies on climate change have been completed and the Bank has supported the development of a first draft of a government strategy on Climate Change at the very end of the CPS period. The Government has developed a National Target Program to address climate change concerns. The Bank has also scaled up engagement in climate change (including the development of a climate change strategy) and is preparing a DLP series with the first operation planned for early FY12. Progress has furthermore been made in energy (including in alternative energy and loss reductions).		

Self-Evaluation Summary of Vietnam CPS Program			
CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	Details on progress made under each outcome indicator:		
<p><i>Strengthened government capacity to address challenges posed by climate change</i></p> <p>➤ Sectoral and provincial climate change adaptation strategies (required under the NTP-Climate Change) prepared by 2011, and priorities included reflect adequate economic cost-benefit analyses.</p>	<p>➤ Government capacity has improved but only some sectors and provinces have developed climate change adaptation strategies. The Bank supported the development of the first draft of a national climate change strategy at the very end of the CPS period. However, the Government is still slow to take action in various key policy areas. This will be addressed under forthcoming World Bank Climate Change DPO.</p> <p>➤ Analyses on the economic costs of adaptation were undertaken in a number of sectors, with Bank support, and were completed by 2011</p>	<p>Lending: Many lending operations of the Bank cover adaptation and mitigation priorities (see the Vietnam Climate Change Strategy for more complete discussion).</p> <p>AAA: World Bank Climate Change Strategy for Vietnam, Climate Change Scale-Up Mekong Delta, Water Supply and Sanitation Responses to Climate Change, EACC, AAA work on Impacts of Climate Change on Urban Drainage Systems and Climate, Disaster Resilient Cities work in Hanoi, Can Tho and Dong Hoi and corresponding national tool kit for Local Resilience Action Planning, and many other analytical studies</p>	
PILLAR IV: STRENGTHENED GOVERNANCE SYSTEMS			
<p>4.1 Improved effectiveness of public financial management; with better budget planning, execution, and accountability and revenue collection</p>	<p>Status: <u>Partially achieved</u></p> <p>Justification for Status: The Public Financial Management (PFM) program is expected to deliver the anticipated key outcomes, but with a lag despite considerable supporting technical assistance. From a long-term perspective implementation of the PFM agenda has made substantive progress.</p> <p>Details on progress made under each outcome indicator:</p>		<p>The progress of the PFM reform agenda has been positive but the pace extremely gradual so that even though the bulk of the goals on the PFM agenda is expected to be met over the long-haul, some of the narrower goals set under the CPS will be not be met until on during the next CPS. The progress expected within the coming period can hopefully help advance the use-of-country-systems agenda, where progress has been limited. Support for the implementation of the anti-corruption agenda has been weaker, limited to tracking actions under the PRSC. Elements to access their impact are not available. The 2010 Modern Institutions VDR took a long view of the institutional development and identified weak points providing an effective platform for dialogue in the country on institutions and governance issues.</p>
<p><i>Timely and consistent in year budget execution information available to line ministries, provinces donors and the public</i></p> <p>➤ Treasury and Budget Management Information System (TABMIS)</p>	<p>➤ TABMIS piloted in Central State Treasury, Ministry of Finance, and thirty five provinces (expectedly 63</p>	<p>Lending: Public Financial Management Reform, PRSC 9</p> <p>AAA: VDR 2010: “Institutions Matter”, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<p>implemented at central and local level treasury and finance offices, piloted in selected spending units: Baseline (2007): None Target (2011): Implementation throughout government</p> <p>➤ In-year budget execution information available to line ministries, provinces, donors and the public in a timely and consistent manner: Baseline (2007): None Target (2011): Quarterly reporting of disaggregated data</p>	<p>provinces by end of 2011)</p> <p>➤ Quarterly budget execution information posted on the web 45 days after quarter-end (2011)</p>	<p>IDF and Trust Funds > USD1 million: Public Financial Management Reform Project co-financing</p>	
<p>➤ Establishment of PFM performance indicators</p>	<p>➤ Efforts are underway. A baseline self-assessment by the Government on Public Expenditure and Financial Accountability (PEFA) indicators is underway and expected to be concluded in late 2011</p>	<p>Lending: PRSC 9, Public Financial Management Reform</p> <p>AAA: VDR 2010: “Institutions Matter”, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p> <p>IDF and Trust Funds > USD1 million: Public Financial Management Reform Project co-financing</p>	
<p><i>Better processes for linking plan and budget, prioritizing expenditure and integrating capital and recurrent expenditure in major public spending sectors</i></p> <p>➤ MTEF mainstreamed Baseline (2006): Pilots launched Target (2012): MTEF institutionalization through the new State Budget Law is expected in 2012</p>	<p>➤ Medium-Term Fiscal Framework (MTFFs) and Medium-Term Expenditure Framework (MTEFs) launched in transport, health, education, agriculture, planning and finance. These are carried out in four provinces on a pilot basis.</p>	<p>Lending: PRSC 9, Public Financial Management Reform, Public Investment Reform (PIR) I</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy,</p> <p>IDF and Trust Funds > USD1 million: Public Financial Management Reform Project co-financing, IDF for Facilitating Ministry of Health Stewardship Role</p>	
<p><i>Public sector accounting standards meeting international standards</i></p> <p>➤ Public sector accounting standards and regulations adopted and mechanism for regular compliance monitoring and update established and implemented Baseline (2007): Not done. Target (2011): Adopted for cash</p>	<p>➤ 2011: Not done. Efforts underway to develop a roadmap to adopt international public sector accounting standards (IPSAS), with plan to adopt the IPSAS cash accounting standards in late 2011</p>	<p>Lending: PRSC 9, Public Financial Management Reform</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p> <p>IDF and Trust Funds > USD1 million:</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
accounting.		Public Financial Management Reform Project co-financing, IDF for Capacity Strengthening for the Vietnam Association of Certified Public Accountants, IDF for Introduction of International Public Sector Accounting Standards.	
<p><i>Improved tax revenue collection with strengthened compliance of tax administration</i></p> <p>➤ Streamlined/simplified tax processes including registration, collection and payment and establishment of service culture in tax offices (a long-term process, the first stages of which are within this CPS period). Baseline (2007): No systematic examination of business procedures aimed at simplifying business procedures</p> <p>Target (2011): List of requirements to change business procedures completed. Beyond 2013: Develop IT system to meet requirements and ultimately roll-out the new system.</p>	<p>➤ Requirements for business process reengineering exercise defined and included in bidding documents for Integrated Tax Administration Information System. Reengineering of business processes will be combined with computerization of new processes. It is expected that the actual re-engineering process will start in 2013 and will be completed by the end of 2014.</p>	<p>Ongoing lending operations: PRSC 9, Tax Administration Modernization</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation,</p> <p>IDF and Trust Funds > USD1 million: Tax Admin Modernization Co-financing</p>	
<p><i>Public procurement managed more transparently at the central and local levels as evidenced by: Improvements in the performance of the Public Procurement System, as evidenced by progress on OECD/DAC indicators and the government's M&E system</i></p> <p>➤ Public procurement managed more transparently at the central and local levels</p> <p>Baseline (2007): Assessment of National Procurement System using OECD/DAC Baseline Information System Bench marking Tool completed in February 2007. Procurement Compliance and Performance Indicator system based on OECD/DAC developed and piloted. Target (2011): M&E system in place.</p>	<p>➤ Compliance and performance indicators are now incorporated in annual procurement audits carried out by the Inspectorate. PPA is in process of hiring consultants for (i) developing the national standards and manual for procurement audits; (ii) updating the assessment of the legal framework for public procurement using OECD/DAC benchmarking tool.</p> <p>Significant gaps remain between Vietnam's public procurement system and international good practice</p>	<p>Lending: PRSC 9, Public Investment Reform (PIR)</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation</p> <p>IDF and Trust Funds > USD1 million: Public Financial Management Reform Project co-financing, IDF for Capacity Strengthening for the Vietnam Association of Certified Public Accountants. IDF for Strengthening Implementation Monitoring and Evaluation of the Public Procurement System</p>	
<p>Added outcome: Improved government-to-business services through online delivery</p>		<p>IDF and Trust Funds > USD1 million: IDF for Public Procurement Reform</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<p>➤ E-procurement bulletin in operation: Baseline (2007): Basic e-Procurement Bulletin website in place and operational Target (2011): Enhance and complete putting e-Procurement Bulletin in place, with supporting regulatory framework</p> <p>➤ Business-related e-services (e.g., business registration, e-procurement, and business-related data dissemination) available in Danang, Hanoi, and HCMC</p>	<p>➤ e-Procurement Bulletin established and well known in the industry, with mandatory posting of procurement plans, bidding opportunities and contract award information. e-Procurement Bulletin had been updated to the daily Public Procurement Review Newspaper available both online and in hard copies.</p> <p>➤ Business-related e-services have become operational at varying degree in some ministries (Ministry of Industry and Trade, MOF, etc) and localities (HCMC, Danang, Haiphong, etc) and are being piloted in other ministries/provinces. MPI/PPA has been piloting a national e-Tendering system with the participation of several large domestic corporations (e.g. VNPT, EVN, etc)</p>		
<p>4.2. Modernized planning towards development objectives, with more participatory approaches</p>	<p>Status: <u>Partially achieved</u></p> <p>Justification for Status: It is assessed that this status is partially achieved based on the delivery of P-135 where local participation is a key element and partial progress on the Hanoi Core Statement. As one of the first countries to localize the Paris Declaration, Vietnam showed great will to modernize planning and aid effectiveness. There has been progress in improving aid effectiveness since 2005, but some development partners had expected more results. Remaining challenges include the lack of capacity for strategic policy making and planning at sub-national level and a lack of clarity on what exactly is needed to change current aid practices.</p> <p>Details on progress made under each outcome indicator:</p>		<p>Vietnam has fielded and is implementing a very ambitious decentralization strategy. The CPS could have supported these efforts more as part of a strategy to modernize planning, given the role of the local authorities in delivering outcomes.</p>
<p><i>Proportion of local development projects with strong participation of local people in supervision</i></p> <p>➤ Share of communes and villages in Program 135 that have acted as investment owners for program investments increased</p> <p>Baseline (2005): 15% Target (2010): 100%</p>	<p>➤ 86.1% of Zone 3 communes and 96.3% of poorest villages in Zone 2 communes (2010)</p>	<p>Lending: Community-based Rural Infrastructure Development, 2nd P135-Phase II, Northern Mountains Poverty Reduction 1&2, Rural Transport III, PRSC 9-10</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy, Social & Land Conflict Management</p> <p>IDF and Trust Funds > USD1 million:</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
		JSDF grant for Empowering Farmers for Participatory Irrigation Management, 2 nd P135 Co-financing	
<p><i>Management of ODA strengthened and aligned to the Government budget</i></p> <p>➤ World Bank Hanoi Core Statement targets on aide effectiveness achieved</p> <p>Ownership (HCS indicator 1): Baseline (2005): B Target (2011): A</p> <p>Performance assessment framework: Baseline (2005): C Target (2011): A</p>	<p>➤ Ownership/Operational Development Strategies: B</p> <p>➤ Results-Oriented Framework: B</p> <p><i>Note: Vietnam has successfully met the 2010 target for about half of the alignment indicators. The remaining half show either progress or no change. Vietnam has made great progress on the targets on the indicators for managing results and mutual accountability</i></p>	<p>Lending: PRSC 9, Public Investment Reform (PIR) DPOs</p> <p>IDF and Trust Funds > USD1 million: Comprehensive Capacity Building to Strengthen ODA Management, IDF on Strengthening Portfolio Management at Ministry of Planning and Investment. Co-financing TFs to PRSC 5-10, IDF for Capacity Building for Strengthening the Regulatory Framework for the Management of Investment., IDF for Capacity Building for the Management of Construction Contracts</p>	
<p><i>Needs-based planning and budgeting used in education sector</i></p> <p>➤ Fundamental School Quality Levels (FSQL) used as the benchmark in prioritizing resources by schools, districts and provinces.</p>	<p>➤ A fully decentralized needs-based planning model (based on “fundamental school quality levels” is now implemented throughout the primary school sector. The “fundamental school quality levels” tool is used as a matter of national policy for targeting resources to the most needy schools based on the real needs.</p>	<p>Lending: Primary Education for Disadvantaged Children</p> <p>AAA: High Quality Basic Education for All</p> <p>IDF and Trust Funds > USD1 million: IDF for Result-based Management for Vietnam Education Managers.</p>	
<p>4.3. Reduced incidence of corruption in key services</p>	<p>Status: <u>Partially Achieved</u></p> <p>Justification for Status: Given the presence of administrative corruption, the work on tax and customs procedures simplification has been highly relevant. However, the Customs Project has been cancelled because of severe complications (See Lessons learned under Outcome 1.1) Progress has been made in highlighting the relevance of external control, and targets were reached in terms of asset declarations for individuals and firms. However, progress on transparency of government financial information and auditing has been limited. The PCI indicators on bribe paying among firms show some signs of improvement, but methodology and indicators</p>		<p>While this outcome area is extremely important for the country to address, it is a rather difficult one to measure progress in as well as to attribute the Bank’s contribution. It is worth taking into consideration when designing the results framework for the coming CPS. It is furthermore recommended that the next CPS will not limit the concept of governance to PFM, financial transparency and unofficial payments in tax and customs. Rather, the definition of governance should be broadened to include transparency, accountability and information and be treated as truly cross-cutting rather than having a separate section in the results framework.</p>

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
	have been changed slightly since previous surveys. Details on progress made under each outcome indicator:		
<p><i>Increased transparency of government financial information and strengthened audit functions</i></p> <p>➤ Government accounts and financial reports audited by SAV and the financial statements and audit reports made available to the public in a timely manner: Baseline (2007): Government accounts made public at aggregate level only, and audited by SAV. Individual audit reports not published. Audit reports of aggregate budget published within 18 months. Government financial statements not produced. Target (2011): Government accounts made public including routinely publishing of individual audit reports. Audit reports of aggregate budget published within 9 months. Government financial statements piloted.</p>	<p>➤ Marginal improvements since 2007. Government accounts are now published, and audit reports of key cases have been the subject of intensive public debates at the National Assembly, although there remains much room for improvement in the comprehensiveness and timeliness of publishing of audit reports.</p>	<p>Lending: Public Financial Management Reform, Customs Modernization (cancelled before termination), ICT, Tax Administration, PRSC 9-10, Public Investment Reform DPO 1-2</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p> <p>IDF and Trust Funds > USD1 million: Governance and Poverty Policy Analysis and Advice Program, Public Financial Management Reform Co-financing, TFs to support Public Financial Management Modernization, Co-financing TFs to PRSC 5-10, IDF for Capacity Strengthening for the Vietnam Association of Certified Public Accountants, IDF for Internal Audit Capacity Building for Ministry of Finance Inspectorate, IDF for Strengthening Procurement Audit</p>	
<p><i>Decreased prevalence of petty corruption in the delivery of public services as evidenced in surveys of enterprises and households</i></p> <p>➤ A risk management system in place for Custom Administration and Tax administration (a long-term process, the first stages of which are within the CPS period). Baseline (2007): Risk Management Unit in place Target (2011): First rudimentary risk management system in place</p> <p>➤ Proportion of importers and exporters</p>	<p><u>For Tax Administration:</u></p> <p>➤ Pilot exercises for risk-based audit selection launched in HCMC and Hanoi. Modeling and development of a risk scoring methodology for case selection for desk and field audit is currently ongoing.</p> <p><u>For Customs:</u></p> <p>➤ A legal framework for application of risk management is developed, and risk management organization on three levels in customs administration is established (Headquarters Risk Management Unit, Risk Management Divisions at regional level and Risk Management Teams at Customs sub-department level).</p> <p>➤ Client perception and satisfaction with customs performance has been improved significantly: 53.5%</p>	<p>Lending: Public Financial Management Reform, Customs Modernization (cancelled in FY11, before termination), ICT, Tax Administration, PRSC 9-10, Public Investment Reform DPO 1-2</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p> <p>IDF and Trust Funds > USD1 million: Governance and Poverty Policy Analysis and Advice Program, Poverty Analysis and Policy Advice Support, Public Financial Management Reform Co-financing, TFs to support Public Financial Management Modernization, IDF for Capacity Strengthening for the Vietnam Association of Certified Public Accountants</p>	

Self-Evaluation Summary of Vietnam CPS Program

CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
<p>saying they are satisfied with customs performance: Baseline (2005): 33.9% Target (2011): 55%</p> <p>➤ PCI panel survey of enterprises, percentage saying it is common to pay unofficial payments: Baseline (2006): 69.8%</p> <p>➤ Percentage saying they pay bribes to avoid taxes and regulations being a major obstacle: Baseline (2006): 39.1%</p> <p>➤ Percentage of firms who say they pay commissions to get contracts with the state: Baseline (2006): 59.1%</p>	<p>of the clients are satisfied with customs service and agree that:</p> <ul style="list-style-type: none"> • Customs and import–export rules and regulations are clear and transparent; • Implementation of customs procedures is clear and simple; • Time for customs procedures completion is quick; • Customs staff has adequate capacity to meet job requirements; and • Customs staff attitude is reasonable; and costs are reasonable <p>➤ 22.8% of businesses pay bribes during registration (PCI, 2010) (note: methodology and design changed from previous PCIs and therefore result does not match original indicator completely)</p> <p>➤ 22.3% of business say they pay bribes to avoid taxes and regulation being a major obstacle (PCI, 2008) (Note: indicator not included in the 2010 PCI)</p> <p>➤ 34.6% of firms say they pay bribe when seeking to acquire government contracts (PCI, 2010)</p>		
<p><i>Increase in the proportion of high ranking public servants that declare their asset in accordance with the anti-corruption law</i></p> <p>➤ High ranking public servants that declare their asset in accordance with the anti-corruption law Baseline (2007): 0 people, 0 agencies Target (2011): more people; 100% of agencies</p>	<p>➤ Target achieved: 105,070 people (97%) declared the first time, 514,525 people (96%) continued declaration, 100% agencies participated (2010)</p>	<p>Lending: Public Financial Management Reform, Customs Modernization (cancelled before termination), ICT, Tax Administration, PRSC 9, Public Investment Reform DPO 1-2</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p> <p>Trust Funds > USD1 million: Governance and Poverty Policy Analysis and Advice Program, Poverty Analysis and Policy Advice Support, Public Financial Management Reform co-financing, TFs to support Public Financial Management Modernization, IDF for</p>	

Self-Evaluation Summary of Vietnam CPS Program			
CPS Outcome/Cluster of Outcomes and Outcome Indicators (baselines and targets)	Status And Evaluation Summary	Lending and non-lending Activities that contributed to the outcome	Lessons and suggestions for the new CPS
		Capacity Strengthening for the Vietnam Association of Certified Public Accountants	
<p><i>Added outcome: Improved transparency and efficiency of selected public services in Danang and Hanoi</i></p> <p>➤ More public services available online</p> <p>➤ Construction Industry Transparency (CoST): Indicators:</p>	<p>➤ Online applications of priority public services are under procurement in Danang and Hanoi (e.g. vehicle registration, driver license, business registration)</p> <p>➤ Design for CoST pilot program completed in 2010 and pilot implementation completed in early 2011 ahead of time. Governance, Transparency and Anti-Corruption Framework included in Northern Delta Transport Infrastructure Projects and now standard in large transport projects. Hence also included in Haiphong Urban Transport and Da Nang – Quang Nai Expressway Project.</p>	<p>Lending: ICT Development</p> <p>AAA: VDR 2010 – Institutions, GAC Implementation, Support to SEDP Preparation, Support to National Development Strategy</p> <p>IDF and Trust Funds > USD1 million: Governance and Poverty Policy Analysis and Advice Program, Poverty Analysis and Policy Advice Support, Public Financial Management Reform Co-financing, TFs to support Public Financial Management Modernization, IDF for Capacity Strengthening for the Vietnam Association of Certified Public Accountants</p>	

APPENDIX 2: PLANNED LENDING PROGRAM AND ACTUAL DELIVERIES
(FY07 – FY11)

CAS PLANS (January 3, 2007)				STATUS ³⁷		
FY	Project	USD(M)			USD(M)	
		IBRD	IDA		IBRD	IDA
Year 2007	Program 135 - Phase II		50.0	Program 135 - Phase II		50.0
	Avian & Human Influenza Control		20.0	Avian & Human Influenza Control		20.0
	Higher Education II		60.0	Higher Education II		59.4
	Coastal Cities Environmental Sanitation		124.7	Coastal Cities Environmental Sanitation		124.7
	Mekong Transport Infrastructure Development		207.0	Mekong Transport Infrastructure Development		207.7
	PRSC 6		150.0	PRSC 6		175.0
	Mekong Transport/Flood Protection-Supplementary Financing		15.0	Mekong Transport/Flood Protection-Supplementary Financing		25.0
	Hanoi Urban Transport		131.8	<i>Additional Actual Projects</i>		50.0
	Tax Administration Reform		80.0	HIFU Development		
	GEF-Hanoi Urban Transport		10.9			
	Subtotal		849.4	Subtotal		711.8
Year 2008	Land Administration		50.0	Land Administration		75.0
	Northern Delta Transport Development		150.0	Northern Delta Transport Development		170.0
	Northern Upland Health Support		60.0	Northern Upland Health Support		60.0
	Rural Distribution Project		107.0	Rural Distribution Project		150.0
	Rural Finance III		100.0	Rural Finance III		200.0
	Danang Priority Infrastructure Development		100.0	Danang Priority Infrastructure Development		152.4
	PRSC 7		150.0	PRSC 7		150.0
	Agriculture Competitiveness		55.0	<i>Additional Actual Projects</i>		
	Financial Sector Modern. & Info. Management		60.0	Hanoi Urban Transport (moved from FY07)		155.2
	Local Development Investment Fund		150.0	Tax Administration Reform (moved from FY07)		80.0
	Livestock Competitiveness & Food Safety		65.0	GEF-Hanoi Urban Transport (moved from FY07)		9.8
	GEF-Coastal Cities		2.7			
	GEF-PCB Management		13.4			
	GEF-Integrated Protected Area/Landscape		5.0			

37 Actual, Dropped, or forwarded to a different FY

CAS PLANS (January 3, 2007)				STATUS ³⁷		
FY	Project	USD(M)			USD(M)	
		IBRD	IDA		IBRD	IDA
	Subtotal		1,068.1	Subtotal		1,202.4
Year 2009	Renewable Energy Development		100.0	Renewable Energy Development		202.0
	School Education Quality Assurance		45.0	School Education Quality Assurance		127.0
	Second Program 135 - Phase 2		50.0	Second Program 135 - Phase 2		100.0
	PRSC 8		150.0	PRSC 8		350.0
	Second Water Supply Development (FY11)		110.0	<i>Additional Actual Projects</i>		
	Hydropower Development		150.0	Agriculture Competitiveness (moved from FY08)		59.8
	Social Security Reform		100.0	Financial Sector Modern. & Info. Management		60.0
	Natural Disaster APL 2		64.0	(moved from FY08)		
	Red River Delta Rural Water Supply & Sanitation		96.0	GEF-Coastal Cities (moved from FY08)		5.4
	APL 2			GEF-PCB Management (moved from FY08)		7.0
				Rural Energy II - Additional Financing		200.0
				Higher Education Reform Support (DPL)		50.0
	Subtotal		865.0	Subtotal		1,161.2
	Subtotal FY07-FY09		2,782.5	Subtotal FY07-FY09		3,075.4
PROGRESS REPORT PLANS (November 24, 2009)				STATUS		
Year 2010	Local Development Investment Funds		190.0	Local Development Investment Funds		190.0
	Urban Upgrading - Additional Financing		160.0	Urban Upgrading - Additional Financing		160.0
	Livestock Competitiveness and Food Safety		65.0	Livestock Competitiveness and Food Safety		65.0
	Second Northern Mountain Poverty Reduction		150.0	Second Northern Mountain Poverty Reduction		150.0
	Natural Disaster Risk Management-AF		50.0	Natural Disaster Risk Management-AF		75.0
	HCM Environment & Sanitation AF		92.0	HCM Environment & Sanitation AF		90.0
	RRD RWSSP - AF		65.0	RRD RWSSP - AF		65.3
	PRSC 9		150.0	PRSC 9		150.0
	Central North Health Support		65.0	Central North Health Support		65.0
	Power Sector Reform DPL	200.0	116.0	Power Sector Reform DPL	200.0	111.8
	Project Preparation TA		75.0	Project Preparation TA		100.0
	Public Investment Reform 1	500.0		Public Investment Reform 1	500.0	
	SEIER - Additional Financing		5.0	SEIER - Additional Financing		26.5
	New-Model Universities	50.0	100.0	New-Model Universities		180.4
	Second Higher Education DPO		50.0			
	Subtotal	750.0	1,333.0	Subtotal	700.0	1,429.0
Year 2011	Trung Son Hydro Power Development	330.0		Trung Son Hydro Power Development	330.0	

CAS PLANS (January 3, 2007)				STATUS ³⁷		
FY	Project	USD(M)			USD(M)	
		IBRD	IDA		IBRD	IDA
	Third Program 135 -Phase 2		100.0	Third Program 135 -Phase 2		50.0
	Haiphong Urban Transport Project		150.0	Haiphong Urban Transport Project		175.0
	Hospital Waste Management		150.0	Hospital Waste Management		150.0
	PRSC 10		150.0	PRSC 10		
	Second Public Investment Reform	500.0		Second Public Investment Reform	87.0	263.0
	Urban Water Supply & Waste Water	50.0	100.0	Urban Water Supply & Waste Water		200.0
	Third Higher Education DPO		50.0	<i>Additional Actual Projects</i>		
	Social Security Reform		100.0	Second Higher Education DPO (moved from FY10)		50.0
	Road Network Improvement –AF		230.0	PFMRP - Additional Financing		14.0
	Industrial Pollution Control		50.0	Transmission & Distribution II-AF	180.0	
	Public- Private Partnership Pilot	100.0	120.0	Mekong Delta Integrated Rural Development		160.0
	Development of Highland Region and Selected Central Province		120.0	Coastal Cities Environment-AF		65.0
				Expressway Development	471.0	143.0
				Avian and Human Influenza Protection AF		10.0
	Subtotal	980.0	1,320.0	Subtotal	1,068.0	1,280.0
	Subtotal (FY10-FY11)	1,730.0	2,653.0	Subtotal (FY10-FY11)	1,768.0	2,709.0
	Total FY (FY07-FY11)	1,730.0	5,435.5	Total FY (FY07-FY11)	1,768.0	5,784.4

**APPENDIX 3: PLANNED NON LENDING SERVICES AND ACTUAL DELIVERIES
(FY07-FY11)**

CPS PLANS (January 3, 2007)		STATUS³⁸
Year 2007	<p>Technical Assistance to the State Bank of Vietnam Financial Sector Development Capital Markets Monitoring and Assistance Vietnam Development Report – Capital Mobilization (2008_ Post WTO accession (WBI, MDTF financed study Investment Climate Assessment/Private Sector development Infrastructure Strategy/ Related subsector studies &TA Private Public Partnership for Energy, Transport, water Ministry of Transport SOE reform issues Vietnam Food Safety and Agricultural Health Action Plan Skills for Growth & Tertiary Education</p> <p>Poverty and Social Impact Assessment Country Social Analysis Country Gender Assessment/Gender Portfolio Analysis Vietnam Development Report – Social Sector Issues (FY09) Social Security Reform/Social Protection Health Issue Paper</p> <p>Strategic environment Analysis/Country Environment Analysis Forest Sector Support/PER/Forest Policy/Law Enforcement and Governance Annual Environment Monitor Report Vietnam Development Report – Natural Resources (FY10) Safeguard Strengthening for Energy Program Water Resources Sector Review Land Policy Dialogues/Nom-Market Land allocation/Land and Credit in Vietnam WBI-Strategic Environmental Assessment</p> <p>Vietnam Development Report – Roadmap for 2010 (FY07) Vietnam Development Report: Governance (FY06)</p>	<p>Economic Sector Works Investment Climate Assessment (ICA) Skills for Growth-Tertiary Education Financial Sector Assessment Program (FSAP) Country Gender Assessment (CGA) Country Social Analysis Environment Monitor CY06: River Basin Pollution Vietnam Development Report 2007 Health Financing and Strategy Work</p> <p>Technical Assistance Development Information Center (VDIC) Wastewater Decree CA: Vietnam -CDS in Medium-Size Cities Health Issues Paper Policy Note on SP Vietnam WTO Accession Ecological Design Strategy in Haiphong Trade Strategic Environmental Assessment Social Security Reform</p>

38 Actual , Dropped, or Forwarded to a different FY

CPS PLANS (January 3, 2007)		STATUS ³⁸
	<p>Corporate Governance WBI - Parliamentary and Media Program National Policy Academy Support Public Expenditure Review/Integrated Fiduciary Assessment TA on Public Sector Accounting Standards, State Treasury & State Audit of Vietnam TA for Public Procurement (Implementation of Law, IDF for Public Procurement M&E Capacity Building Program for MPI and ODA Management Anti-Corruption Diagnostic Study/Evolving Relationship between Government and Society</p>	
Year 2008	NA	<p>Economic Sector Works Priority Infrastructure Investment Water Resources Sector Review Country Environment Analysis Medium Cities Transport Strategy Study Land Policy Stocktaking Improving knowledge and statistics on women Health Policy Notes CFAA 2007 Vietnam Development Report 2008 Vietnam's Capital Markets</p> <p>Technical Assistance ESMAP- Gas Master Plan Land Policy Dialogue Early Childhood Care and Development Tax Policy Reform Promote Strategic Urban Planning FIRST: Regulation and Guidance for Management Sustainable Regional Master Plans Social Safeguard Policy support WTO Vietnam Infrastructure Finance Capacity Building for Mon. FS Stability MoT Policy advice Rural Development Strategy Social Security Reform</p>

CPS PLANS (January 3, 2007)		STATUS³⁸
Year 2009	NA	<p>Economic Sector Works Expressway Investment Strategy CA: Vietnam- preparation for Danang Urban Plan Vietnam Development Report 2009 Vietnam A&A ROSC FY09 Cluster-Social & Land Conflict Management FY09 Cluster-Policy for Financing Infrastructure PPPs</p> <p>Technical Assistance FIRST: Establishing a national Association of People's Credit Funds FIRST: International Standard for Supervising Insurance Sector FIRST: Study for Establishing Centre of Security Depository FIRST: Regulation and Guidance for Management of Investment Funds Quang Nam Integrated Development Carbon Finance Assist TA Gas Sector Development Framework Social Security Reform Tax Policy Reform Public Financial Management Reform GAC Implementation Support to PPI Reform in Vietnam VN-Implementing Health Insurance Law VN-Social Security Modernization TA</p>
PROGRESS REPORT PLANS (September 24, 2009)		STATUS
Year t 2010	<p>Economic Sector Works Forest Sector Support II Bond Market Development Roadmap High Quality Basic Education for All Constraint Assessment-Bottleneck Vietnam Development Report 2010 - Institutions Financial Sector Strategy Infrastructure Policy/Regulatory Reform * Regional Development & Urbanization * Medium Cities Transport Agriculture and Rural Economic & Sector Work * Sanitation Management for Urban Areas</p>	<p>Economic Sector Works Forest Sector Support II Bond Market Development Roadmap Constraint Assessment-Bottleneck Vietnam Development Report 2010 Vietnam Financial Sector Strategy Medium Cities Transport (MOC) Sanitation Management for Urban Areas Policy for Financing Infra PPPs II PSD Competitiveness and Innovation</p>

CPS PLANS (January 3, 2007)		STATUS³⁸
	<p>Policy for Financing Infrastructure PPPs II *</p> <p>Policy Banks Reform</p> <p>PSD Competitiveness and Innovation</p> <p>Social Safety Net Needs Assessment</p> <p>Social & Land Conflict Management *</p> <p>Infrastructure Policy/Regulatory Reform *</p> <p>Vietnam Financial Impact Assessment 2</p> <p>Fuel Efficiency & Trade Facilitation</p> <p>Technical Assistance</p> <p>Rural Electrification Impact Studies</p> <p>HIV/AIDS Strategy</p> <p>Hydro Safeguards TA</p> <p>TA for Renewable Energy Development</p> <p>TA for Vietnam Energy Efficiency Program</p> <p>Provincial/Local ICT Development</p> <p>Prioritizing Climate Change Investments *</p> <p>Support to SBV</p> <p>GAC Implementation *</p> <p>Support to SEDP Preparation *</p> <p>Support to National Development Strategy</p> <p>Vietnam Virtual Learning Program</p> <p>Health Sector Reform TA *</p> <p>Future Power Generation</p> <p>IBRD Transition TA</p>	<p>Technical Assistance</p> <p>HIV/AIDS strategy and policy dialogue</p> <p>Provincial/Local ICT Development</p> <p>GAC Implementation</p> <p>Support to SEDP Preparation</p> <p>Support to National Development Strategy</p> <p>Vietnam Social Safety Net Assessment</p> <p>FY10 Cluster Social & Land management</p> <p><i>Additional Actual Products:</i></p> <p>Finance & Enterprise Sector Policy Notes</p> <p>Social Accountability in Large Infrastructure</p> <p>Vietnam Financial Investigations Course</p>
Year t 2011	<p>Economic Sector Works</p> <p>Education for All/Inclusive Education Program *</p> <p>Education Business Development Program *</p> <p>Health Financing/Gov't Program (hospital autonomy) *</p> <p>Vietnam Development Report 2011 - Nat. Res. & Env. Mgt.</p> <p>Crisis Impact Analysis & Social Protection Policy Monitoring</p> <p>Technical Assistance</p> <p>Support to SEDP Preparation *</p> <p>Infrastructure Policy/Regulatory Reform *</p> <p>Agriculture and Rural Economic & Sector Work *</p> <p>Regional Development & Urbanization *</p>	<p>Economic Sector Works</p> <p>FY09 Cluster-Regional Development & Urbanization (moved from FY10)</p> <p>Cluster-Agriculture and Rural ESW (moved from FY10)</p> <p>Policy Banks Reform (moved from FY10)</p> <p>High Quality Education for All</p> <p>Vietnam Development Report 2011</p> <p>Technical Assistance</p> <p>Rural Elect. Impact Studies (moved from FY10)</p> <p>Hydro Safeguards TA (moved from FY10)</p> <p>TA for Renewable Energy Development (moved from FY10)</p> <p>TA for Vietnam Energy Efficiency Program (moved from FY10)</p>

CPS PLANS (January 3, 2007)		STATUS ³⁸
	<p>Prioritizing Climate Change Investments *</p> <p>Social & Land Conflict Management *</p> <p>Health Sector Reform TA *</p>	<p>FY09 Cluster-Prioritizing Climate Change Investment (moved from FY10)</p> <p>Support to SBV (moved from FY10)</p> <p>Vietnam Virtual Learning Program (moved from FY10)</p> <p>Urban Environment MOC & ACVN</p> <p>FIRST #7040: Enhancing Deposit Insurance (cancelled)</p> <p>READ</p> <p>Health Systems Strengthening Support</p> <p>FSAP Preparatory TA</p> <p>GAC Implementation</p> <p>SBV on-site examination manual</p> <p>Rural Broadband Strategy Phase I</p> <p>Health Systems Strengthening Program II</p> <p>Country Systems in Rural WSS</p> <p>Workshop: Toolkit for PPPs for Highways</p> <p><i>Additional Actual Projects:</i></p> <p>Vietnam - ICR ROSC Update</p> <p>Climate Change Scale-up Mekong Delta</p> <p>Transport Sector Portfolio Assessment</p> <p>Enhancing role of MSMEs in Vietnam</p> <p>Country Gender Action Plan & Assessment</p>

* Programmatic AAA

APPENDIX 4: FY07-FY11 PROJECT CLOSURES AND OUTCOME RATINGS

(as of June 30, 2011)

No	Project	Age (yrs)	Approval Date	Original Closing Date	Actual Closing Date	ICR	IEG	Net Disconnect ³⁹
						Outcome Rating	Outcome Rating	
	Projects closed in FY07	7.5						0%
1	Rural Energy	6.6	30-May-00	30-Jun-04	31-Dec-06	S	S	0
2	Agriculture Diversification	8.5	23-Jun-98	31-Dec-04	31-Dec-06	S	S	0
3	PRSC 5	na	22-Jun-06	31-Dec-06	31-Dec-06	S	S	0
4	National Health Support	10.8	16-Jan-96	4-Oct-03	31-Oct-06	MS	MS	0
5	Transmission, Distribution	9.4	20-Jan-98	30-Jun-02	30-Jun-07	S	S	0
6	Avian Influenza Emergency	2.9	3-Aug-04	31-Dec-06	30-Jun-07	S	S	0
7	Higher Education	8.8	27-Aug-98	30-Jun-05	30-Jun-07	S	MS	0
8	Primary Teacher Dev.	5.5	20-Dec-01	31-Dec-05	30-Jun-07	HS	S	0
	Projects closed in FY08	7.9						
1	Northern Mountains Pov. Reduction	6.2	25-Oct-01	31-Dec-07	31-Dec-07	S	S	0
2	Coastal Wetlands Protection and Mngt	7.8	23-Nov-99	30-Sep-06	31-Aug-07	MS	S	0
3	Mekong Delta Water Resources	8.7	4-May-99	30-Jun-05	31-Dec-07	S	S	0
4	3 Cities Sanitation	9.1	18-May-99	30-Jun-05	30-Jun-08	S	MS	0
5	Program 135 - Phase II	na	21-Mar-07	31-Dec-07	31-Dec-07	MS		
6	PRSC 6	na	21-Jun-07	31-Dec-07	31-Dec-07	na	na	
	Projects closed in FY09	6.0						
1	PRSC 7	na	26-Jun-08	31-Dec-08	31-Dec-08	na	na	
2	Targeted Budget Support for EFA	4.0	28-Jun-05	30-Jun-09	30-Jun-09	MS	MS	0
3	Comm-based Rural Infrastructure	8.0	26-Jun-01	31-Dec-07	30-Jun-09	S	MS	0
No	Project	Age	Approval Date	Original	Actual	ICR	IEG	Net

³⁹ For SILs only.

		(yrs)		Closing Date	Closing Date	Outcome Rating	Outcome Rating	Disconnect ⁴⁰
	Projects closed in FY10	7.4						
1	Regional Blood Transfusion Centers	7.5	16-Apr-02	31-Mar-08	30-Sep-09	MS	MS	0
2	Rural Finance II	7.3	30-May-02	30-Sep-08	30-Sep-09	S	S	0
3	Second Program 135 - Phase 2	na	21-May-09	31-Dec-09	31-Dec-09	na	na	
4	Higher Education Reform Support (DPL)	na	23-Jun-09	31-Dec-09	31-Dec-09	na	na	
5	PRSC 8	na	26-Jun-09	31-Dec-09	31-Dec-09	na	na	
6	GEF - Demand Side Management & Energy	na	24-Jun-03	30-Jun-07	30-Jun-10	S		
7	Public Investment Reform DPL	na	22-Dec-09	30-Sep-10		na	na	
	Projects closed in FY11	7.5						
1	Power Sector Reform	na	6-Apr-10	31-Aug-11		na	na	
2	GEF - SEIER	na	25-Jun-02	30-Jun-08	31-Dec-10	na	na	
3	Primary Educ. for Disad. Children	7.7	6-May-03	31-Dec-09	31-Dec-10	S		
4	PRSC 9	na	24-Jun-10	31-Dec-10		na	na	
5	Custom Modernization	5.6	10-Nov-05	30-Jun-11				
6	Mekong Transport and Flood Protection	10.5	20-Dec-00	30-Jun-06	30-Jun-11			
7	Second Higher Education DPL	na	30-Nov-10	30-Jun-11		na	na	
8	Second Payment System & Bank Modern.	6.3	10-Mar-05	30-Jun-10	30-Jun-11			

⁴⁰ For SILs only.

ANNEX 3: COUNTRY-AT-A-GLANCE (CAS ANNEX A2)

Vietnam at a glance

8/3/11

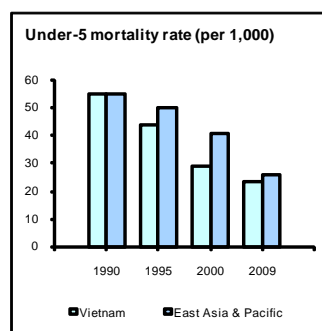
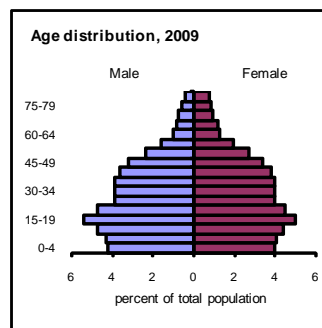
Key Development Indicators

(2010)

	Vietnam	East Asia & Pacific	Lower middle income
Population, mid-year (millions)	88.4	1,944	3,811
Surface area (thousand sq. km)	331	16,302	31,898
Population growth (%)	1.2	0.7	1.2
Urban population (% of total population)	28	45	41
GNI (Atlas method, US\$ billions)	99.9	6,149	8,846
GNI per capita (Atlas method, US\$)	1,130	3,163	2,321
GNI per capita (PPP, international \$)	2,910	6,026	4,784
GDP growth (%)	6.8	7.4	7.1
GDP per capita growth (%)	5.5	6.6	5.9

(most recent estimate, 2004–2010)

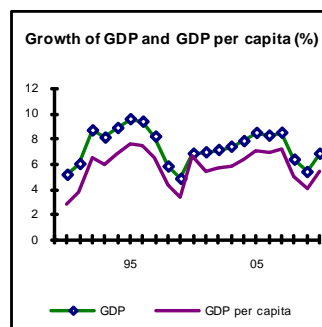
Poverty headcount ratio at \$1.25 a day (PPP, %)	13	17	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	38	39	..
Life expectancy at birth (years)	75	72	68
Infant mortality (per 1,000 live births)	20	21	43
Child malnutrition (% of children under 5)	20	9	24
Adult literacy, male (% of ages 15 and older)	95	96	87
Adult literacy, female (% of ages 15 and older)	91	91	74
Gross primary enrollment, male (% of age group)	102	111	109
Gross primary enrollment, female (% of age group)	100	112	105
Access to an improved water source (% of population)	94	88	86
Access to improved sanitation facilities (% of population)	75	59	50



Net Aid Flows	1980	1990	2000	2010 ^a
(US\$ millions)				
Net ODA and official aid	228	181	1,681	3,744
Top 3 donors (in 2008):				
Japan	4	1	924	1,191
France	15	12	53	143
Germany	0	16	33	12
Aid (% of GNI)	..	3.0	5.5	4.0
Aid per capita (US\$)	4	3	22	43

Long-Term Economic Trends

Consumer prices (annual % change)	..	36.4	-16	9.2
GDP implicit deflator (annual % change)	..	42.1	3.4	11.9
Exchange rate (annual average, local per US\$)	0.6	6,482.8	14,167.8	19,126.0
Terms of trade index (2000 = 100)	..	88	100	127



Population, mid-year (millions)	53.7	66.2	77.6	88.4
GDP (US\$ millions)	..	6,472	31,173	103,572
		(% of GDP)		
Agriculture	..	38.7	24.5	20.6
Industry	..	22.7	36.7	41.1
Manufacturing	..	12.3	18.6	19.7
Services	..	38.6	38.7	38.3
Household final consumption expenditure	..	84.3	66.4	64.9
General gov't final consumption expenditure	..	12.3	6.4	6.5
Gross capital formation	..	12.6	29.6	38.9
Exports of goods and services	..	36.0	55.0	77.5
Imports of goods and services	..	45.3	57.5	87.8
Gross savings	..	-2.3	30.5	32.7

1980–90	1990–2000	2000–10
(average annual growth %)		
2.1	16	13
4.6	7.9	7.5

Note: Figures in italics are for years other than those specified. 2010 data are preliminary. Group data are for 2009. .. indicates data are not available. a. Aid data are for 2009.

Development Economics, Development Data Group (DECDG).

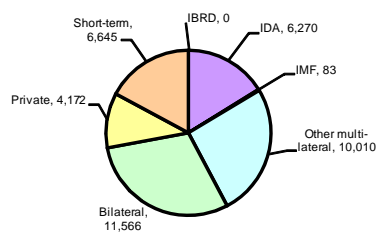
Balance of Payments and Trade	2000	2010
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	14,483	72,191
Total merchandise imports (cif)	15,637	84,801
Net trade in goods and services	-173	-7,948
Current account balance	1,108	-3,999
as a % of GDP	3.6	-3.9
Workers' remittances and compensation of employees (receipts)	2,000	6,626
Reserves, including gold	3,030	12,400

Central Government Finance

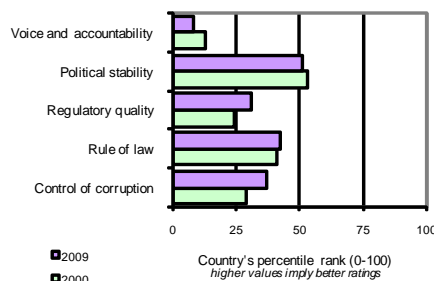
<i>(% of GDP)</i>		
Current revenue (including grants)	20.4	26.2
Tax revenue	..	..
Current expenditure	15.9	21.2
Overall surplus/deficit	-2.0	-6.5
Highest marginal tax rate (%)		
Individual	50	35
Corporate	33	25

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	12,823	43,797
Total debt service	1,309	2,766
Debt relief (HIPC, MDRI)	—	—
Total debt (% of GDP)	41.1	42.3
Total debt service (% of exports)	7.5	3.5
Foreign direct investment (net inflows)	1,298	7,600
Portfolio equity (net inflows)	..	28

Composition of total external debt, 2009

Private Sector Development	2000	2010
Time required to start a business (days)	—	44
Cost to start a business (% of GNI per capita)	—	12.1
Time required to register property (days)	—	57
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2010
Access to/cost of financing	..	40.5
Access to land	..	25.9
Stock market capitalization (% of GDP)	0.4	19.7
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2009

Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2009
Paved roads (% of total)	25.1	47.6
Fixed line and mobile phone subscribers (per 100 people)	4	137
High technology exports (% of manufactured exports)	11.0	4.9

Environment

Agricultural land (% of land area)	28	32
Forest area (% of land area)	37.7	44.5
Terrestrial protected areas (% of land area)	..	..
Freshwater resources per capita (cu. meters)	4,508	4,221
Freshwater withdrawal (billion cubic meters)	..	82.0
CO2 emissions per capita (mt)	0.69	1.3
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	3.3	3.7
Energy use per capita (kg of oil equivalent)	477	689

World Bank Group portfolio

<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	—	—
Disbursements	—	—
Principal repayments	—	—
Interest payments	—	—
IDA		
Total debt outstanding and disbursed	1,113	6,270
Disbursements	174	1,206
Total debt service	9	87
IFC (fiscal year)		
Total disbursed and outstanding portfolio	223	156
of which IFC own account	107	153
Disbursements for IFC own account	25	24
Portfolio sales, prepayments and repayments for IFC own account	18	40
MIGA		
Gross exposure	46	95
New guarantees	10	0

Note: Figures in italics are for years other than those specified. 2010 data are preliminary.
 .. indicates data are not available. — indicates observation is not applicable.

8/31/11

Development Economics, Development Data Group (DECDG).

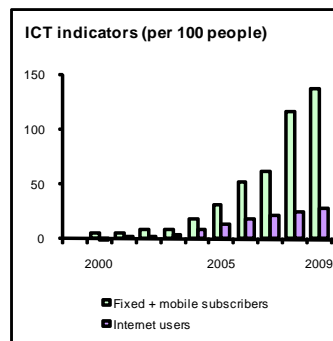
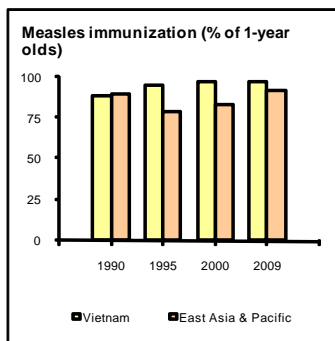
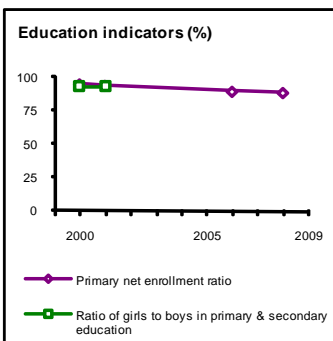
Millennium Development Goals

Vietnam

With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

	Vietnam			
	1990	1995	2000	2009
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$ 1.25 a day (PPP, % of population)	..	63.7	40.1	13.1
Poverty headcount ratio at national poverty line (% of population)	..	58.1	28.9	14.5
Share of income or consumption to the poorest quintile (%)	..	7.8	7.5	7.3
Prevalence of malnutrition (% of children under 5)	40.7	40.6	26.7	20.2
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	95	88
Primary completion rate (% of relevant age group)	..	..	96	..
Secondary school enrollment (gross, %)	35	..	65	..
Youth literacy rate (% of people ages 15-24)	94	..	95	97
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	93	..
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	41	41	..
Proportion of seats held by women in national parliament (%)	18	19	26	26
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	55	44	29	24
Infant mortality rate (per 1,000 live births)	39	33	24	20
Measles immunization (proportion of one-year olds immunized, %)	88	95	97	97
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	170	120	91	56
Births attended by skilled health staff (% of total)	..	77	68	88
Contraceptive prevalence (% of women ages 15-49)	53	65	74	80
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.2	0.4
Incidence of tuberculosis (per 100,000 people)	204	204	204	200
Tuberculosis case detection rate (% all forms)	37	37	56	54
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	58	68	79	94
Access to improved sanitation facilities (% of population)	35	47	57	75
Forest area (% of land area)	28.8	..	37.7	44.5
Terrestrial protected areas (% of land area)	..	..	..	..
CO2 emissions (metric tons per capita)	0.3	0.4	0.7	1.3
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	2.5	2.9	3.3	3.7
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.1	11	3.3	35.2
Mobile phone subscribers (per 100 people)	0.0	0.0	10	1015
Internet users (per 100 people)	0.0	0.0	0.3	27.5
Personal computers (per 100 people)	0.0	0.1	0.8	9.6



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

8/3/11

Development Economics, Development Data Group (DECDG).

ANNEX 4: SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT (CAS ANNEX B2)

As Of Date
9/30/2011

Indicator	2009	2010	2011	2012
Portfolio Assessment				
Number of Projects Under Implementation ^a	46	48	50	51
Average Implementation Period (years) ^b	3.7	4.1	4.2	4.7
Percent of Problem Projects by Number ^{a, c}	10.9	6.3	6.0	9.4
Percent of Problem Projects by Amount ^{a, c}	11.2	5.0	5.3	6.3
Percent of Projects at Risk by Number ^{a, d}	10.9	8.3	6.0	9.4
Percent of Projects at Risk by Amount ^{a, d}	11.2	6.8	5.3	6.3
Disbursement Ratio (%) ^e	14.8	18.6	14.9	2.8
Portfolio Management				
CPPR/JPPR during the year (yes/no)	No	Yes	No	Yes
Supervision Resources (total US\$'000)	3,402	3,501	3,884	3,735
Average Supervision (US\$'000/project)	66.7	61.4	60.7	66.7

Memorandum Item	Since FY 97	Last Five FYs
Proj Eval by IEG by Number	38	16
Proj Eval by IEG by Amt (US\$ millions)	3,482.2	1,351.1
% of IEG Projects Rated U or HU by Number	0.0	0.0
% of IEG Projects Rated U or HU by Amt	0.0	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only. FY12 is as of September 30, 2011

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

ANNEX 5: INDICATIVE FY12-FY14 LENDING PROGRAM (CAS ANNEX B3)⁴¹
Vietnam

Product Title	FY12	FY13	FY14
PILLAR 1: COMPETITIVENESS			
Outcome 1.1: Improved Economic Management and Business Environment			
PRSC 10	✓		
EMCC 1		✓	
EMCC 2			✓
Outcome 1.2: Improved Quality and Efficiency of Infrastructure Services			
Power Sector Development DPO 2	✓		
Mekong Delta Transport Additional Financing		✓	
Distribution Efficiency		✓	
Power Sector Development DPO 3			✓
Road Asset Management			✓
Dau Giay-Phan Thiet Expressway			✓
Outcome 1.3: Increased Capacity for Innovation and Value Addition			
Inclusive Innovation		✓	
Higher Education DPO 3		✓	
Fostering Innovation through Science Research and Technology		✓	
Private Higher Education Loan Fund			✓
Higher Education 3			✓
PILLAR 2: SUSTAINABILITY			
Outcome 2.1: Improved Natural Resource Management (“Green”)			
Forest Sector Development Additional Financing	✓		
Coastal Resources for Sustainable Development	✓		
Regional Wildlife Conservation		✓	
Regional Mekong Water Resources		✓	
Irrigation Modernization and Rehabilitation - Phase 1			✓
Outcome 2.2: Strengthened Environmental Protection and Management (“Clean”)			
Industrial Pollution Control		✓	
HCMC Environment and Sanitation Phase 2			✓
Danang Sustainable City Development			✓
Mekong Delta Urban Upgrading	✓		

⁴¹ The FY15-FY16 lending program for Vietnam will be elaborated in the Vietnam CPS Progress Report, to be issued in FY14.

Product Title	FY12	FY13	FY14
Medium Cities Development	✓		
Outcome 2.3: Enhanced Preparedness for Natural Hazards and Climate Change (“Resilient”)			
Climate Change DPO 1	✓		
Climate Change DPO 2		✓	
Managing Natural Hazards		✓	
Climate Change DPO 3			✓
PILLAR 3: OPPORTUNITY			
Outcome 3.1: Increased Opportunities for the Poor and Household Resilience to Shocks			
Social Protection Systems		✓	
Central Highland Poverty			✓
School Readiness Promotion	✓		
Outcome 3.2: Improved Basic Public Service Delivery and Access			
Rural Transport 3 Additional Financing	✓		
North East and Red River Delta Regional Health System Support		✓	
Rural Sanitation & Water Supply		✓	
Health Sector Governance Strengthening			✓
Northern Mountains			✓

ANNEX 6: INDICATIVE FY12-FY14 AAA PROGRAM (CAS ANNEX B4)⁴²
Vietnam

Product Title		Fiscal Year		
PILLAR 1: COMPETITIVENESS		2012	2013	2014
Outcome 1.1:	Improved Economic Management and Business Environment			
	Vietnam Knowledge Platform	✓	✓	✓
	FSAP	✓	✓	
	Programmatic Financial Sector AAA	✓	✓	✓
	Financial Sector Soundness		✓	
	Country and Sub-National Financial Management Assessments	✓	✓	
	VDR 2012	✓		
	Enhancing Roles of MSMEs	✓	✓	
	VDR 2013	✓	✓	
	Taking Stock/Macro Monitoring	✓	✓	✓
	Programmatic Governance and Anti-Corruption TA	✓	✓	✓
	Programmatic Public Finance Reviews (by sector)	✓	✓	✓
	VDR 2014		✓	✓
Outcome 1.2	Improved Quality and Efficiency of Infrastructure Services			
	Programmatic Infrastructure Finance	✓	✓	✓
	Trade Facilitation and Logistics Assessment	✓	✓	✓
Outcome 1.3	Increased Capacity for Innovation and Value Addition			
	Programmatic Skills and Education System	✓	✓	
	Programmatic Agriculture Competitiveness	✓	✓	✓
	Developing Knowledge Partnership	✓	✓	✓
	Global Knowledge Transfer		✓	
	Science and Innovation	✓		
PILLAR 2: SUSTAINABILITY		2012	2013	2014
Outcome 2.1:	Improved Natural Resource Management (“Green”)			
	Programmatic Governance and Anti-Corruption TA	✓	✓	✓
Outcome 2.2	Strengthened Environmental Protection and Management (“Clean”)			

⁴² This annex shows analytical work funded by the Bank’s administrative budget. See Annex 1 for complementary work supported by trust funds. The FY15-FY16 AAA program for Vietnam will be elaborated in the Vietnam CPS Progress Report, to be issued in FY14.

Product Title		Fiscal Year		
PILLAR 1: COMPETITIVENESS		2012	2013	2014
	Green Urban Transport	✓	✓	✓
	GHG Assessment for Danang	✓		
Outcome 2.3	Enhanced Preparedness for Natural Hazards and Climate Change (“Resilient”)			
	Programmatic Climate Change	✓	✓	✓
PILLAR 3: OPPORTUNITY		2012	2013	2014
Outcome 3.1	Increased Opportunities for the Poor and Household Resilience to Shocks			
	Programmatic Social Protection	✓	✓	
Outcome 3.2	Improved Basic Public Service Delivery and Access			
	Programmatic Health AAA	✓	✓	
	Programmatic Poverty Assessment	✓	✓	✓
	Quality Education for All Policy Dialogue	✓	✓	✓
	Programmatic Skills and Education System	✓	✓	
	Rural Broadband TA	✓		
	Programmatic Governance and Anti-Corruption TA	✓	✓	✓

ANNEX 7: SOCIAL INDICATORS (CAS ANNEX B5)

Vietnam Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2003-11	East Asia & Pacific	Lower-middle-income
POPULATION					
Total population, mid-year (millions)	58.9	73.0	87.3	1,943.8	3,810.8
Growth rate (% annual average for period)	1.8	2.0	1.3	0.8	1.2
Urban population (% of population)	19.6	22.2	28.3	45.0	40.9
Total fertility rate (births per woman)	4.2	2.9	2.0	1.9	2.5
POVERTY					
<i>(% of population)</i>					
National headcount index	..	58.1	14.5	..	..
Urban headcount index	..	25.1	3.3	..	..
Rural headcount index	..	66.4	18.7	..	..
INCOME					
GNI per capita (US\$)	..	250	1,130	3,163	2,321
Consumer price index (2000=100)	..	67	208	126	130
Food price index (2000=100)	..	64	334	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	35.7	38.3	..	..
Low est quintile (% of income or consumption)	..	7.8	6.7	..	..
Highest quintile (% of income or consumption)	..	44.0	46.4	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	1.8	2.8	2.2	2.1
Education (% of GDP)	..	..	5.3	3.3	4.1
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	91	87	92	..	87
Male	..	88	92	..	88
Female	..	86	92	..	86
Access to an improved water source					
<i>(% of population)</i>					
Total	..	68	94	88	86
Urban	..	91	99	96	94
Rural	..	62	92	81	81
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	19	95	97	91	79
DPT	42	93	96	93	79
Child malnutrition (% under 5 years)	47	41	20	9	24
Life expectancy at birth					
<i>(years)</i>					
Total	61	69	75	72	68
Male	59	68	73	71	66
Female	63	71	77	74	70
Mortality					
Infant (per 1,000 live births)	41	33	20	21	43
Under 5 (per 1,000)	58	44	24	26	57
Adult (15-59)					
Male (per 1,000 population)	262	215	134	158	201
Female (per 1,000 population)	204	153	88	99	136
Maternal (modeled, per 100,000 live births)	..	120	56	89	230
Births attended by skilled health staff (%)	..	..	88	89	66

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 15 April 2011.

ANNEX 8: PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS

Goal 1	Eradicate extreme poverty and hunger	Progress	Status
Target 1	Reduce by half the proportion of people living in poverty between 1990 and 2015	Poverty reduced by three-quarters between 1990 and 2008	Already achieved
Target 2	Reduce by half the proportion who suffer from hunger between 1990 and 2015	Proportion reduced by more than two thirds between 1993 and 2008	Already achieved
Goal 2	Achieve universal primary education	Progress	Status
Target 3	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	In 2009, net enrolment in primary school was 97 percent and 88.5 percent of children who enter primary school complete five years of primary education. Of these, over 90 percent continue to lower secondary education, (no significant differences between regions or between urban and rural areas.	Likely to be achieved
Goal 3	Promote gender equality	Progress	Status
Target 4	Ratio of girls to boys in primary, secondary and tertiary education by 2015	Girls now represent 48.2 percent of students enrolled at primary level, 48.1 percent at lower secondary level, and 49.1 percent at upper secondary level.	Already achieved
Goal 4	Reduce child mortality	Progress	Status
Target 5	Reduce by two thirds the mortality rate among children under five between 1990 and 2015	Reduced by 58 percent between 1990 and 2009 (down from 58 to 24.4 per 1000). The infant mortality rate was reduced from 44.4 per 1,000 live births in 1990 to 16 in 2009.	Likely to be achieved
Goal 5	Improve maternal health	Progress	Status
Target 6	Reduce maternal mortality by three quarters, between 1990 and 2015	Fell by 70 percent from 233 per 100,000 births in 1990 to 69 in 2009	Already achieved
Goal 6	Combat HIV/AIDS and other diseases	Progress	Status
Target 7	Halt and begin to reverse the spread of HIV/AIDS by 2015	Despite progress in some areas and great efforts by the Government to address HIV over the past ten years, the HIV prevalence rate continues to increase. The HIV prevalence rate is estimated at 0.28 percent for all age groups in 2010.	Uncertain
Target 8	Halt and begin to reverse the incidence of malaria and other major diseases by 2015	Impressive progress on prevention and control of malaria shows that Viet Nam has already achieved the MDG target on malaria control. Viet Nam is also acknowledged to have done a good job in controlling other epidemics such as SARS, H5N1 and H1N1.	Already achieved
Goal 7	Ensure environmental sustainability	Progress	Status
Target 9	Integrate the principles of sustainable development into country policies and program; reverse loss of environmental resources	Viet Nam has shown strong commitment to environmental concerns at the international and policy level, and significant achievements have been made in relation to MDG 7. For example, forest coverage has increased from 27.8 percent in 1990 to about 40 percent in 2010.	Uncertain
Target 10	Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015	Today, about 83 percent of the rural population has access to safe water, up from 30 percent in 1990. On sanitation, less progress - overall poor conditions and lack of hygiene. For instance, only 18 percent of rural households, 12 percent of rural schools and 37 percent of commune health stations have hygienic latrines which meet the Ministry of Health standards	Uncertain

Source: United Nations, Vietnam (based on data available August 2011)

ANNEX 9: GENDER IN VIETNAM

As noted in chapter I, Vietnam has made substantial progress on gender equality. Health outcomes have improved dramatically. Infant mortality dropped from 44 percent in 1990 to only 16 percent in 2009, with no differences between boy and girl infants. The decrease in maternal mortality is equally impressive, falling from 233 to 69 deaths per 100,000 live births from 1990 to 2009. Similar success has been achieved in school enrolment, where the gender gap has been eliminated, and has actually reversed slightly for tertiary education. There are still gaps in employment and wages, but they have lessened, and overall no difference exists in male and female poverty rates. Compared to other countries in the region, Vietnam has a high rate of women in the National Assembly of about 27 percent.

Nevertheless, important challenges related to gender remain across sectors. These challenges – in the areas of health, education, employment, and participation – are in some cases more subtle but that does not mean they are not profound. Moreover, they cannot be addressed simply by relying upon a continuation of Vietnam's recent impressive economic growth.

These challenges include:

- **Poverty** - Older women, especially in rural areas, are overrepresented among the poor. The major gender difference in regards to poverty has to do with widows, who are both poorer and more numerous than widowers. This points to one key difference between men and women, namely power over assets. For example, even though a 2003 Land Law began a successful effort to include women on LTCs, as of 2008 the majority of LTCs still do not include the woman's name. And while women do have avenues for obtaining credit, access to larger funds often requires the kind of collateral that LTCs can provide.
- **Education** - Gender education gaps still exists among certain ethnic minority groups, and among the majority Kinh population there is actually a small reverse gender gap. Also, there is a significant degree of segregation of men and women in their fields of study, which is connected to significant segregation in terms of occupation and industry of employment, as well. Another concern is that educational materials still promote gender stereotypes.
- **Health** - Women still have less health insurance coverage than men, and they also continue to be victims of gender based violence. Over 30 percent have experienced physical abuse, and over 50 percent emotional abuse. Another major concern is the rise in sex ratio at birth (SRB) from 106 male births for every 100 female births in 1999 (the approximate biological norm) to 111 in 2006. SRBs are highest for higher income groups with better access to sonograms and sex selected abortions. For higher parity births among the richest quintile, the SRB is 133.1. So this situation -- which is associated with increased trafficking and violence -- might worsen with economic development. In terms of men's health, males have much higher rates of HIV and AIDS, smoking, and drinking.
- **Employment** - Women's wages are now about 75 percent of men's according to the 2009 Labor Force Survey, and women are still highly segregated by both industry and occupation. Women are also in more vulnerable jobs, for example, own-account work and unpaid family labor. In fact, during the recent economic crisis, women disproportionately left wage employment for more vulnerable jobs. Women also receive less vocational training, and undertake a disproportionate amount of unpaid work, which is seen as a barrier not only to employment, but also to civic participation.
- Lower wages, a bigger gender wage gap, and far worse working conditions prevail in small informal family-run enterprises and among casual labor. Particularly disadvantaged are migrant women, widows, older women, ethnic minorities, and women with disabilities. Many of these women are landless or lost their land to industrial parks and urbanization. These are the women who are least

able to access the opportunities generated by Vietnam's integration into the informal economy. Many are also unable to take advantage of targeted training or employment schemes intended for the poor.

- **Participation** –There are still signs that women do not have an equal voice in the public sphere – for example, low rates of representation in party committees. But, women's ability to participate in public decision-making processes goes beyond the formal political and policy domain. The Grassroots Democracy Decree (Decree 79) was intended to provide a framework to promote democratic participation at the local level and to emphasize decentralizing decision-making within development programs to achieve a closer fit between needs and design. In fact, involving women in development projects and programs has provided a widely used route to increasing their participation in public life. Still, participatory poverty monitoring points out that many of the barriers that women face higher up in the public sector are also encountered at the grassroots level.

Even with all these challenges, it is important to acknowledge Vietnam's efforts in regards to gender equality. Vietnam has recently enacted laws on gender equality and against domestic violence, and this year adopted a national strategy on gender equality. The successes in the areas of health, education, employment, and participation are significant, and should be used as a platform to expand gender equality even further by addressing the more complicated issues that remain.

Vietnam's transition to a middle income country would be assisted by a flexible and trained citizenry that could contribute to the economy and civic life of the nation in the most efficient way possible. To that end, the World Bank plans to:

- **Support the Government of Vietnam in improving the implementation of the Law on Gender Equality and the National Strategy on Gender Equality** in part by building gender awareness and capacity within relevant ministries, by devoting appropriate resources, and by working to build systems of accountability.
- **Support the development of a gender data system** by building on the recent development of the National Gender Statistical Indicator System.
- **Apply a gender lens to Bank projects** to take advantage of opportunities to improve project design and implementation by incorporating the voices, talents, and concerns of both women and men.
- **Close the knowledge gap through quantitative and qualitative data on gender issues.** This includes research on cultures and norm and assessing the value of unpaid work in the home.

ANNEX 10: KEY ECONOMIC INDICATORS (CAS ANNEX B6)

Indicator	Actual			Estimate			Projected		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
National accounts (as % of GDP)^a									
Gross domestic products	100	100	100	100	100	100	100	100	100
Agriculture	20.4	20.4	22.2	20.9	20.6	20.2	19.8	19.4	19.1
Industry	41.5	41.5	39.8	40.2	41.1	41.7	41.4	41.2	41.1
Services	38.1	38.2	37.9	38.8	38.3	38.1	38.8	39.4	39.8
Total consumption	69.4	70.9	75.5	72.2	71.4	70.7	70.4	70.4	70.8
Gross domestic fixed investment	33.4	38.3	34.6	34.5	35.6	32.8	33.0	33.0	32.4
Government	15.3	14.2	11.7	14.0	13.5	12.1	12.1	12.0	11.8
Private	18.1	24.0	22.9	20.5	22.0	20.7	21.0	20.9	20.6
Exports (GNFS) ^b	73.7	76.8	77.2	67.4	76.9	82.9	87.8	91.4	95.1
Imports (GNFS) ^b	78.3	92.6	92.4	77.6	84.6	89.5	94.5	97.8	101.4
Gross domestic saving	31.7	28.2	24.5	27.8	28.6	29.3	29.6	29.6	29.2
Gross national saving	36.7	37.4	29.4	23.8	32.7	32.1	32.4	31.4	30.1
<i>Memorandum items</i>									
Gross domestic products (US\$ billion at current prices)	61	71	90	93	104	120	131	146	163
GNI per capita	690	780	910	1010	1130	1225	1322	1445	1578
Real annual growth rate (%)									
Gross domestic products at market prices	8.2	8.5	6.3	5.3	6.8	5.8	6.1	6.3	6.5
Gross national income	7.9	7.7	6.1	4.7	6.3	5.7	5.9	5.6	6.1
Real annual per capita growth rate (%)									
Gross domestic products at market prices	7.0	7.3	5.2	4.2	5.7	4.6	5.0	5.2	5.4
Total consumption	4.4	15.4	7.9	1.2	4.8	4.4	3.9	4.0	4.1
Private consumption	6.6	16.2	8.1	0.7	4.2	4.1	3.9	3.9	4.1
Balance of Payments (US\$ billion)									
Exports (GNFS)	44.9	54.6	69.7	62.8	79.7	99.3	115.4	133.8	154.9
Merchandise (FOB)	39.8	48.6	62.7	57.1	72.2	90.6	105.4	122.3	141.8
Imports (GNFS)	47.7	65.8	83.4	72.3	87.6	107.3	124.1	143.2	165.1
Merchandise (FOB)	42.6	58.9	75.5	65.4	79.3	97.6	113.3	131.0	151.3
Resource balance	-2.8	-11.3	-13.7	-9.5	-7.9	-8.0	-8.8	-9.4	-10.2
Net current transfer	4.1	6.4	7.3	6.5	8.6	8.3	9.4	9.9	10.0
Current account balance	-0.2	-7.0	-10.8	-6.1	-4.0	-4.5	-4.6	-5.1	-5.6
Net private foreign direct investment	3.6	12.8	8.7	6.8	8.5	8.4	9.0	9.2	9.4
Long-term loan (net)	1.0	2.0	1.0	4.5	2.1	1.9	1.7	1.5	1.8
Official	0.8	1.6	0.8	3.6	1.7	1.5	1.3	1.2	1.4
Private	0.2	0.4	0.2	0.9	0.4	0.4	0.3	0.3	0.4
Other capital (net, including E&O)	-0.2	2.4	1.6	-13.4	-10.4	-2.9	2.3	2.4	2.5
Change in the reserves	-4.3	-10.2	-0.5	8.2	3.8	-2.9	-8.3	-8.0	-8.1
<i>Memorandum items</i>									
Resources balance (% of GDP)	-4.6	-15.9	-15.2	-10.4	-10.3	-6.6	-6.7	-6.4	-6.2
Nominal annual growth rate									
Merchandise exports (FOB)	22.8	21.9	29.1	-8.9	26.4	25.5	16.3	16.1	16.0
Primary	21.0	17.8	23.7	-25.0	12.7	12.8	7.3	8.8	8.2
Manufactures	26.0	30.1	26.8	-5.4	31.4	32.5	19.0	17.6	17.2
Merchandise imports (FOB)	21.4	39.6	28.1	-13.3	21.2	23.1	16.1	15.6	15.5
Public Finance (as % of GDP at market prices)									

Indicator	Actual			Estimate			Projected		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current revenues	27.0	26.1	26.7	24.5	26.2	25.4	25.8	24.9	24.5
Current expenditures	18.5	20.3	19.7	20.9	21.2	21.5	22.1	21.5	21.4
Current account balance/ surplus (+) or deficit (-)	8.5	5.9	7.1	3.6	5.0	3.9	3.7	3.3	3.1
Capital expenditures	8.9	8.4	8.3	12.6	11.5	7.7	7.5	6.9	6.3
Overall fiscal balance / surplus (+) or deficit (-)	-0.4	-2.5	-1.2	-9.0	-6.4	-3.9	-3.8	-3.6	-3.2
Foreign financing	1.5	1.6	1.7	3.6	3.4	2.4	2.5	2.1	1.8
Monetary indicators									
M2/GDP	94.7	117.9	109.2	126.1	140.8	130.0	130.4	130.2	130.2
Growth of M2 (% , year on year)	33.6	46.1	20.3	29.0	33.3	15.0	14.5	14.0	14.0
Private sector credit growth/total credit growth (%)	136	103	110	129	174	116	122	123	126
Price indices (2000=100)									
Merchandise export price index	140.4	150.5	187.9	165.5	183.2	208.1	233.1	256.4	276.9
Merchandise import price index	124.5	130.9	154.7	136.8	144.4	157.8	172.0	186.6	199.7
Merchandise term of trade index	112.8	115.0	121.4	121.0	126.9	131.9	135.5	137.4	138.7
Real effective exchange rate (US\$/LCU)/ ^c	96.9	106	125.8	115.9	114.0	...	...	...	...
Consumer price index (annual average, % change)	7.5	8.3	23.1	6.7	9.2	19.0	10.5	7.5	6.0
GDP deflators (% change)	7.3	8.2	22.1	6.0	11.9	17.8	7.6	7.4	7.0

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. "LCU" denotes "local currency units."

ANNEX 11: KEY EXPOSURE INDICATORS (CAS ANNEX B7)

Indicator	Actual			Estimate			Projected		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total debt outstanding and disbursed (TDO) (US\$m)/ ^a	19,190	23,100	28,400	36,336	43,707	49,113	51,801	57,093	62,686
Net disbursements (US\$m)	1,272	3,998	5,303	8,897	5,684	5,589	4,523	4,360	5,246
Total debt service (TDS) (US\$m)	1,337	1,686	2,033	3,062	2,763	3,241	4,011	4,520	4,912
Debt and debt service indicators (%)									
TDO/XGS ^b	39.4	38.0	37.1	52.8	49.7	45.8	41.6	39.8	38.1
TDO/GDP	31.5	32.5	31.4	39.0	42.2	41.0	39.4	39.0	38.5
TDS/XGS	2.7	2.8	2.6	4.5	3.2	3.0	3.2	3.2	3.0
Concessional/TDO	73.4	72.7	71.9	75.2	71.8	72.7	72.8	72.6	72.3
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	0.0	0.2	0.2	0.2	0.2
Preferred creditor DS/public DS (%) ^c	57.0	57.0	61.6	60.4	48.4	53.9	52.8	58.2	60.6
IBRD DS/XGS	..	..	..	..	0.0	0.0	0.0	0.0	0.0
IBRD TDO (US\$m)	..	..	..	..	700	803	925	1,133	1,506
Of which present value of guarantees (US\$m)	..	..	..	..	..	..	..	..	..
Share of IBRD portfolio (%)	..	..	..	..	1.6	1.6	1.8	2.0	2.4
IDA TDO (US\$m)	3,593	4,609	5,074	6,270	7,010	8,423	9,815	11,388	13,127
IFC (US\$m)									
IFC (US\$m)	75	70	144	152	335	737	..	..	..
Loans	51	33	96	131	313	659	..	..	..
Equity and quasi-equity / ^d	24	38	48	21	22	78	..	..	..
MIGA									
MIGA guarantees (US\$m)	128.6	113.7	106.4	99.3	..	..	..	..	..

a. Includes public and publicly guaranteed debt, private non-guaranteed, use of IMF credits and net short-term capital

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes equity and quasi-equity types of both loan and equity instruments.

ANNEX 12: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS) (CAS ANNEX B8-WB)

Operations Portfolio (IBRD/IDA and Grants)

As of 10/18/2011

Closed Projects 55

IBRD/IDA *

Total Disbursed (Active)	2,291.35
of which has been repaid	2.03
Total Disbursed (Closed)	4,301.91
of which has been repaid	256.29
Total Disbursed (Active + Closed)	6,593.26
of which has been repaid	258.32
Total Undisbursed (Active)	5,683.55
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	5,683.55

Active Projects

<div>Last PSR</div>										Difference Between Expected and Actual	
<div>Supervision Rating</div>				<div>Original Amount in US\$ Millions</div>						<div>Disbursements^{a/}</div>	
Project ID	Project Name	Development Objectives	Implementation Progress	FY	IBRD	IDA	Grant	Cancel.	Undisb.	Orig.	Frm Rev'd
Pillar 1: Competitiveness											
Outcome 1.1: Improved Economic Management and Business Environment											
P088759	Fin Sector Modern and Info Management System	S	S	2009		60			58.54982	1.6720186	
P075399	Public Financial Management Reform Proj.	S	MS	2003		68.33			36.45263	14.868496	
P099376	Tax Administration Modernization Project	MS	MU	2008		80			80.76432	61.570768	
P120946	VN-Public Investment Reform 2	#	#	2011	87.3	262.7			355.0411		

Outcome 1.2: Improved Quality and Efficiency of Infrastructure Services										
P066396	VN-SYSTEM ENERGY, EQUITIZATION & RENEWAB	S	S	2002		251.51		29.15395	-46.36726	-46.3673
P084871	VN-TRANS & DISTRIB 2	S	S	2006	180	200		243.7289	50.530534	
P084773	VN-Trung Son Hydropower Project	S	S	2011	330			329.175	6.0983333	
P104848	VN-HIFU DEVELOPMENT	S	S	2007		50		32.48178	30.165728	7.832395
P094055	VN-Local Development Investment (LDIFP)	S	MS	2010		190		186.2396	39.217819	
P118610	VN-Project Preparation TA Facility	S	MS	2010		100		98.56328	3.4333333	
P059663	VN-ROAD NETWORK IMPROVEMT	MS	S	2004		225.26		70.98782	53.27343	
P083588	VN-MKG DELTA TRANSPORT INFRA DEV	MS	MS	2007		207.7		166.0636	63.572378	30.29233
P095129	VN-Northern Delta Transport Dev	MS	MU	2008		170		164.9817	42.59387	
P106235	VN-EXPRESSWAY DEVEL Danang-Quang Ngai	S	S	2011	470.49	143.01		614.6565		
P083581	VN-HANOI URBAN TRANSPORT	MU	MU	2008		155.21		146.1646	99.043062	
P111548	VN-Haiphong Urban Transport Project	S	S	2011		175		179.2988	-0.600315	
Outcome 1.3: Increased Capacity for Innovation and Value Addition										
P079665	VN-2ND HIGHER EDUCATION	S	S	2007		59.4		20.73511	17.901004	
P110693	VN New Model University	S	S	2010		180.4		191.5046	7.4833333	
P100916	VN-Third Rural Finance Project	S	S	2008		200		77.03553	43.636268	
P108885	VN - Agriculture Competitiveness Project	S	MS	2009		59.8		47.98946	22.073829	
P090723	VN-Livestock Competitiveness & Food Safety	S	S	2010		65.26		63.43572	30.211872	
Pillar 2: Sustainability										
Outcome 2.1: Improved Natural Resources Managements (“Green”)										
P065898	VIETNAM WATER RESOURCES ASSISTANCE	S	S	2004		157.8		38.79902	31.920575	
P066051	VN - Forest Sector Development Project	S	S	2005		39.5		12.18804	9.3114251	
P074414	VN - GEF Forest Sector Development Proj	S	S	2005			9	4.270614	4.2706142	4.270614
P113949	VN-Mekong Delta Water Mgmt for Rural Dev	S	S	2011		160		162.679	1.33E-06	
P096418	VN-Land Administration Project	U	MU	2008		75		64.07193	32.088256	
Outcome 2.2: Strengthened Environmental Protection and Management (“Clean”)										
P052037	VN-HCMC ENVMTL SANIT.	S	MS	2001		256.34		90.03299	-31.73038	-21.6822
P082295	VN-COASTAL CITIES ENVMT SANIT.	S	S	2007		190		156.7753	24.484295	
P090374	VN-GEF-IF-Coastal Cities	#	MS	2009			5.35	3.852836		
P119090	Hospital Waste Management Support	S	S	2011		150		152.6558		

P085393	VN-GEF-Hanoi Urban Transport Dev	MU	MU	2008		9.8	8.70522	6.4552197	
P083593	VN - National CFC & Halon Phase out Pr	S	MS	2006		1.26	0.576604	-0.52168	
P099460	VN-GEF-PCB Management Project	S	MS	2009		7	6.215326	1.7153265	
Outcome 2.3: Enhanced Preparedness for Natural Hazards and Climate Change (“Resilient”)									
P073361	VN -Natural Disaster Risk Management Project	S	MS	2006	161		64.46116	-19.25942	
P101608	VN-Avian & Human Influenza Control &Prep	S	MS	2007	30		10.92884	0.3804324	
P103238	VN-Renewable Energy Development Project	S	S	2009	202		202.9488	57.504836	
P116846	VN-GEF-Clean Production & Energy Efficiency	#	#	2012		2.374407			
Pillar 3: Opportunity									
Outcome 3.1: Increased Opportunities for the Poor and Household Resilience to Shocks									
P117610	VN - Third Program 135 Phase 2 Support	S	S	2011	50		50.91403		
P113493	VN-2nd Northern Mountains Poverty Reduction	MS	MS	2010	150		139.734	4.2165506	
P085080	VN-ROAD SAFETY	MS	MS	2005	31.73		18.66172	17.687345	8.114024
P082604	VN-HIV/AIDS Prevention Project	S	S	2005	35		2.249634	2.1057792	
Outcome 3.2: Improved Basic Infrastructure and Public Service Delivery									
P079663	VN-Mekong Regional Health Support Project	S	S	2006	70		7.719909	-15.31786	
P082672	VN-Northern Upland Health Support Project	MS	MS	2008	60		44.26232	-8.482388	
P095275	VN-Central North Region Health Support	S	S	2010	65		60.9244		
P091747	VN-School Education Quality Assurance	MS	MS	2009	127		121.7471	23.959157	
P074688	VN-RURAL ENERGY 2	S	S	2005	420		198.1727	-30.26948	
P080074	VN-GEF-RURAL ENERGY 2	S	S	2005		5.25	3.469092	-1.580908	
P099211	VN-Rural Distribution Project	S	S	2008	150		56.39972	-14.13037	
P075407	VN-Rural Transport 3	S	S	2006	106.25		38.42951	26.24102	18.66403
P070197	VN-URBAN UPGRADING	S	MS	2004	382.47		265.1926	54.009342	
P073763	VN-WATER SUPPLY DEV.	MS	MS	2005	112.64		68.5769	59.411335	
P077287	VN-RRD RWSS	S	S	2006	111.14		65.50264	-3.811181	
P086508	VN-Priority Infra Investment	S	S	2008	152.438		124.5617	14.378192	
P119077	VN-Urban Water Supply and Wastewater	S	S	2011	200		200.603	0.6666667	
P079344	VN -ICT Development	MS	MS	2006	93.72	5.98	71.35484	69.873192	70.45295
Overall Result					1067.79	6642.61	40.03	5.98	5710.641
									850.80396
									71.57684

Supervision ratings: HS = highly satisfactory; S = satisfactory; MS = moderately satisfactory; MU = moderately unsatisfactory; U = unsatisfactory; HU = highly unsatisfactory

ANNEX 13: STATEMENT OF IFC'S HELD AND DISBURSED PORTFOLIO (CAS ANNEX B8-IFC)

Amounts in US Dollar Millions

Accounting Date as of : 09/30/2011

Commitment	Institution	LN	ET	QL + QE	GT	RM	ALL	ALL	LN	ET	QL + QE	GT	RM	ALL	ALL
Fiscal Year	Short Name	Cmt'd - IFC	Cmt'd - IFC	Cmt'd - IFC	Cmt'd - IFC	Cmt'd - IFC	Cmt'd - IFC	Cmt'd - Part	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - Part
2003/ 2007/ 2008/ 2010/ 2011	ACB-Vietnam	0	0	0	5.00	0	5.00	0	0	0	0	5.00	0	5.00	0.00
2009/ 2010/ 2011/ 2012	An Binh Bank	0	0	38.02	39.24	0	77.25	0	0	0	38.02	27.85	0	65.87	0.00
2008/ 2009/ 2010	Antara	7.00	0.16	0	0	0	7.16	7.00	7.00	0.15	0	0	0	7.15	7.00
2011	CICI	38.75	0	0	0	0	38.75	0	12.28	0	0	0	0	12.28	0.00
2002	CyberSoft	0	0.00	0	0	0	0.00	0	0	0.00	0	0	0	0.00	0.00
2003	Dragon Capital	0	0	1.05	0	0	1.05	0	0	0	1.05	0	0	1.05	0.00
2005	Khair Vy	1.55	0	0	0	0	1.55	0	1.55	0	0	0	0	1.55	0.00
2011	LienVietBank	0	0	0	4.74	0	4.74	0	0	0	0	4.74	0	4.74	0.00
2010	Masan Group	0	0	36.65	0	0	36.65	0	0	0	36.48	0	0	36.48	0.00
1999/ 2009	Nghi Son Cement	34.44	0	0	0	0	34.44	25.48	34.44	0	0	0	0	34.44	25.48
2011/ 2012	OCB Vietnam	0	0	0	5.00	0	5.00	0	0	0	0	5.00	0	5.00	0.00
2006/ 2010	Paul Maitland	10.00	0	0	0	0	10.00	0	10.00	0	0	0	0	10.00	0.00
2009	Paynet	0	0.00	1.18	0	0	1.18	0	0	0.00	1.18	0	0	1.18	0.00
2011	Piaggio Vietnam	21.65	0	0	0	0	21.65	0	0	0	0	0	0	0	0.00
2002/ 2006/ 2008	SABCO	18.33	0	0	0	0	18.33	0	18.33	0	0	0	0	18.33	0.00
2010	SN Power Sing	0	0	1.00	0	0	1.00	0	0	0	0	0	0	0	0.00
2009	SSIT	70.00	0	0	0	0	70.00	0	28.25	0	0	0	0	28.25	0.00
2003/ 2004/ 2005/ 2006/ 2007/ 2008/ 2009/ 2010/ 2011/ 2012	Sacombank	18.00	0	0	99.18	0	117.19	0	18.00	0	0	79.18	0	97.19	0.00
2011	TVS IBank	0	0	5.00	0	0	5.00	0	0	0	4.00	0	0	4.00	0.00
2008/ 2009/ 2010/ 2011/ 2012	Techcombank	31.68	0	0	184.84	0	216.52	0	31.68	0	0	184.84	0	216.52	0.00
2011	Thien Minh Group	0	0	10.68	0	0	10.68	0	0	0	10.68	0	0	10.68	0.00
2012	Tien Phong Bank	0	0	0	0.00	0	0.00	0	0	0	0	0	0	0	0.00
2011	VECO	0	9.00	0	0	0	9.00	0	0	0	0	0	0	0	0.00
2002/ 2003/ 2007	VEIL	0	15.45	0	0	0	15.45	0	0	15.45	0	0	0	15.45	0.00
2008	VI Fund I	0	6.93	0	0	0	6.93	0	0	6.65	0	0	0	6.65	0.00
2008/ 2009/ 2010/ 2011	Vietnam Exim	0	0	0	59.14	0	59.14	0	0	0	0	59.14	0	59.14	0.00
2009/ 2011	Vietnam VIB	0	0	0	5.00	0	5.00	0	0	0	0	5.00	0	5.00	0.00
2011	Vietinbank	0	55.63	0	0	0	55.63	0	0	55.63	0	0	0	55.63	0.00
Total Portfolio		251.41	87.16	93.58	402.15	0	834.30	32.48	161.55	77.89	91.41	####	0	701.61	32.48

ANNEX 14: VIETNAM COUNTRY SURVEY (May-June 2010)

Methodology

In May-June 2010, 725 stakeholders of the World Bank in Vietnam were invited to provide their opinions on the Bank's assistance to the country by participating in a country survey, the first one in Vietnam since FY06. A total of 335 stakeholders participated in the survey (a 46 percent response rate). The majority of respondents (71 percent) were from Hanoi. More than half (56 percent) were from government. Other respondents were more fragmented: academia (10 percent), bilateral or multilateral agencies (8 percent), NGOs (6 percent), media (6 percent), private sector (2 percent), and National Assembly Delegates (1 percent).

The survey used a mail-in questionnaire in which respondents were asked to indicate their overall attitudes toward the Bank, the importance of specific areas of the Bank's work, and the Bank's effectiveness in those areas. They were also asked to indicate their level of agreement with a series of statements about the way the World Bank does business. Respondents were also asked about general issues facing Vietnam, the Bank's future role, and the Bank's communication and outreach. The questionnaire was broken into seven sections:

1. **Background Information:** The first section asked respondents for their current position, specialization, familiarity, and geographic location.
2. **General Issues facing Vietnam:** Respondents were asked to indicate what they thought were the most important development priorities and to rate their optimism for the next generation in Vietnam.
3. **Overall Attitudes toward the World Bank:** Respondents were asked to rate the Bank's overall effectiveness, their agreement with various statements regarding the Bank's programs, poverty mission, relationships, and collaborations in Vietnam. Respondents were also asked to indicate what they felt were the Bank's greatest values and greatest weaknesses in its work and with which groups the Bank should work more.
4. **The Work of the World Bank:** Respondents were asked to rate their level of importance and the Bank's level of effectiveness across seventeen areas in which the Bank was involved, such as helping to reduce poverty and helping to bring about economic growth.
5. **The Way the World Bank does Business:** Respondents were asked to rate the Bank's level of effectiveness in the way it does business, including the Bank's knowledge, personal relationships, collaborations, and poverty mission.
6. **Communication and Outreach:** Respondents were asked to indicate where they get information about development issues in Vietnam.
7. **The Future of the World Bank in Vietnam:** Respondents were asked to rate the extent to which the Bank will play a significant role in Vietnam's development and to indicate what the Bank could do to make itself of greater value in Vietnam.

Findings

(i) Priorities for Vietnam and Bank Support

Respondents indicated that governance was the most important development priority for Vietnam. It was rated as the most or second most important priority for Vietnam by 47 percent of respondents, a significantly larger share than for other priorities. Those with the highest ratings after governance were economic growth (27 percent), infrastructure (21 percent), reducing corruption (17 percent), and improving the effectiveness of the law and justice system (also 17 percent).

As for priorities for Bank support in Vietnam, respondents gave the highest mean rating to helping reduce poverty (8.4 on a 10-point scale with 1 being not at all and 10 being very important). This was followed by encouraging greater transparency in governance (8.1), ensuring that attention is paid to the environmental impact of Bank supported programs and strategies (8.1), helping to strengthen infrastructure development (8.1), helping to lay the foundation to integrate Vietnam into the global economy (8.0), help Vietnam adapt to/avert risk of climate change (8.0), helping to bring about economic growth (8.0), and safeguarding against corruption in Bank-funded projects with its procurement rules (7.9).

The survey data indicate a gap between the relative perceived importance of development priorities for Vietnam and priorities for Bank support in Vietnam in three areas: poverty reduction, economic growth, and climate change. Poverty reduction is rated the most important out of 17 areas for the Bank to be involved in, but seventh out of 20 in its importance for Vietnam. Economic growth is the reverse: fifth out of 17 areas for the Bank to be involved in, but second among 20 areas important for Vietnam. One could infer from this that respondents know the Bank's mission is poverty reduction, and while they feel economic growth will continue to reduce poverty in Vietnam, and/or keep it from reversing its downward trend, they look to the Bank to help address the needs of the long-term poor who are less able to access the benefits of growth. Climate change is ranked fourth in importance out of 17 areas for the Bank to be involved in, but eleventh out of 20 in its importance for Vietnam. A possible interpretation is that climate change is considered a longer term issue that Government cannot tackle on its own, and the donor community, including the Bank, should therefore take the lead.

(ii) The Bank's Effectiveness

Across all respondents, the Bank's overall effectiveness in Vietnam received a mean rating of 7.7 (the same as in the FY06 survey), with 1 being very unfavorable and 10 being very favorable. Respondents from government, academia, media, other organizations, and NGOs had significantly higher ratings for the Bank's overall effectiveness in Vietnam than respondents from bilateral or multilateral agencies and private sector. Respondents saw the Bank as most effective in helping to reduce poverty, integrate Vietnam into the global economy, strengthening infrastructure development, and paying attention to the environmental impact of Bank programs, with all of these areas receiving mean ratings of 7.4 on the 10-point scale.

Interestingly, respondents rated the Bank's effectiveness in a given area on average below the area's importance, which indicates the Bank needs to enhance even further its impact in priority areas. These "effectiveness gaps" are widest for the following work areas of the Bank, in descending order (i.e., the first work area in the list has the widest gap):

- helping to strengthen the education sector
- helping to strengthen the health sector
- encouraging greater transparency in governance

- helping to strengthen the private sector
- helping Vietnam adapt to/avert risk of climate change
- safeguarding against corruption in projects/programs that the Bank funds with its procurement rules
- helping to strengthen the regulatory framework
- helping to reduce poverty

(iii) *The Bank's Value Added*

Respondents indicated that the Bank's greatest value to Vietnam was its financial resources (56 percent ranked this the Bank's greatest or second greatest value), followed by knowledge (45 percent), implementation capacity (34 percent), and technical advice (31 percent). But if one considers the Bank's knowledge (studies and analyses), technical advice, and ability to build implementation capacity as various aspects of the "Knowledge Bank," then their combined scores significantly exceed that of financial resources as the Bank's greatest added value, and in fact exceed 50 percent. And if votes for greatest and second greatest value are combined, the "Knowledge Bank" received nearly twice as many votes as financial resources.

This indicates it will be very important that the Bank bring cutting edge skills and provide global knowledge to its engagement in Vietnam. The competitiveness of the Bank's financing terms will no doubt also be important, especially as IBRD accounts for a growing share of Vietnam's new commitments and as IDA 16 terms become less favorable for blend countries.

(iv) *The Bank's Weaknesses and Collaboration with Stakeholders*

Areas deemed to be the Bank's greatest weaknesses all had to do with inflexibility. Listed in descending order of respondents' votes, these weaknesses are: imposing technocratic solutions without regard to political realities, not exploring alternative policy options, failing to adapt global knowledge to local conditions, and being too bureaucratic in its operational policies and procedures were also considered to be weaknesses of the Bank.

Over half of all respondents indicated that the Bank should work more with others in Vietnam, in addition to partnership with the national government. Specifically, the Bank should work more with beneficiaries (59 percent of respondents), the donor community (40 percent), the private sector (35 percent), NGOs (23 percent), and the National Assembly (22 percent).

ANNEX 15: STAKEHOLDER CONSULTATIONS

Stakeholder consultations on the CPS FY12-FY16 are being held at three stages aligned with key milestones in CPS preparation: before drafting, at the Concept stage and at the Corporate Review stage. The consultations have been aimed at: (i) enhancing broad ownership of the CPS; (ii) engaging with stakeholders in line with the principles of the Paris Declaration and Hanoi Core Statement; and (iii) benefiting from the insights of a broad group of stakeholders with knowledge and understanding of the country context. The consultation process for the CPS FY12-FY16 started with a round of consultations before the drafting process was initiated. The main participants have been the Government, where participants are from central government (Government's Core CPS Team with members from SBV, the Ministry of Finance (MOF), the Office of Government (OOG), and MPI, line ministries and other counterpart agencies), local government, and the National Assembly; civil society, where participants include international NGOs/local NGOs and CSOs, academia, ethnic minority groups, disability groups, women's groups, media, international and local private sector; and Development Partners, including multilateral and bilateral donors.

Consultation Round 1: Visioning Workshop, January 2011

A CPS visioning consultation workshop was held with stakeholders in January 2011. The workshop was designed to engage the diverse group of stakeholders in discussions of key priority areas for the World Bank in a proactive and interactive manner. Participants identified and discussed what they thought the Bank's five key priority areas should be during the next five years and their rationale:

- **Macro-economic Development:** Many participants mentioned the important role of the Bank in supporting the Government's efforts to secure macroeconomic stability. The Bank is seen as an important advisor and provider of independent analytical research and forecasts (conducted when possible in cooperation with relevant research institutions). Particular issues for the Bank to focus on included advice on a new economic model, reform of the SOE sector, and re-organizing the economic information/data system.
- **Infrastructure:** Practically all participants agreed that infrastructure development should remain a top priority for the Bank. Within the area of infrastructure, focus was mostly on transport (urban transport, rural roads, and expressways were mentioned), but energy was also highlighted as very important.
- **Strengthening Human Resources:** As a new middle income country, Vietnam is in need of human resources of high quality to intensify the socio-economic development efforts. Three areas were specifically highlighted as important for the Bank to support in relation to human resources: *higher education, vocational training and capacity building*
- **Climate change and natural disaster prevention** The Bank can provide relevant international experience and lessons and help Vietnam with the development of strategies and actions for prevention of and dealing with natural disasters as well as approaches to climate change mitigation and adaptation.
- **Governance and Anti-Corruption:** Practically all non-governmental participants saw governance and anti-corruption as a crucial area for the Bank to support. Corruption is seen as a major impediment to development. Government participants did not mention the issue of corruption, but several did nevertheless underline the need for a strengthening of institutions and the importance of the World Bank supporting the Government in this area.

The Bank sought feedback on its perceived areas of comparative advantage. Some of the areas mentioned were: (i) the level of resources the Bank brings to the table – e.g., for financing large scale infrastructure, (ii) its global and regional perspective, (iii) its close and productive relationship with

the Government, and (iv) its ability to take a leading role in donor coordination due to its staff size, broad engagement across many sectors, and close relationship with the Government.

Participants also discussed and exchanged ideas on what areas the Bank should approach differently in the future:

- ***Sustainability and quality of growth:*** With the new MIC status, both the Government and the Bank will need to focus more on building increased sustainability and increasing the quality of growth.
- ***Country ownership/systems and financing modalities:*** A number of government participants felt the Bank should promote more country ownership by moving towards the use of country systems, especially on procurement, as the slow rate of disbursement of Bank projects is seen as the greatest source of frustration in relation to their cooperation with the World Bank. Interestingly though, several of the non-government participants encouraged the World Bank to promote a more efficient and transparent use of public resources and cautioned the Bank against relying too much on country systems.
- ***Improvement of Program Management Capacity and Aid Effectiveness:*** With other donors slowly phasing out, many participants found that the Bank should play a more active role both in supporting improvement of program management capacity on the Government side and in taking forward the aid effectiveness and donor coordination agenda.
- ***More independence in policy advice:*** While the close relationship between the World Bank and the Government of Vietnam was mentioned as one of the Bank's comparative advantages, some participants also felt that the new development context of Vietnam requires the Bank to adopt a more independent voice with the Government in policy advice, debate and research.

The workshop demonstrated quite different perspectives between government, donor, and non-government participants. While in general Government emphasizes the importance of the Bank as a source of infrastructure financing, other groups look to the Bank as a development institution. Within Government, different agencies also expressed different needs - some ministries put heavy emphasis on large infrastructure while other agencies would like to see more DPOs/budget support. Nearly all non-Government representatives emphasized the 'knowledge' bank aspects and the importance of the bank as a critical, independent reviewer and adviser on economic and other policies. While some (mostly Government) emphasized the need for more infrastructure, others (non-government) emphasized issues with the quality and maintenance of infrastructure and how it is prioritized and financed. All agreed on the importance of improving human capital, but there was a difference in views as to whether emphasis should be put on higher education vs. vocational training. With respect to higher education, the importance of governance and accountability issues rather than bricks and mortar was emphasized by some. Several non-government representatives noted that the efficiency of the state sector is a major challenge although the appropriate role for the World Bank in supporting this is less clear. Some non-government participants noted that the current Bank portfolio was perhaps spread out a bit too thinly.

Consultation Round 2: Three Sessions on CPS Concept Paper, June 2011

On June 6th, 2011, The World Bank hosted three separate rounds of consultations with the WBG's most important stakeholders in Vietnam on the CPS Concept Paper⁴³ and its proposed strategic directions. Below are the main points from each session.

Government of Vietnam

SEDP and SEDS

- The connection to the SEDP and SEDS was not as visible in the CPS Concept Note as the government would like to see, and they hoped to see further alignment with the Plan and Strategy moving forward. It was, however, appreciated that all three break-through areas of the SEDP and SEDS (infrastructure, human resources/skills development, and improving market institutions) were reflected clearly in the CPS – mainly through the first pillar on competitiveness, but this should be noted more clearly in the strategy.

Comparative Advantages and Division of Labor

- Government (MPI) underlined the importance of the Bank (as well as other donors) clarifying their comparative advantages. This will help facilitate division of labor among donors and in relation to the Government's own programs. Government flagged the need to take a fresh look at aid modalities and said they would be interested in how the Bank sees various new options. The new ODA Strategic Framework is an important step in terms of coordination, and the importance of ensuring a high level of alignment between the two documents was underlined.

Background Diagnostics

- It was also noted that it would be useful with more analysis of the regional and global context and what this context means for Vietnam. Government also encouraged the Bank to be more frank when assessing the weaknesses of government policies and the reasons behind and added that this would be the most useful way for Vietnam to learn as the country moves forward. The area flagged as the most important to include was more analysis on the risks for Vietnam in terms of falling into the so-called middle income trap and possible tools for Vietnam to avoid it. The World Bank Group's global experience makes it highly relevant in advising the government on this theme.

Implications of MIC Status

- The Vice-Minister raised the questions of whether Vietnam is truly ready to act as a MIC and whether the WB is ready to support Vietnam as a MIC and not the Low Income Country it was in the past. The new roles of both Vietnam and the WB were discussed: roles that demand the Government gradually take on a more active leadership and the Bank slowly start to move away from being primarily a source of money and to being more valued for its knowledge products, ideas, and policy advice.

Views on Overall CPS Framework

- Overall, most government representatives expressed satisfaction with the Concept Note and the proposed strategic directions. However, several participants noted that while the objective of "enhancing the quality of growth" was capturing an important aspect, it was missing the notion of sustainability of growth and that sustainability should not be seen as only pertaining to the environment but rather be included in the overall objective. MPI and others noted that the term

⁴³ One session with Government (including representatives from MPI, OOG, SBV and MOF as well as from line ministries and the National Assembly), one session with local civil society (including NGOs, media and the private sector) and one session with development partners (including bilateral and multilateral donors and international NGOs).

“equality of opportunity” was not appropriate and suggested “social inclusion” instead (as was used in the previous CPS and SEDP). In addition, it was noted that it is more important to address access to basic services in remote areas and for vulnerable groups than to focus on economic inequality.

- While some participants welcomed the idea of having a pillar that addresses resilience to shocks and how to manage risks, others felt it was difficult to understand the idea behind the fourth pillar and that it would be better not to separate climate change mitigation and adaptation into two different pillars. The same was mentioned for social protection, which some participants preferred to have in just one pillar.⁴⁴ Participants agreed governance and anti-corruption are a very important issue and that having it as a cross-cutting theme was a good idea.

IBRD and IDA

- Government thought it would be useful to have a road map of the transition from IDA to IBRD and to have more firm information about the timeline for decreasing IDA volumes.

Private and Public

- Many participants raised the issue of PPPs and what role this will play in Vietnam in the future. This was an area where the need for both World Bank and IFC support was highlighted and especially transport, energy and health were flagged as possible sectors for PPPs. As Vietnam moves forward, a clearer definition of government’s role versus that of the private sector will be needed. In relation to transport (but relevant for all other sectors as well), it was flagged that the need for resources are huge and as both the national budget and aid flows only cover a small portion of those investment needs, it is extremely important to improve the efficiency of both public and private investments.

Project Design and Procedures

- Several line ministries raised the problems related to WB procedures and difficult project designs. It was discussed how to bring down preparation time and whether procedures could be simplified and more could be left to the country itself rather than having to be done by Bank staff or expensive international consultants.

Dispersion

- The session included discussions about whether the WB program is too dispersed and would benefit from more selectivity, or whether it is rather an asset for the Bank to be active in all sectors and thus that selectivity is not something the WB should strive for at this point. It was underlined that it was important to make sure that a greater selectivity would not happen at the expense of promoting social inclusion and protection of the most poor and vulnerable groups. It was also mentioned that perhaps it would be better to aim at reducing dispersion through a stronger regional focus rather than through thematic selectivity.
- A few participants requested an increased support to National Target Programs and noted that an analysis of comparative advantages among donors in relation to the NTPs would be useful. Some participants felt it would be more useful to discuss how best to approach the question of division of labor rather than focusing on whether the Bank is too dispersed or not.

⁴⁴ As a result of the feedback, the Bank team subsequently decided to make resilience a cross-cutting theme rather than a free-standing pillar.

Local Civil Society

Oversight Mechanism and Bigger Role for Civil Society

- One of the points that came out strongly was the idea of creating an oversight mechanism for civil society to monitor and supervise both government agencies and the private sector to help in the battle against inefficient use of public funds, poor service delivery and corruption in both the public and private sector. It was also noted that such an oversight mechanism would be extremely important in relation to fighting pollution and natural resource degradation, and that domestic and international enterprises should be monitored to ensure greater environmental sustainability in the future. In general, the importance of broadening the participation of civil society to be part of discussions and debates about the future path of the country and how to tackle challenges ahead was underlined by many participants. The Bank was encouraged to promote a more active role for civil society in the future aid architecture (e.g., involving NGOs more in project design, as well as implementation and evaluation).

Governance and Anti-Corruption

- Many organizations mentioned the need for strengthening governance issues in both the public and private sector. Efficient use of funds, transparency, social accountability and access to information were mentioned as important issues. There was general concern about the systemic, inherent nature of corruption which was perceived as being widespread at all levels. The World Bank Group was encouraged to come out with a stronger position in the CPS on governance and anti-corruption and to be more concrete about the Bank's plans to address them.

Environment and Natural Resources

- Environmental and natural resource degradation was flagged by almost all organizations as one of the most serious issues facing Vietnam. While it was appreciated that the CPS Concept Note proposes a separate pillar for addressing environmental and natural resource concerns, it was felt that international donors could do more to promote this area and should scale up their activities in this field. The focus should be on improving governance in relation to managing natural resources and possibly to create a civil society oversight mechanism.

Bank More Critical

- It was mentioned that the Government and its achievements are praised a lot in the Concept Paper and while it was recognized that this was merited to some extent as well as necessary in some respects, it was also underlined that it is increasingly important for the Bank to be more critical of the Government in some areas, in the context of an equal and more mature relationship between Government and the Bank.

Views on Overall CPS Framework

- Most participants agreed that the overall framework suggested - including the four proposed pillars and overarching objective - seemed appropriate. It was however noted that the interesting part is how the pillars are implemented and what more concretely will be "filled into" each, which has not yet been clearly defined at this concept stage. While the Bank was commended for making governance a cross-cutting theme, it was not clear enough how the Bank would tackle governance issues. It was also difficult to see which areas are being scaled down, which areas are new for the Bank, and what are the Bank's comparative advantages.

Private Sector

- Several participants highlighted the need for more support on PPPs in various sectors. It was noted that the WBG could be clearer in how it envisions addressing the private sector. While some participants promoted a more prominent role for the private sector in Vietnam because of its capacity to create employment and innovation, others cautioned against focusing blindly on private sector development

as a solution to everything. The importance of promoting better governance of SOEs was furthermore highlighted.

Development Partners

Infrastructure

- It was mentioned that infrastructure is still posing a huge challenge for Vietnam and that the Bank as one of the largest donors and providers of credits has an important role to play in supporting the government in building proper infrastructure and services. One of the key challenges lies in the balance between infrastructure “hardware” and “software” – and while the hardware is important, the software such as for example road maintenance, infrastructure sustainability, power sector reform, etc, should not be neglected.

Environment and Natural Resources

- Many participants stressed the importance of breaking the current trend of extensive exploitation of the environment and natural resources and it is necessary to see donors like the Bank move more from talk to concrete action.

Comparative Advantages and Division of Labor

- Many donors raised the need for the Bank (as well as other donors) to be clearer about their comparative advantages and division of labor. This includes looking into whether donors could join efforts in various areas in order to reduce the number of PDOs, PMUs, and have common supervision missions.
- With Vietnam having reached MIC status, some donors are starting to phase out and/or leave the country. Remaining donors will need to take into consideration any possible gaps that arise as a result of other donors leaving.

Views on Overall CPS Framework

- Most participants found that the proposed overall framework seemed broadly appropriate but that the interesting part would be to see how the Bank more concretely shapes the program within the four pillars. Several donors mentioned that the terminology used by the WB as well as the visions and objectives are closely related to their own, which should hopefully facilitate collaboration. Several donors expressed their appreciation of a pillar dedicated to equal opportunity. One participant raised the importance of making sure that poverty reduction is at the core of everything the Bank does and therefore an integral part of all four pillars, thus cautioning against limiting poverty reduction to just being a subtheme of pillar 3. The related issue of rising inequality was flagged as a very important issue to address as well. Participants welcomed the idea of focusing a pillar on managing risks and building resilience, but concerns were raised as to how to ensure that the most poor and vulnerable groups are reached under this pillar as well as under pillar 2.
- Several participants commended the Bank for making governance a cross-cutting theme but noted that governance should come out more strongly in the document. Transparency was mentioned as one of the key elements and a concrete entry point to address governance issues. In addition, gender should come out more strongly in the strategy, preferably as a cross-cutting theme. Some of the recent work undertaken by the Bank in cooperation with other donors in relation to the Gender Assessment is very good and should be shown more directly.

Civil Society

- It would be important to include civil society and flag its important role in development in the strategy. It was noted that during the current WB Country Director’s tenure, cooperation with CSOs has increased, but the international NGOs would like to see this cooperation deepen further. It was

furthermore raised that there should be a mechanism for more direct civil society involvement or monitoring in all phases of new operations in order to ensure greater sustainability.

Policy Dialogue

- Several donors raised the question of how to strengthen policy dialogue with the government. While good progress was made with the PRSC, there is room for further improvement. Donors were looking forward to learning more about the Bank's plans for the EMCC series of DPOs, to see what strategic opportunities it opens for them to engage in specific policy areas together with the Bank.

Consultation Round 3: Three sessions on Draft CPS, October 2011

On October 5th and 6th, 2011, the World Bank hosted the last of round CPS consultations. Like with the second round, three separate sessions were held with the most important stakeholders – this time on the draft CPS that was also shared for the internal WBG Corporate Review. In general, there was broad support for the draft CPS and the proposed framework and principles of engagement from all three groups. The following is a summary of the points raised:

Government

Government Priorities

- Government underlined the importance of avoiding fragmentation. Support should especially be directed towards support for the SEDS/SEDP breakthrough areas and look at a few transformative interventions. Infrastructure needs are most pertinent for Vietnam as a MIC, especially transport. The WBG should direct a lot of resources to that.
- Government would like to see an increase in the estimated IDA and IBRD resources, as financing needs are large.
- Government and especially SBV expressed keen interest in getting guidance through analytical work and policy advice on how to avoid the so-called middle income trap and would like to see that included more in the WB program for the new CPS period.
- The balance between different instruments was discussed and it was raised that DPOs makes it difficult for the Bank to see and assess the direct impact of the money allocated, which is one of the advantages of investment loan.
- The importance of strong donor coordination and division of labor was underlined – especially between the three largest donors in Vietnam: ADB, JICA and the WBG.
- The need for both Government and the WBG to address the bottle necks in human development was underlined and new initiatives outlined in the CPS in that area were appreciated. It was questioned why the WB does not support vocational training.
- The WB was commended by the Ministry of Agriculture and Rural Development (MARD) for being strong on policy advice, reforms, legal support, etc. and would like specific support in preparing for a number of laws/bills coming up in the coming time within MARD's areas of responsibility. They would furthermore like to see the areas of food security policy and agricultural competitiveness scaled up further. The Ministry of Natural Resources and Environment (MONRE) also expressed interest in more support on pollution control.

Framework

- The pillar framework was seen as well-aligned with both the SEDS and SEDP.
- MARD underlined the importance that agriculture plays in terms of strengthening the Country's competitiveness and would like to see it come out stronger in Pillar 1.

- The General Inspectorate welcomed the emphasis in the CPS on Governance and found that the right issues had been raised. However, they requested the WBG to be more specific about what the mainstreaming really means in terms of actual actions.
- MPI was interested in knowing whether all three pillars are seen by the WBG as equally important or if one is prioritized over others.
- MPI suggested that in order to make sure that government agencies have the capacity to address governance, reform issues and institutional capacity improvements; it would be useful for the Bank to commit an amount of money every year that is earmarked for capacity building and strengthening of governance, etc., within Government agencies.

Development Partners

Diagnostics

- It was raised that the first chapter of the draft CPS was missing the political context (and while it was recognized that there is a limit as to how much the WBG can go into this, a bit more analysis of the political situation would be appreciated). This could focus on the pace of reforms as well as the sometimes limited space for dialogue. The same was raised for the risk section – here the Bank suggests more dialogue with Government as the main mitigation measure, but what if that does not help?

Comparative advantages/Division of Labor

- It was pointed out that more analysis of how the strategy will facilitate the gradual phasing out of other donors would be useful (e.g., in water and sanitation and agricultural/rural development). In addition, more TA in PFM would make the phasing out less abrupt/damaging.
- There were a number of questions and comments about comparative advantages. The Bank was asked how it identified its own comparative advantages (as this was also a difficult exercise for other donors). There were also questions about whether the WBG has explicit agreements with other development partners on division of labor – e.g. in terms of specific sectors and/or geographical areas? In relation to this, it was agreed that the WB should meet urgently with both the UN and with ADB and JICA to discuss division of labor, and how to avoid overlaps and exploit synergies.
- On a related note, it was pointed out that it would be interesting with a more explicit discussion throughout document and especially under each of the pillars on what the WBG can add in the different engagement areas – not just in terms technical support, but also policy advice.
- It was noted that it is not clear in the document how the WBG sees the role of elected representatives of civil society, the National Assembly, etc.

Principles of Engagement

- It was pointed out that while the Principles of Engagement of the draft CPS say that the WB will be more selective moving forward, it is actually hard to see this selectivity in the description of the program
- In relation to the above point, the Bank was also asked for what criteria it uses to select to engage in (or disengage from) a certain sector – of course this would presumably be based on comparative advantages, but are there other criteria? For example, the WB was asked whether it uses the progress (or lack thereof) on the MDGs as a criteria for engagement/exit?
- The WB was asked to nuance the statement that it will consolidate and move towards larger projects, as it was pointed out that large projects is no guarantee of a more efficient and effective implementation.
- A point was made regarding how to build in incentives and disincentives in project implementation; i.e., deliberately moving funds from provinces that do poorly to better performing provinces. It was noted that this is already being done to some extent, so the Bank should: a) be more explicit about this

approach in the document, and b) apply it more consistently and openly in the future and think more about how to support good performers. This also links to new results-based approaches.

- It was noted that the Bank on previous occasions has mentioned that it would aim at having more DPOs in the future, yet the draft CPS goes more into describing support for NTPs, Additional Financing of existing projects, etc., and does not go much into describing concrete examples of possible future DPOs. Thus, the storyline is not clear on where the Bank will do what and why in terms of instruments.

Framework

- It was noted that it would be interesting with more information about how the WBG will support Vietnam in terms of positioning itself in the region, e.g., as part of ASEAN, etc. This is especially relevant in relation to the competitiveness pillar but would be useful throughout the document.
- Outcome 1.1 aims at “Improved Economic Management and Business Environment”. The WBG was asked how it will actually make this happen with all the continuing difficulties and lack of progress on SOEs and in the financial sector – is this outcome too optimistic?
- The Bank was requested to make it clearer why resilience is cross-cutting – what does it mean to have resilience as a cross-cutting theme, as it is applied in a different way in each pillar. Governance is more straight-forward as a cross-cutting theme as it will be applied more uniformly across the pillars
- The strong focus on governance was welcomed, but it was noted that it was not completely clear how the WBG will mainstream governance more concretely - how will it be applied in practice?
- It was furthermore raised that gender seemed somewhat misplaced under opportunity pillar as it cuts across all 3 pillars.

Implementing the CPS

- There were a number of comments addressing the issue of implementing the CPS and the resources available for this implementation. A clarification of why Vietnam has the highest IDA allocation ever for the next 3 years was requested, since Vietnam is now a MIC and it would be more logical for IDA resources to decrease. In relation to this, it was also noted that it could be seen as paradoxical that Vietnam has such a high allocation of IDA at the same time as the draft CPS notes that USD 5.8 billion are undisbursed and implementation is slow. This makes the story line a bit weak. It seems that less IDA would be easier, give more incentive for selectivity as well as for more speedy disbursement, and it would mean less undisbursed future resources. The WB was asked whether it should not consider telling the Government that IDA allocation does not have to be used fully (especially if implementation does not improve?) Finally, there was also interest in seeing more information about where the WBG is heading with regards to IBRD, IDA and IFC funds in the medium (and if possible, longer) term.

Civil Society

Role of civil society

- Some frustration was expressed about the position and role of civil society in Vietnam by civil society representatives.
- In relation to the above, some participants also felt that the draft CPS did include enough on the role of civil society – in Vietnamese society as a whole and in implementing the CPS – civil society organizations should have more important role in preparation, implementation and M&E of projects.
- It was noted that while it is positive that there is now more of a focus on national ownership in the debate about aid and development, national ownership should not be defined narrowly as only meaning government ownership but should also be referring to citizen ownership.
- In addition, the Bank was requested to be more vocal in general (and more explicit in the CPS) about the important role it can play as an advocate for a bigger space for civil society – the Bank should use its position to push for more space and dialogue for civil society.

Diagnostics & Framework

- The Bank was commended for being more frank on various issues, such as governance and the macro-economic situation than previous CPS's.
- Some concerns were raised about debt sustainability and whether this should be flagged more in the CPS as a potential risk. It was also noted that the Bank might want to mention in the CPS that economic instability could have some impact on social situation, which emphasizes the need to urgently address issues such as rising inflation, corruption, etc., in order to avoid a decrease in public trust.
- Additional questions were raised to the WBG, such as: (i) whether it would be useful to include low case-high case scenarios in the CPS for the macroeconomic situation, (ii) whether the Bank should have a specific strategy for Mekong Region (like ADB), and whether the Bank is addressing poverty among ethnic minorities enough and in the right way in the CPS. Cash transfers might help, but other barriers are just as important for ethnic minorities (language, prejudice, self perceptions, learning outcomes and motivation in education, etc.).

ANNEX 16: PUBLIC FINANCIAL MANAGEMENT IN VIETNAM

Overview

Over the past decade, Vietnam has made strides in establishing a sound public financial management system. With the adoption of the first organic budget law in 1996 and its revision in 2002, a legal framework for public resource management has been put in place. A centralized treasury system is being set up with branches extending from the center to all provinces and districts to provide basic essential financial services to all government agencies. Steady progress has been achieved in making the budget more predictable and pro-poor, and the budgeting process more transparent and participatory. Substantial efforts have also been made in recent years to improve transparency in the use of public resources through disclosure of information on detailed government spending as well as expenditure policies, regulations and procedures.

There is strong ownership in the Vietnamese Government of the PFM reform agenda. MOF is currently engaged, as are other Ministries, in developing a reform strategy for 2011-2020. The strategy aims at (i) maintenance of stability of public finances within the broader economy; (ii) improved effectiveness of public sector expenditure in achieving policy and service delivery; (iii) development of effective influence by government over key finance markets; and (iv) effective and efficient resource mobilization to finance public expenditures. Support to the implementation of reforms is coordinated through the PFM partnership group which overarches the activities of government, donors, and working groups, meeting half yearly to discuss progress. There is ongoing effort among donors to directly align their support with the mainstreaming government's strategies and plans.

PFM remains in the center of Public Sector reforms. Other focus areas are organizational restructuring, pay and employment reform, and institutional development. The PFM reforms hinge on seven priorities: budget management, revenue management, debt management, SOE fiscal risk management, financial market supervision and government bond market development, public asset management, and price management.

The overall conclusion of the latest Country Financial Accountability Assessment (CFAA 2007) stated that PFM arrangements and their implementation and performance pose a moderate risk that funds will not be properly controlled or used for intended purposes. The CFAA proposed a set of recommendations to help the government design and continue implementing reforms and capacity building programs to modernize and strengthen PFM and enhance transparency and accountability arrangements in support of sound economic management and improved governance.

Even though a series of analytical work, such as Public Expenditure Review (PER) or CFAA, have been undertaken every three to four years, progress and impact of the PFM reforms and development initiatives can only be measured by establishing an official monitoring framework, and baseline performance measures. The Public Expenditure and Financial Accountability (PEFA) measurement framework provides a recognized measurement of the performance of the public financial management of government. Similarly, the Debt Management Performance Assessment (DeMPA), adapted from the PEFA framework, but is focused on debt management issues, would provide a baseline assessment of debt management capacity. Although the government has agreed in principle to introducing these measurement frameworks through pilot self-assessment process in 2011 (PEFA) and 2012 (DeMPA), no firm decision on detailed timeframe and commitment of resources have been made. Within the MOF, the number of technically-qualified and experienced managerial staff needs to be increased to meet the reform challenges of the Ministry. Support is needed for Capacity building across sectors and sub-national government to implement decentralized PFM reforms.

Recent Developments and the Way Ahead

PFM legal and institutional framework. The CFAA reported that since 2004, implementation of the 2002 State Budget Law and the 2005 Accounting Law has progressed and a State Audit Law has been enacted. However, it also noted that some confusion and overlap in budget responsibilities remain in the budgeting system which is limiting the participation of sectors in resource planning, budgeting and budget management and confuses accountabilities between the national and sub-national levels. Furthermore with the redevelopment of the government accounting systems and regimes, the Accounting Law is no longer adequate and needs revision, and the basis for accounting needs to be better defined, however there is no clear plan at that this time to revise the Accounting Law. The State Budget Law will be revised and re-submitted to the National Assembly in 2012, expectedly including a number of critical changes to state administration in Vietnam such as enhanced decentralization to sub-national government and adjusted fiscal authority of central vis-à-vis sub-national tiers of government in budget approval.

PFM information systems. The Treasury and Budgetary Management Information System (TABMIS) will progressively address difficulties in monitoring a fully-consolidated budget as well as the fiscal position. TABMIS has been developed since 2007, piloted in 2009, and recently rolled-out to MOF and treasuries and financial agencies in 35 out of 63 provinces. Fifteen largest spending line-ministries are getting ready to use TABMIS to conduct budget allocations for 2011. It is expected that the system will become fully operational in 2012 upon its nationwide roll-out. TABMIS will provide the capability to record and control commitments, improve cash management and arrears management, and strengthen expenditure management and controls. There are initial staged plans for TABMIS consolidation and expansion, in both terms of both functionality and coverage, towards the Integrated/Government Financial Management Information System (IFMIS).

Public accounting regulations. In parallel with TABMIS project, a unified Treasury and Budgetary Chart of Accounts has been developed to provide consistency of classification of revenues and expenditures in budgeting, accounting and reporting with expenditures classified on an administrative, economic and functional basis. This will facilitate accurate and timely financial reporting, and the flow of budgetary information between government ministries provinces and the public. For future TABMIS expansion, development of a unified and uniform chart of accounts for the public sector (including the Spending Units) is now envisaged. A staged roadmap for adoption of the International Public Sector Accounting Standards (IPSAS) is also being developed to align government accounting regimes and practices with international standards.

Budget development and execution. Vietnam's budget coverage is reasonably comprehensive but still incomplete compared to international practices. Budget gaps arise from the lack of clarity in the state budget coverage of user fees and charges of many service delivery units, lack of integration or disclosure of the financial positions of public financial funds, untimely and sometimes inadequate incorporation of donor financing, and off-budget government bonds. Budget execution variations arise from such practices as revenue underestimation particularly for crude oil revenues, keeping the state accounts open after year end with post year expenditures recorded against previous year unused budgets, and over implementing construction and development plans. Separate preparation of the recurrent and capital investment budgets hampers effective management of resources and the composition of public expenditure remains unbalanced.

Public expenditure is planned annually and also for medium-term over five year periods but the linkage between the two remains weak. The ongoing revision of the State Budget Law introduces Medium-Term Fiscal and Expenditure Framework, to be mainstreamed in the annual budget cycle. There are also initial discussions on reforming budget planning toward output- and program-based budget elaboration.

Off-budget-balance expenditures, i.e., expenditures not counted in the calculation of the budget deficit, include government bonds issued to finance infrastructure projects and education facilities, recapitalization of entities such as the Vietnam Development Bank or the Vietnam Social Policy Bank, and borrowings by sub-national governments and their affiliated entities such as local development funds. However, these so-called off-budget expenditures in Vietnam can be considered on-budget in several respects. They are included in the budget that is reviewed and approved by the National Assembly, and their execution was done through the Treasury and subject to the same disclosures and scrutiny as standard budget expenditures. There are attempts under the ongoing revision of the State Budget Law to adjust budget structure and coverage to be more in line with the international norms.

Contingent liabilities might be arising from these “off-budget-balance expenditures” and other implicit sources. A systemic definition and a reliable estimate of such contingent liabilities are not available, which limits the government’s ability to manage such risks properly. More broadly, as Vietnam is reaching middle-income status, it will need to engage more long-term finance from both domestic and external sources. Under the recently improved debt management, initial attention from the government on risk management and monitoring of contingent liabilities has been observed. Given the recent default of one of the largest state owned Economic Groups (Vinashin), MOF is planning to strengthen monitoring of fiscal risks from the SOEs. However, although considered as the country’s lead agency for national and public debt management, MOF has not yet prepared an inventory of government contingent liabilities from various sources, due to lack of necessary legal framework, poor data availability and limited assessment capacity.

Revenue administration. Customs controls are still considered low in productivity, inconsistent and vulnerable to corruption. The Customs administration will need to change significantly, shifting its mindset from a culture of domestic protection and control of all transactions to one that facilitates foreign trade and promotes private sector development. The tax administration is also characterized by low compliance and vulnerability towards corruption. Five areas of tax administration have been identified as in need of special attention: (1) the fragmentation of the legal framework related to tax administration; (2) the absence of effective coordination and information-sharing between the tax administration and other government agencies; (3) taxpayers’ lack of knowledge about the tax laws and compliance procedures; (4) inadequate professional skills and training of tax administration; and (5) information technology system which is lagging behind the requirements of a modern tax administration. In addition, tax laws and policies will need further reforms to broaden the tax base, and to reduce the number of rates and exemptions. Reforms in the management of revenue are progressing with clearer allocation rules and decentralized responsibilities; however classification of revenue in line with international standards needs to be introduced, and enhanced consultation on revenue targets is needed to improve the quality of revenue budgets.

Public debt management has improved both in terms of legal framework and institutional arrangements. The Debt Management Department was established in May 2009 with the role of a modern debt management office under the MOF. Although not all of the tasks relating to public debt management have been consolidated to this Department, the organizational structure of the department is similar to the debt management office according to international practices, with 6 divisions functioning as front office, one division performing the middle office functions, and one division performing the back office functions. Meanwhile, the first-ever Law on public debt management was approved by the National Assembly in June 2009 and came into effect in 2010. The Law introduced substantial reforms in managing and monitoring comprehensively public debt and government commitments (including domestic sub-national debts and on-lending), and addressing many weaknesses in the public debt management in Vietnam. A series of guiding decrees were adopted in 2010 to facilitate the implementation of the law. Special attention is now paid to strengthening risk management and developing forward-looking debt management strategy and program.

Financial market supervision and the government bond market. At present, many agencies participate in financial market supervision, leading to overlapping responsibilities and ineffective management and supervision. There is a need to consolidate market supervision functions into a single agency and to separate state management and supervision functions. Vietnam's government bond market is still small scale, low liquidity, and the maturity structure is skewed toward short-term. The number of market participants is relatively small and supporting infrastructure, such as depository, clearing and information systems, is yet to be developed. Therefore, considerable efforts are required to develop a full-fledged government bond market and coordinate it with development of related markets such as capital, security and real estate. A bond market development roadmap is being prepared towards these visions.

The government's PFM reform program highlights that state assets budget resources and human resources need to be managed in an integrated way for efficient and effective service delivery, and reforms are being gradually introduced. The legal framework and market principles in asset management were recently adopted under the Law on State Asset Management. The requirements for management reporting systems are being defined, but reform in this area has been slow. Initially, attention is needed for developing consistent and comprehensive asset accounting and asset management policies in line with international standards and practices. Further study will be carried out in 2011 to determine the most appropriate solutions to address the government's accounting and asset management requirements.

Independent scrutiny of PFM has significantly increased, with external oversight of budgetary affairs by the National Assembly and the recently independent State Audit of Vietnam (SAV). The functional committees and deputies of the National Assembly, and the local People's Committees have been given greater prominence in examining, decision-making and oversight of the state budget. There is steady expansion of external audit coverage and quality, and legislative oversight. Encouragingly, the SAV audit report was made public for the first time in 2006, and regularly since, triggering serious debates where are broadcasted live on the usage of state budgets. However, the capacity of these institutions, especially the SAV, is limiting the coverage and scope of audits. It is difficult for the SAV to manage the increasing workload including compulsory audit for 100 percent of SOEs, and to consider the move towards performance audit. Significantly, the SAV has recently approved an ambitious and comprehensive strategy to 2020 (with accompanying implementation plan to 2015) aimed at upgrading its capacity across the key areas of organizational and legal framework, human resources, audit planning and methodologies (including performance audit), information technology, and external relations.

The country's public financial management system has a range of internal oversight mechanisms. In the past, the focus was on inspection rather than systematic review to provide regular and timely feedback to the management on the use of public resources. Internal auditing is an important element of a sound public financial management system, which helps increase effectiveness, efficiency and financial control. This issue becomes even more important if the government intends to decentralize further to the local levels. The legal and institutional frameworks for the organization and operation of internal audit are being developed. Although implementation will be challenging, this has been a very encouraging step towards establishing a sound internal audit system in Vietnam in the coming years.

Vietnam has increased its level of fiscal transparency. Budget plans and budget execution accounts are being made available publicly, and there is increasing compliance with reporting regulations. However there is still room for improvement, particularly in relation to consistency in quality of reports and their timeliness. The draft budget plan should be disclosed before National Assembly's approval. To enhance the quality of financial reporting, consistency between budget and accounting classifications

needs to be maintained. The number of budget execution reports needs to be rationalized. Content and presentation of financial information needs to be improved in line with existing government regulations in the publicly available budget execution reports to make them more informative. Enabled by TABMIS, MOF has committed to, by 2013, publish monthly and more disaggregated budget execution reports on MOF website 15 days after month end, as opposed to the current practice of publicize quarterly and aggregated report 45 days after quarter end. In addition, the government is establishing a State Accounting General function, and working toward producing and issuing annual financial statements, including cash and asset information, in line with international practices. The annual final accounts need to be issued faster than the current 18 months, e.g. 9 months, after year end to enhance their relevance to the discussions on the budget of the subsequent year.

Good progress has been made in establishing legislation and the environment for greater financial accountability and transparency of financial information. Regulations on financial disclosures of the State Budget Law, Accounting Law and State Audit Law have been issued increasing the scope and range of required disclosures by entities at all levels of government. Information is being made available on public accessible websites. However, implementation remains the challenge. To further increase transparency, the content of budget documentation and the final accounts could be enhanced by including analysis, explanations and information in line with international practices. Disclosure of financial information, particularly spending at unit level should be actively monitored to ensure compliance with the enhanced disclosure requirements. Published financial reports should be timely, and a calendar for disclosures issued publicly.

ANNEX 17: OVERVIEW OF MAIN TRUST FUNDS

Vietnam is one of the biggest users of Trust Funds (TFs) in the World Bank. During FY07-FY11, the total amount committed through TFs in Vietnam reached US\$726 million, including almost US\$700 million for project related activities (project preparation, cofinancing, GEFs, JSDF, and TA for projects), US\$15 million for non-lending TA, US\$4.7 million for Institutional Development Fund (IDF) activities, and US\$2.3 million for Economic and Sector Work. In FY10, the Vietnam Program reached US\$100 million in Trust Fund disbursements, ranking 7th in the Bank after Afghanistan, West Bank and Gaza, Ethiopia, China, Indonesia, and Sudan in terms of TF disbursements. In FY11, committed and disbursed amounts from Trust Funds reached US\$296 million, and US\$170 million, respectively, in Vietnam.

Trust Funds by Activity from FY07-FY11 (Amounts in \$ mil)

	Closed		Active		Total	
	No.	Amount	No.	Amount	No.	Amount
IBRD/IDA Project Related	17	\$400.50	43	\$204.90	60	\$605.40
GEF & Mont. Protocol	5	\$11.60	7	\$39.70	12	\$51.30
Free Standing Capacity Bldg a/	11	\$19.10	6	\$27.80	17	\$46.90
Institutional Dev. Fund	12	\$3.30	7	\$1.50	19	\$4.80
Econ. & Sector Work	6	\$1.60	12	\$4.30	18	\$5.90
Non-Lending TA	12	\$2.20	17	\$13.40	29	\$15.60
Others b/	7	\$1.60	5	\$3.00	12	\$4.60
Total	70	\$439.90	97	\$294.60	167	\$734.50

a/ Includes Global Partnership Programs and Regional Programmatic TFs implemented in Vietnam

b/ Included activities such as intensive supervision of grant funded activities

Source: FY07-FY11Q2 CFP Database and FY11Q3-4 SAP Data

Trust Funds are used effectively in support of the Government's development agenda through the Bank's Country Program. The instrument is also used as a platform for development partners to work together to achieve common goals. Trust Fund resources are used to support Bank investment lending as well as policy operations. A noteworthy example has been the joint financing of the PRSC series. For PRSCs 1 - 10, more than 14 development partners in Vietnam have joined forces to support the Government's efforts to improve public management, financial sector strengthening, poverty reduction policy measures, etc. The total financing mobilized through PRSCs 1-9 has amounted to US\$1.219 billion from Development Partners combined with US\$1.475 billion from the Bank side, for a total of US\$2.694 billion. In addition to the resources that TFs have brought to the country, the joint financing mechanism has also provided a platform for the Government and Development Partners to discuss critical policy issues. Trust Funds also support the Government in strengthening their fiduciary capacity. IDFs have among other things been used for public financial management regulatory work, supporting the public procurement framework and strengthening internal audit, some of the key areas of concern for both Development Partners and the Bank. In addition, IDFs have provided a platform for joint work between the Bank and other donors (such as the working groups under the Six Bank Initiative). Trust Funds have furthermore provided emergency support for Avian Influenza, and piloting of new approaches for helping disadvantaged children learn better to name just a few examples.

During the CPS period, the use of trust funds will shift in accordance with the new ODA Strategic Framework being developed by Government. With Vietnam having recently become a middle income country and with several donors presenting exit plans for their aid programs or shifting their focus from more traditional engagement areas to emerging issues such as climate change and governance, the Government has intensified efforts to utilize its ODA resources more effectively. Trust

fund availability to the Government through the World Bank will also be affected by this shift. In the context of discussions around the new ODA Strategic Framework, the World Bank is working with other development partners on how to sharpen Trust Fund mobilization for the country in this changing aid environment and ensure that Trust Funds continue to be available to support Vietnam.

Key Active Trust Funds in Vietnam

Mekong Delta Transport Infrastructure Development Project (US\$34.7 million): This Australia-financed TF co-finances the Mekong Delta Transport Infrastructure Development Project. The project development objective is to assist the recipient in relieving key bottlenecks of the main transport corridors in the Mekong Delta region and improving access of the poor to those corridors. The grant finances Part C of the project – connecting the Poor to the Supply Corridors.

Third Rural Transport Project (US\$39.7 million for two grants): These TFs funded by DFID co-finance the Third Rural Transport Project. The objective of the project is to assist Vietnam in improving the access (including reducing the costs of access) of rural communities to markets, non-farm economic opportunities and social services.

HIV/AIDS Prevention Project (US\$27.7 million): This DFID-financed TF co-finances the HIV/AIDS Prevention Project which is to assist the recipient in establishing and maintaining national, provincial and local policies and capacity to design, implement and evaluate information and service delivery programs designed to halt the transmission of HIV/AIDS among vulnerable populations and between vulnerable populations and the general population, thereby assisting the recipient in the implementation of its National Strategy on HIV/AIDS Prevention and Control.

Vietnam Health Care Support to the Poor of the Northern Uplands and Central Highlands (US\$16.2 million). The objective of this TF financed by the European Commission is to increase coverage of essential health services particularly at the commune level, and to improve health service planning, particularly at the district level in the project Provinces.

Governance and Poverty Policy Analysis and Advice Program (US\$7.3 million). This DFID-financed TF supports the Bank in advising the clients on evidence-based policy making and implementation. Through the enhanced WB activities and support, the Vietnamese government's social inclusion and governance agenda are expected to be further promoted. GAPAP has four goals: (a) Strengthened Bank interaction and advice in a range of Vietnamese institutions for data collection, analysis and monitoring of critical governance and poverty challenges over the next 5 years; (b) Well informed policy analyses for discussions with clients on governance and poverty; (c) Critical inputs to the Government on improving transparency, accountability and social inclusion. This includes advice to the Government on performance monitoring; and (d) Broadened and strengthened dialogue through PRSCs 7 - 10 on governance and results.

Multi-donor Trust Fund (MDTF) to support Public Financial Management Modernization in Vietnam (US\$7.1 million): This MDTF is financed by six donors: AusAID, the Canadian International Development Agency (CIDA), the Danish International Development Agency, the EC, the Netherlands Development Organization, and the Swiss State Secretariat for Economic Affairs. The TF helps strengthen the recipient's capacity to implement selected reforms and in managing a technical assistance program. It also helps conducting analytical and diagnostic works in the seven key areas, including budget management, budget revenue management, debt management, financial market supervision and bond market development, corporate finance management, public asset management, and price control.

ANNEX 18: THE BANK'S DEVELOPMENT PARTNERSHIPS IN VIETNAM

In addition to the semi-annual Consultative Group meetings and related events, the Bank actively participates in the Aid Effectiveness Forum (AEF).⁴⁵ This is an important vehicle for making aid more predictable, coordinated, and effective. Partners now include the National Assembly Office, Sectoral Partnership Groups, International Support Groups, mass organizations and professional associations, international NGOs, and other development actors. The AEF has two main objectives: (i) achieving the commitments and targets set out in Hanoi Core Statement on Aid Effectiveness; and (ii) contributing to the development of new aid partnerships.

The Bank continues to be engaged with Vietnam's 18 currently active Sectoral and International Partnership Groups. Their effectiveness and engagement vary, as do their contributions to the formulation and implementation of sectoral development strategies and plans. There is a general sense that the groups could be made more efficient and effective, and AEF has initiated a comprehensive mapping exercise in order to demonstrate how they function and what impact they have. While the Bank will not be highly active in all the Partnership Groups, it will take a more active role in selected groups in the new CPS period and contribute to making these Partnership fora more relevant and meaningful.

There has been considerable progress in coordination and streamlining of procedures within the "Six Banks Group" in Vietnam. This partner group consists of the Bank, ADB, JICA, Kreditanstalt für Wiederaufbau (KfW), Agence Française de Développement (AFD), and the Export-Import Bank of Korea (KEXIM).⁴⁶ The Six Banks Group has been actively engaged in the recent multi-country evaluation of the Paris Declaration/Hanoi Core Statement. Its members are also co-chairing the AEF's thematic groups on public procurement (ADB), financial management (the Bank), social impact assessment (ADB), and environmental impact assessment (the Bank). The Six Banks Group has been working with Government on several key areas such as drafting the forthcoming Public Investment Law (a key element of the Public Investment Reform Program supported by the Bank); reforming administrative cost norms; strengthening the public-private partnership framework, country systems in public procurement, financial management, and social and environmental impact assessments; and reviewing the structure of Vietnam's PMUs. A number of analyses on the use of ODA and less concessional financing in the transition period have been conducted with support from the Bank, ADB, and JICA. The Bank furthermore participates in a Joint Portfolio Performance Review (JPPR) with the Six Banks Group and Government every two years and is currently preparing for the next JPPR scheduled for late 2011.

The PRSC has been an extremely important long standing platform for partnerships for the Bank. With its ten consecutive budget support operations, the PRSC was the vehicle for an unprecedented partnership involving 14 development partners and more than 15 ministries and agencies. The series supported wide ranging reforms and was rated highly on policy dialogue and impact by independent evaluations. It mobilized around US\$ 1,500 million from the World Bank and around US\$ 1,100 from development partners.

While addressing some of the weaknesses of especially the later rounds of the PRSC, the Bank will seek to build on the success of the series and replicate the main idea in the successor operation, the EMCC. The EMCC will focus on macroeconomic stability and supporting institutions that promote the business environment and public sector governance. While the focus of this new

⁴⁵ The AEF, formed in 2010, succeeded the Partnership Group on Aid Effectiveness.

⁴⁶ JICA and The World Bank represent the Six Banks Group in the AEF's Executive Committee.

platform will therefore not be as broad as the PRSC series, the Bank hopes that it will continue to be a vehicle for successful partnerships.

The Bank has a number of very important bilateral partnerships. One of our most important bilateral partners in Vietnam is DFID, who the Bank collaborates with across several operations in the areas of HIV/AIDS, rural transport; poverty, governance, gender and most recently CC (see Annex 20). Also worth mentioning is an increasingly important and broad partnership with Australia in the fields of infrastructure and economic reform (Annex 20). The Bank will seek ways to explore more such strategic partnerships moving forward.

Vietnam's recent status as MIC means that some bilateral donors are starting to phase out. While this will also lead to a gradual phasing out of some of the Bank's current partners, at the same time, it will open up for possibilities for more "silent" partnerships with some of the development partners, who will be scaling down their physical presence in Vietnam some time ahead of terminating their financial presence in the country. The Bank needs to explore the possibility for such mutually beneficial partnerships in coming years.

Many of bilateral donors as well as a number of international NGOs are engaged in a variety of innovative and interesting small operations in Vietnam. The Bank will seek ways to use these operations as "incubators" for ideas and innovations and learning. The Bank is thus interested in building new partnerships with some of these donors and NGOs to scale up successful small operations that use innovative approaches and ideas in the Bank's own program.

ANNEX 19: DEVELOPMENT PARTNER ACTIVITIES IN VIETNAM

Development Partner	Activities	Financing	Areas of Collaboration with the Bank
ADB	ADB's Country Strategy and Program is consistent with Vietnam's development priorities. ADB's strategy focuses on business-led, pro-poor economic growth, and its complementary themes of (i) social equity and balanced development and (ii) the environment.	Vietnam receives both resources from the Asian Development Fund (ADF) and Ordinary Capital Resources (OCR). The total proposed ADF lending program for 2011–2012, including one-third Greater Mekong Sub-region (GMS) share, is \$755 million. The OCR indicative planning figure (IPF) is \$860 million per annum during 2011–2012.	Structural Reform Issues through PRSCs, Gender, Infrastructure, Health, Water
Australia	Australia ODA focuses on: supporting inclusive growth, improving access to markets for the rural poor, stimulating regional trade by supporting major infrastructure projects, strengthening access to water and sanitation services, helping mitigate climate change challenges, strengthening Vietnam's human resource foundation, joining Vietnam's effort in strengthening the health system to combat HIV, emerging infectious diseases and ensuring sustainable health service delivery, providing rural development assistance, supporting a range of community level activities, strengthening governance of institutions, supporting regional programs that address high priority economic and trans-boundary development challenges. A new program strategy is currently under development.	Country program estimate 2011-12: \$102.4 million	Program 135 Phase II (P135-II) Structural reform issues through PRSCs, Transport, Education
Belgium	Belgian renewed cooperation with Vietnam places emphasis on the reform of the governmental administration and on water and sanitary facilities.	The 2011-2015 cooperation program between Belgium and Vietnam will have a budget of 60 million Euros	
Canada	Canadian CIDA's current programming responds to the Government of Vietnam's poverty reduction priorities and focuses on improving the enabling environment for investment and on supporting rural enterprise development and agricultural productivity.		Structural Reform Issues through PRSCs, Trade, Education, Public Finance Management, agriculture and rural development
Denmark	The Danish assistance will contribute to poverty reduction in Vietnam through strengthened support for reforms including reforms aimed at improving good governance and the fight against corruption as well as continued support for pro-poor economic growth and human resource development.	Denmark's pledge for 2011 is US\$56.43 million	Structural Reform Issues through PRSCs, Urban Development, Rural Development, Public Finance Management, Environment

Development Partner	Activities	Financing	Areas of Collaboration with the Bank
EC	According to the EC Country Strategy Paper 2007 - 2013, EC will mainly provide support to two-focal sectors, namely support for Vietnam's SEDP and support to the health sector. EC assistance in these two focal sectors will be complemented by actions in the field of trade-related assistance, support to the EC-Vietnam strategic dialogue and various thematic and regional programs.	An indicative amount of EURO 304 million has been allocated for the implementation of the CSP through two successive Multi-annual Indicative Programmes which will be allocated EURO 160 million (2007-2010) and EURO 144 million (2011-2013) respectively.	Structural Reform Issues through PRSCs, Health, Education, Forestry, Financial Sector, Public Finance Management
Finland	Finland's strategy 2006-2015 focuses on two thematic priority areas: i) "Information Society and Knowledge Economy," and ii) Climate Change and Environment, including water supply and sanitation and forestry.	Finland pledged a total of 53.5 million Euros for Vietnam for three years from 2009 - 2011	Innovation, Environment Forestry,
France/AFD	AFD's action within the framework of the SEDP is based on 4 cornerstones for this period: (i) To develop and modernize financial, banking and non-banking sectors; (ii) To support decentralization and local authorities, (iii) To adapt urban infrastructure and public market services; (iv) To promote a new dynamic in rural economies	France pledged USD 221 million for Vietnam for 2011	Structural Reform Issues through PRSCs, Urban Development, Agriculture
Germany/KfW	Germany's strategy concentrates on three priority areas: (i) Sustainable Economic Development and vocational training; (ii) Environmental policy, protection, sustainable use of natural resources, and urban development; and (iii) Health	Germany has pledged nearly 300 million Euro for Vietnam for 2011 - 2012	Structural Reform Issues through PRSCs, Health, Education, Public Sector Reform
IMF	IMF provides support for: (i) tax policy and administration, (ii) public expenditure management and fiscal transparency, (iii) monetary and foreign exchange operations, central banking, bank restructuring and supervision, economic statistics/GDDs, and other areas (policy advisory, training, and technical assistance).		Tax, Public Expenditure Management, Banking reform, Macroeconomic Stability
Japan	Japanese support to Vietnam focuses on i) promoting growth, ii) improving social and natural environment, and iii) supporting institutional strengthening.	Japan pledged USD 1,760 million to Vietnam for 2011	Structural Reform Issues through PRSCs, Infrastructure, Rural Development, Education, Health, Banking, Environment
Korea	Korea's assistance strategy for Vietnam focuses on promoting sustainable growth, training human resources, improving infrastructure, and developing rural areas	\$3 billion in ODA for Vietnam in the 2011-2015 period	
Luxembourg	Luxembourg's Indicative Cooperation Program 2011 - 2015 targets (ii) poverty reduction, (ii) responding to the needs of a middle income country, (iii) key economic areas through institutional capacity building and human resource development in the banking and finance sector, and (iv) the hospitality and tourism industry.	The implementation of the current Program is based on an indicative amount of 42 Million Euros over a 5-year period.	

Development Partner	Activities	Financing	Areas of Collaboration with the Bank
The Netherlands	The Dutch bilateral development activities will be clustered around two major priorities: (i) growth and distribution, and (ii) sustainability, energy and climate.	The Netherlands pledged US\$30.59 million to Vietnam for 2011	Structural Reform Issues through PRSCs, Forestry, Rural Development
Norway	Norway's support to Vietnam focuses on: environment, climate change, sustainable development and human rights, including workers' rights	US\$10 million for 2011	Structural Reform Issues through PRSCs, Rural Development, Education and Public Finance Management
Spain	The Spanish Agency for International Development Cooperation has the following priority areas in Vietnam: (i) fighting poverty; (ii) gender in development; (iii) environment and rural development; (iv) UN Reform, and (v) governance	US\$40 million was pledged for Vietnam for 2011	Structural Reform Issues through PRSC
Sweden	During the strategy period of 2009 - 2013, Sweden's regular development cooperation with Vietnam is to be phased out via a selective cooperation. The overall goal of both the phase-out and the selective cooperation is enhanced democratic governance, greater respect for human rights, and environmentally sustainable development. Key areas of cooperation during the strategy period, therefore, are human rights and democracy, and environment and climate change.	Sweden's pledge for 2011 is US\$18.03 million	Structural Reform Issues through PRSCs, Governance and Anti-corruption
Switzerland	The 2007-2011 cooperation strategy concentrates on 3 main areas: (i) governance; (ii) Rural livelihoods and natural resource management; and (iii) economic development with special focus on private sector development	US\$28.9 million pledged for 2011	Urban Development, Public Finance Management
UK	The UK has committed to continuing its support to Vietnam during the last five years of the 10-year Development Partnership Arrangement (2011-2016). This support is predicated on continued commitment by the Government of Vietnam to poverty reduction; improved public financial management and anti-corruption; and respect for human rights, including domestic accountability.	DFID is preparing for Vietnam's graduation in 2016. It will provide 70 million GBP for the next five years	Structural Reform Issues through PRSCs, Poverty Reduction, Rural Transport, Rural Development, Education, Governance, HIV/AIDS, Public Finance Management, Climate Change
UN Agencies	In Vietnam, the UN has been a strong partner in providing social protection services to the Vietnamese people, with particular focus on the most vulnerable groups such as migrants, people with HIV/AIDS, and ethnic minorities. The UN has also supported cross-cutting initiatives relating to HIV, gender mainstreaming, and rights-based development, including youth-related work.	A total of US\$ 140.19 was pledged for Vietnam for 2011	Poverty Reduction, PAR, Structural issues through PRSCs, Governance, Gender, HIV/AIDS,
US	USAID has worked with the Government of Vietnam in areas of economic growth, prevention and treatment of HIV/AIDS, and vulnerable groups' access to educational and other social services	US\$ 141.62 was pledged for Vietnam for 2011	HIV/AIDS

Development Partner	Activities	Financing	Areas of Collaboration with the Bank
<u>International Non-Government Organizations (INGOs)</u>			
Oxfam GB	Oxfam's focus in Vietnam is on education, sustainable livelihoods, gender equality, disaster preparedness, and climate change adaptation.		Post WTO issues, Education, Gender, Poverty Assessment, Social Analytical Work
CARE International	Since 1989, CARE in Vietnam has worked with Vietnamese partners throughout the country to implement over 160 different projects in three programming areas: (i) emergency & CBDRM program; (ii) rural development & natural resource management; and (iii) health, HIV/AIDS, AI & social programs.		Rural Development, Poverty and Livelihoods
Plan in Vietnam	Plan works to help marginalized children across Vietnam, especially those from the ethnic minorities in the mountainous regions. Its main priorities are to reduce the malnutrition rate, improve health care and provide quality of basic education to children in 17 provinces from the north to the Central Highlands.		Child-Centered Community Development
SNV (Netherlands Development Organization)	SNV began working in Vietnam in 1995 and is focusing on two impact areas: (i) increased production, employment and equitable income opportunities, and (ii) improved access, coverage and quality of basic services. SNV advisory work focuses on renewable energy, smallholder cash crops, forest products, pro-poor sustainable tourism, and water, sanitation and hygiene.		Forest Management, Market access for the poor
Save the Children - UK	Save the Children UK's strategy focuses on programs supporting Vietnam's micro-finance, education, HIV, reproductive health, disaster response and preparedness		Child Poverty, Early Childhood Care and Development, HIV/AIDS
WWF	World Wildlife Fund's (WWF's) priority conservation programs in Vietnam includes: (i) the Forest Conservation Programme; (ii) the Marine and Coastal Conservation Programme; (iii) the Species Conservation Programme; (iv) the Environmental Education Programme; (v) the Environmental Education Programme; and (v) policy work in Vietnam		Environmental Conservation and Management of Natural Resources
IUCN	IUCN Vietnam's mission to influence, encourage, and assist Vietnam's biodiversity conservation and equitable sustainable use of natural resources for improving its people's quality of life		Marine conservation
BirdLife	BirdLife International in Indochina seeks to promote the conservation of habitats, sites and species.		Environmental Conservation
East Meets West	The East Meets West program in Vietnam supports: education; combating sexual trafficking, closing the gap in school infrastructure, medical and health care programs for children, and clean water & sanitation		Rural Water Supply and Sanitation

ANNEX 20: STATISTICAL CAPACITY AND M&E SYSTEMS

Vietnam's monitoring and evaluation (M&E) system was developed during the years of the centrally planned economy and inherited the typical characteristics of this economic model. It emphasizes inputs and outputs. At the core of the system is a set of cost and technical norms that are developed by the Ministry of Finance and line ministries. The norms are reviewed and updated regularly by the relevant agencies through a time-consuming process. As a result, these norms are often out of date due to rapid changes in technology and volatility of prices in a market economy.

Another salient feature of Vietnam's M&E system is its focus on responsibilities of individual agencies, with little attention paid to inter-agency issues. M&E is commonly carried out by regular administrative reports and short inspection visits, both of which tend to emphasize issues within a given agency's administrative borders. Strategically important inter-agency issues are commonly dealt with by inter-ministerial committees, which merely play a coordinating role with limited influence on resource allocation and use. As a result, the majority of development outcomes which commonly go beyond a given agency's boundaries are either not the main objective of the M&E, or their monitored progress does not inform policy actions for strategic coherence.

Support for planning reform has been a priority of the Bank policy dialogue, especially with the formulation and implementation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) since 2001. It has also been a high priority for other donors over the past ten years. The Bank coordinated donors' support in the formulation of the SEDP 2006-10 and provided direct TA, including a series of trainings for MPI, line ministries, and selected provinces; and participation in MPI's drafting team for the M&E framework. ADB and the UNDP also provided resources.

Vietnam has taken a number of steps to strengthen use of M&E information and to move towards the use of results-based approaches to planning. The country's 2006-2010 SEDP sought to establish a comprehensive set of indicators within a logical framework. The results-based approach was also piloted in a number of provinces and line ministries. It introduces the use of outcome indicators derived from the MDGs as well as from the country-specific Vietnam Development Goals outlined in Vietnam's CPRGS. These indicators are not widely used due to the absence of an official mandate as well as in some cases limited quality and availability of data. The regulatory foundation for the reform of the M&E system was introduced with the issuance of the Investment M&E Decree in 2009 and its implementation Circulars in 2010. In addition, the Ministry of Planning and Investment is preparing a Planning Decree which is expected to institutionalize many aspects of a results-based M&E system. However, the M&E framework is actually not being used for monitoring SEDP performance, as the framework was seen by some ministries as a result of technical donor assistance that was only institutionalized by MPI but lacked the legal status or authority to guide other ministries or provinces. Donors have mainly relied on the PRSC matrix

Three major lessons can be drawn from the previous initiative on strengthening the M&E framework for SEDP: i) There is a need to support statistical capacity beyond the National Statistical Indicators System (NSIS); ii) M&E strengthening support should be selective and focused on ensuring that gradual institutional capacity is developed and integrated into the government operation process; and iii) It is important to ensure involvement of a wide range of stakeholders in the process.

On the first point, in order to strengthen statistical capacity for the M&E system in Vietnam it is necessary to provide support beyond just NSIS/General Statistics Office (GSO) to also include line ministries and, when possible, provincial agencies. Three main sources of information have been identified for a strengthened M&E system: (i) information produced by GSO as part of the NSIS; (ii) information produced from reporting systems by line ministries and provincial agencies; and

(iii) additional information to be obtained by supplementary surveys. Vietnam has put considerable effort into developing a strong statistical agency for household surveys and censuses to inform its national statistical indicator system. But it has faced challenges in relation to timely release of data and adequate dissemination and transparency. Also, at times there has been a disconnect between user needs and data production. Regular nationwide data for a number of important areas such as environmental management and governance are yet to be collected. There is also significant room for quality improvement of data collected by line ministries and provincial agencies, given the existence of different methodologies and definitions of various indicators.

Vietnam has recently drawn up the Vietnam Statistical Development Strategy (VSDS). While the strategy is being used to draw up action plans that will hopefully serve as a guide to donors wishing to support the development of the national data system, the VSDS concentrates mostly on GSO, and not on the line ministries' administrative data. The future support on statistical capacity should thus be directed towards supporting better coordination between government agencies (including line ministries and provinces), and especially between GSO and the rest of the agencies in sharing and making data available in a timely manner (including budget information and survey raw data). This needs to be supported both by the government's legal framework (on sharing information and making raw data available for analytical work to support policy formulation) and by continued support from donors (supporting both GSO and other government agencies).

As noted above, the second lesson focuses on the need for M&E strengthening to be selective and focused to ensure gradual institutional capacity being developed and integrated into the government operation process. The country's planning system should become more strategic, with a clearer vision of how government can achieve its objectives, as well as focusing on a smaller number of high-level indicators. The selectiveness could be done in several ways (at sectoral level, in a few selected key programs/projects, etc.). The focus should be on improving the quality of monitoring and reporting, and to eventually incorporate a strengthening of evaluation capacity, when the M&E information produced would be sufficient to support evaluations. Good M&E work from donor-funded projects could also be scaled up to sectoral projects/programs that are government funded.

The final lesson is that increased dialogue among the stakeholders is key to converging demand and supply sides. The Ministry of Finance is an important example of this. MOF currently focuses on building capacity for its core fiscal policy management functions and is not an advocate for using strengthened results-based M&E in its decisions and processes. However, MOF's utilization of M&E information would greatly strengthen M&E efforts within the country. Therefore, other M&E champions and key stakeholders should engage MOF and address the need for the agency to assess the performance of public spending and utilize M&E information in allocating fiscal resources. There is also a need for improved coordination between GSO and MOLISA on poverty monitoring and targeting. Similarly, engagement by other important key stakeholders, including overseers/ legislators (MOF, MPI, the National Assembly, the State Audit, etc), and civil society is also important to the process.

Bank support has continued during formulation of the SEDP 2011-15, albeit with reduced scope compared to support provided for the SEDP 2006-2010 M&E Framework. Support focused on development of results-based M&E, assessment of the implementation of the SEDP 2006-2010 using its M&E framework, and drafting of the Planning Decree. The Bank has also supported the development of the VSDS via a grant from the Trust Fund on Statistical Capacity Building – in addition to programmatic support on the Vietnam Household Living Standards Survey, the Labor Force Survey, and other data instruments. The Bank also currently serves on the Technical Advisory Board to the VSDS. The Bank will continue to include impact evaluation as part of project design, in order to help mainstream capacity building for M&E and demand and meaningful applications for national statistical systems, learning from the lessons drawn from previous experiences to improve future interventions.






ANNEX 21: COUNTRY FINANCING PARAMETERS

The country financing parameters for Vietnam set out below have been approved by the Regional Vice President, East Asia and Pacific, and are being posted on the Bank's internal website.

Item	Parameter	Remarks/Explanation
Cost sharing. Limit on the proportion of individual project costs that the Bank may finance	100 percent	In Vietnam, this policy is being applied in a targeted fashion, focusing primarily on interventions in social sectors, poorer provinces, and decentralized projects. The Government will continue to finance its share as deemed necessary.
Recurrent cost financing. Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance.	NONE	In Vietnam, financing of recurrent costs continues to be on a highly selective basis and within a sound and sustainable fiscal framework.
Local cost financing. Are the requirements for Bank financing of local expenditures met, namely that: (i) financing requirements for the country's development program would exceed the public sector's own resource (e.g., from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects	Yes	
Taxes and duties. Are there any taxes and duties that the Bank would not finance?	NONE	None of the taxes and duties in Vietnam is judged to be excessive.

Date: August 2011

VIETNAM

- ⊙ PROVINCE CAPITALS
- ⊗ NATIONAL CAPITAL
-  RIVERS
-  MAIN ROADS
-  RAILROADS
-  PROVINCE BOUNDARIES
-  INTERNATIONAL BOUNDARIES

PROVINCES:

- | | |
|-------------------|---------------------|
| 1 Lai Chau | 32 Da Nang |
| 2 Dien Bien | 33 Quang Nam |
| 3 Lao Cai | 34 Quang Ngai |
| 4 Ha Giang | 35 Kon Tum |
| 5 Cao Bang | 36 Gia Lai |
| 6 Son La | 37 Binh Dinh |
| 7 Yen Bai | 38 Phu Yen |
| 8 Tu Yen Quang | 39 Dac Lac |
| 9 Bac Can | 40 Dac Nang |
| 10 Lang Son | 41 Khanh Hoa |
| 11 Phu Tho | 42 Binh Phuoc |
| 12 Vinh Phuc | 43 Lam Dong |
| 13 Thai Nguyen | 44 Ninh Thuan |
| 14 Bac Giang | 45 Tay Ninh |
| 15 Quang Ninh | 46 Binh Duong |
| 16 Ha Noi | 47 Dong Nai |
| 17 Bac Ninh | 48 Binh Thuan |
| 18 Hung Yen | 49 T.P. Ho Chi Minh |
| 19 Hai Duong | 50 Ba Ria-Vung Tau |
| 20 Hai Phong | 51 Long An |
| 21 Hoa Binh | 52 Tien Giang |
| 22 Ha Nam | 53 Dong Thap |
| 23 Thai Binh | 54 Ben Tre |
| 24 Ninh Binh | 55 An Giang |
| 25 Nam Dinh | 56 Vinh Long |
| 26 Thanh Hoa | 57 Tra Vinh |
| 27 Nghe An | 58 Kien Giang |
| 28 Ha Tinh | 59 Can Tho |
| 29 Quang Binh | 60 Hau Giang |
| 30 Quang Tri | 61 Soc Trang |
| 31 Thua Thien Hue | 62 Bac Lieu |
| | 63 Ca Mau |

