

Report No. 23288

VIETNAM

Country Assistance Evaluation

November 21, 2001

Operations Evaluation Department

Document of the World Bank

Currency Equivalents

Vietnamese currency is the Dong (D)

US\$1.00 =

1990	D 5,000	1996	D11,033
1991	D 9,273	1997	D11,683
1992	D11,100	1998	D13,268
1993	D10,640	1999	D13,943
1994	D10,966	2000	D14,168
1995	D11,038	2001 (April)	D14,560

Fiscal Year

January 1 - December 31

List of Acronyms

AAA	Analytic and Advisory Services, formerly ESW
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area or Agreement
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meetings
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
CMEA	Council of Mutual Economic Assistance (E. European and Soviet Union)
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
IFC	International Finance Corporation
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
FIAS	Foreign Investment Advisory Service
FDI	Foreign Direct Investment
MPDF	Mekong Project Development Facility
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-governmental organization
ODA	Official Development Assistance
OED	Operations Evaluation Department
OEG	Operations Evaluation Group (in IFC)
PHRD	Population Human Resource Development (grants)
PRSC	Poverty Reduction Support Credit
SOE	State Owned Enterprise
UNDP	United Nations Development Programme
VLSS	Vietnam Living Standards Survey
WBI	World Bank Institute, formerly EDI

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November 21, 2001

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

Vietnam: Country Assistance Evaluation

In the late 1980s, Vietnam began a program of bold reforms which produced dramatic results. Growth reached an average 8.5 percent per year in the 1992-97 period and prices were stabilized. Vietnam was transformed from a rice deficit country to the third largest rice exporter in the world. At the end of the 1990s, however, growth slowed to 4-6 percent, largely as a result of the Asian crisis.

Poverty has been halved since the late 1980s, to about 37 percent in 1998. Nevertheless, with an average per capita income of about \$390 and a population of almost 80 million, large numbers of people are still poor. Social indicators have improved from already high levels and are much better than in most other low income countries.

Between FY88 and 94, the Bank carried out a wide-ranging program of non-lending services: EDI courses, administering UNDP projects, economic and sector work, and preparation of projects. This period was important for gaining access to and confidence of Vietnamese officials and provided a sound basis for lending.

Lending started in FY94, focused on infrastructure, structural reforms, and poverty alleviation. More recently, assistance strategy was broadened to include improving public administration. Between FY94 and 01, 30 operations for a total commitment of US\$3.2 billion were approved, all on IDA terms. The salient features of Bank lending in Vietnam have been: strong focus on poverty; high synergies between sector work and lending; high proportion of lending involving compliance with safeguards; focus on infrastructure, which has shifted from large scale rehabilitation to rural-based; and lower than expected support for structural reforms, until recently. This latter is due to the fact that it has taken longer than the Bank anticipated to reach consensus on a program of reforms.

Three investment operations and two fast-disbursing credits have closed, all with satisfactory outcomes, substantial institutional development impact, and likely sustainability. Along with other donors, the Bank financed infrastructure rehabilitation, ensured greater supply of power, and had some specific institutional impacts, for example in increasing water charges. In health, the Bank has helped revitalize commune level service delivery and contributed to immunization programs which have decreased mortality rates from infectious diseases. In other areas, such as reforestation and urban development, it is still too soon to say whether the Bank's efforts are having a measurable impact.

The growth and poverty reduction achieved by Vietnam in the 1990s can be attributed to the Bank to a limited degree. Although most of the dramatic reforms of the late 1980s were taken before the Bank was present, Bank non-lending assistance in the early 1990s helped decision makers stay the course on reforms. On structural reforms and institutional developments, with the important exception of external trade, Vietnam has made only modest progress since the late 1980s. In 1999, the SOE sector contributed a higher proportion of GDP than it did in 1990; the banking sector remains dominated by state banks which have weak management, weak portfolios, and weak oversight; and the environment for private investments is still difficult, although there have been recent improvements in the legal framework. The Government's renewed effort at reform in these areas needs nurturing by the Bank and its partners.

Bank assistance in the last several years has helped to achieve consensus among decision makers to renew reform efforts, a consensus that is critical to ensure wide ownership and the sustainability of the substantial reforms ahead. Nevertheless, since 1993 to mid-2001, progress in reducing state interventions in the economy has been modest and slower than anticipated.

OED rates the relevance of Bank assistance as substantial, with consistent focus on structural reforms needed to make the transition to a market economy, infrastructure development to remove bottlenecks to growth, and poverty alleviation. Efficacy has been more successful in addressing infrastructure and poverty issues than on structural reform. Efficiency is considered average and the overall outcome of Bank assistance is rated as satisfactory. Institutional development impact has been modest. Successes include introducing competitive bidding, helping draft new laws and regulations, helping to set the stage for major private investments in energy, and improving the approach to cost recovery in infrastructure. Sustainability of benefits of Bank assistance is mixed. In infrastructure, improvements are needed in operations and maintenance, and sustainability of the new and rehabilitated irrigations systems, highway, and rural roads is uncertain. By contrast, the institutional changes which form the basis for future policy reform seem irreversible. Overall, sustainability is rated as likely. On the whole, the Bank's delivery of assistance in Vietnam has been exemplary and has closely followed priorities of the Government as well as corporate mandates.

Looking forward, the focus of Bank strategy should continue to be on structural, policy, and institutional reforms. The Bank should develop further its strategic approaches within sectors: in rural development, the Bank should focus on two to three key areas, in consultation with other partners, one of which should be policy and structural changes. In transport, the Bank should give highest priority to improving maintenance of roads and should seek agreement with Government on criteria to be used in selecting appropriate technical standards. The Bank should also seek agreement with Government on criteria to be used for poverty targeting in Bank-funded investments. Finally, the Bank's adherence to the CDF principles should be sustained and lessons learned from the CDF pilot should be fed back into the country assistance strategy.

Earlier drafts of this report have been shared and discussed with the Region and fed into the CAS update which will soon be discussed by the Board. In addition, the recommendations from this report should be fully reflected in the CAS expected later this fiscal year.

Finally, experience in Vietnam demonstrates the challenges of implementing the Bank's safeguard policies. For example, Vietnam has a resettlement policy which is driven by a concern for equity and for alleviating poverty. It has shown a willingness to revise this policy, which might provide an opportunity for a pioneer, country-based initiative under which the Bank and the country would work together to agree on a harmonized involuntary resettlement policy that will apply country-wide and not just to Bank-financed projects. This may require a careful interpretation of the Bank's own policies so as to adapt their implementation to Vietnamese conditions. It may also imply targeted capacity building and strengthened verification arrangements built into externally funded operations.

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Preface

This Country Assistance Evaluation (CAE) presents the findings of an OED mission that visited Vietnam in September 2000, along with an OEG mission that looked at IFC investments and issues in private sector development and an OED mission that examined Vietnam as a case study for input into the IDA Review (OED 2001). The executive summary findings of the OEG mission are in Annex 1 of the report and the full report is issued separately. A second OED mission visited Vietnam in May 2001 to participate in the Country Retreat to start off considerations of the forthcoming Country Assistance Strategy, and a third OED mission took place in September 2001 to discuss the draft CAE with Government officials.

The first OED mission held discussions with government officials, businessmen, other donors, representatives of international NGOs, and IDA staff in the Resident Mission. Nine separate questionnaires were sent in advance of the mission to ministries, donors, NGOs, and representatives of private sector groups and are found in Annex 3 to this report. A list of people met is in Annex 4. In addition to interviewing IDA staff involved with Vietnam from the beginning, OED also reviewed the files, documents, and reports on Vietnam both within and outside IDA.

Although lending to Vietnam resumed only in FY94, this CAE covers the period FY88 through FY01, because IDA provided substantial non-lending services in the six years leading up to the resumption of lending, which form an important part of the evaluation.

The report was sent to the Vietnamese authorities and their comments are reflected throughout the report. In addition, written responses are in Attachment 2 to this report. The Management Action Record is attached as Attachment 3. This report was discussed by the Informal Subcommittee to the Committee on Development Effectiveness on October 15, 2001, and a report of that discussion is attached as Attachment 4 at the end of the report.

1. BACKGROUND

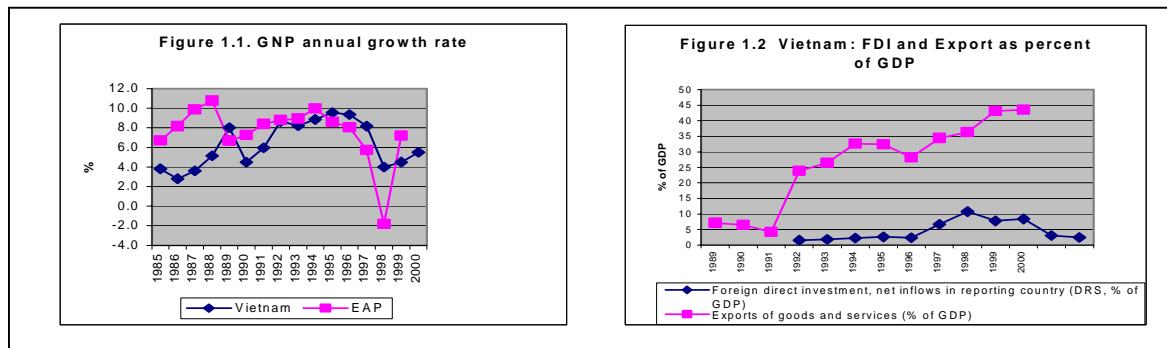
After unification, 1976 – 1990: a difficult period

1.1 In 1976, after 30 years of war, the Socialist Republic of Vietnam was formed, uniting the north and south. The country had been devastated by the lengthy war, with stagnant economic performance – per capita GNP of \$150 was roughly the same as twenty years earlier. Social indicators, however, were relatively good (except for nutritional indicators), with life expectancy of over 60 years and adult literacy at 87 percent.

1.2 After unification, the Government initially tried to implement throughout the country centralized planning, collectivized farming, and output targets for industry, yet quasi-legal forms of a market economy emerged (household agricultural enterprises and informal sector manufacturing and services), particularly in the south. Nevertheless, by the mid-1980s the country was experiencing large imbalances: serious food shortages, large trade and fiscal deficits, and hyper-inflation. At the end of 1986, the Sixth Party Congress launched a reform program (“doi moi” or renovation), which was accelerated dramatically in 1989, when the Government devalued the exchange rate to equal the parallel rate; decontrolled most prices to allow market forces to work; relaxed official marketing constraints; introduced fiscal and tax reform; formalized and lengthened land tenure for family farms; re-established state owned enterprises as financially independent units; and passed regulations to encourage the “non-state economic sector,” i.e., to promote private sector development.

The last decade, 1990 to the present: strong performance

1.3 The economy responded extremely well to the reforms (Figure 1.1). GDP growth resumed, from below 4 percent per year in the 1980s to an average 8-9 percent per year between 1992 and 1997, when the Asian crisis hit. Even then, after two years of sluggish growth, GDP growth rebounded to an estimated 5.5 percent in 2000.¹ Inflation decreased from 500 percent per year in 1986 to 15-20 percent in the early 1990s, and has remained below 10 percent since 1994. The benefits of growth, based in part on agriculture, were widely shared; poverty decreased dramatically from an estimated 70 percent in the mid-1980s to 58 percent in 1993, and 37 percent in 1998. Social indicators also improved.



1.4 Much has been written comparing the experience of Vietnam and China with that of Eastern Europe and countries of the Former Soviet Union (FSU). Vietnam has taken a gradual approach to the transition to a market economy within a stable political structure and a continued

¹ These figures differ from official ones: for example, GDP growth for 1999 and 2000 are cited by Government at 4.8 percent and 6.8 percent, respectively.

adherence to socialist principles, and has grown very rapidly. This is in sharp contrast to the experience of the FSU countries, which have undergone more radical political and economic transitions but have not fared as well as Vietnam economically.

1.5 Vietnam's growth in the early 1990s was due to a strong supply response in agriculture, which comprised about 40 percent of GDP at the beginning of the reforms. A combination of improved property rights, a better incentives framework, and public support for higher yield technologies transformed Vietnam from a rice importing country to the third largest exporter of rice in the world. In addition, large scale oil production and exports started in 1989. Vietnam found a ready market in rapidly growing East Asian countries, and thus was able to overcome the collapse of trading arrangements with the Soviet Union and other CMEA countries as well as a trade embargo by the United States and some other western economies. The precipitous drop in foreign aid from the Soviet Union in the early 1990s was replaced by growing levels of foreign direct investments (FDI), which reached 10 percent of GDP by 1995, mostly from East Asian countries. Finally, liberalization of internal trade allowed the services sector, which had comprised about 35 percent of GDP, to take off, with large increases in private transport and retail trade as well as tourism.

1.6 The accelerated growth in the mid-1990s was led mainly by manufacturing (27 percent of growth), wholesale and retail trade (15 percent), agriculture (13 percent), construction (11 percent), and hotels and restaurants (9 percent). Within manufacturing, the growth came from foreign investments, mainly in import-substituting, capital-intensive industries such as metallurgy, machinery, and chemical industries. The external sector continued to grow in importance to the economy over this period, with exports growing by an average of over 22 percent per year and reaching about 47 percent of GDP by the end of the decade.

1.7 In the first half of the decade excessive optimism led to the premature hope that Vietnam would be the next Asian tiger. Unfortunately, the pace of reforms slowed considerably in the early 1990s. The relatively easy reforms had been carried out, but deeper structural reforms proved more difficult to implement (paras. 3.4 -3.7). The Asian crisis dampened enthusiasm for the types of policies that had propelled the Asian tigers. Although the slowdown in reform meant that Vietnam avoided the sorts of dislocations that have occurred in Eastern European and FSU, it has also meant that internal constraints could inhibit continued high growth in the future. The reform agenda remains substantial.

Challenges to sustainable growth

1.8 In spite of its impressive economic performance, Vietnam remains a poor country. With a population of almost 80 million, a labor force increasing by some one million per year, unemployment and underemployment estimated at 25 million, roughly 30 million people living in poverty, and most households close to the poverty line, the country faces serious challenges to sustain growth levels, create employment, continue to reduce poverty, and improve living standards.

1.9 *First among these challenges is the need to promote a better environment for efficient private sector development (PSD).* Domestic private investment was 6–7 percent of GDP over most of the 1990s and a modest portion of total investment; FDI, after peaking at over 10 percent of GDP in 1995, decreased to around 3 percent of GDP toward the end of the decade, although there are signs that it may be increasing again, and remains above other low income countries.

Until recently, the climate has not been conducive for PSD – administrative bottlenecks, delays, and overlapping responsibilities, poor regulatory environment, unclear legal framework and absence of enforcement, high transaction costs, for example, in telecommunications and shipping, unequal playing field with state owned enterprises (SOEs – para. 3.6), a weak financial sector (para. 3.7), and perceptions of corruption have discouraged potential investors. The passage of a new Enterprise Law in 2000 has improved the climate, but official attitudes toward private sector development have been ambivalent.²

1.10 *Infrastructure* has been dramatically expanded and improved in the last decade, although in some cases indicators remain below comparator countries (para. 3.8). To meet continued economic growth, large investments are still needed; private investors are involved to only a limited degree, and maintenance remains inadequate. Legal, organizational, regulatory, and pricing reforms are needed to promote institutional development and attract private sources of financing.

1.11 *In rural areas*, agriculture accounted for 66 percent of total employment in 1998 (which may have decreased further to 62 percent by 2000), about one quarter of GDP (from around 40 percent in the late 1980s), and about 30 percent of export earnings (including fish products). Average farm sizes are small, at 0.24 ha in the north and 0.46 ha in the south, and although agricultural incomes rose significantly in the 1990s, some 85 percent of the country's poor are in rural areas. There is scope to increase yields through adaptation of more intensive technologies and to diversify the crop mix by reducing local pressures on farmers to grow paddy.³ New high yielding varieties have been introduced, but output per worker in agriculture will rise significantly only when off-farm employment opportunities grow. At present, rural SOEs dominate agro-processing and crowd out the private sector. Official strategy and local authorities need to ensure an improved enabling environment for private small scale entrepreneurs. Rural development will also require investments in and better maintenance of rural infrastructure.

1.12 *Environmental problems* loom large. Only 25 percent of Vietnam's land area is in lowland agriculture; the rest is hilly or mountainous. Resource conservation and sustainable use are thus priorities. Since the 1940s population pressures, chemical defoliation during the war, and logging have reduced the area covered by natural forests from 67 percent to 26 percent in 1990; mangroves (wetland forests) cover only one third of the area that they did sixty years ago. Urban and industrial discharge threaten the quality of water in urban waterways and in the Red River and Mekong Delta areas and create problems of air and soil pollution; degradation of coastal areas and over-fishing have reduced fishing potential. Since 1990 some progress has been made (para. 3.10), but considerable challenges remain.

1.13 *Social indicators in education and health* have continued to make gains over the decade from already high levels (para. 3.9). Although *gender gaps* in terms of school enrollment, literacy, and life expectancy are very small for a low income country and have further decreased over the decade, there is concern about widening inequality in the future. Although not official

² Several officials commented that Government's policy is to create a level playing field between the state and non-state sectors and to treat both sectors equally, as opposed to promoting the private sector or shrinking the state sector.

³ Officials noted that officially, farmers are permitted to make their own decisions about crops; pressures on farmers to grow specific crops are thus not sanctioned by Government policy.

policy, land registration in some provinces favors men⁴, which may in the future create obstacles to women's access to credit. In addition, surveys have identified problems of domestic violence, trafficking of women and children, and prostitution.⁵ Most important, economic vulnerability to the dislocations associated with reforms, natural disasters, or sudden sickness in families is widespread.

1.14 *Improving governance* remains at the heart of the challenges facing Vietnam. In spite of reforms (para. 3.11), clear and consistent application of the law is lacking. Given weak enforcement and inadequate regulatory frameworks, the opportunities for corruption have increased. The basic roles of the public administration need to be redefined for a market economy, which implies fundamental change in the way the civil service and the fiduciary oversight framework operate. Reforms are also required to make public investments more efficient and sustainable (enhanced use of economic benefit-cost analysis and allocating adequate budget for recurrent costs of maintenance).

2. THE BANK IN VIETNAM

Pre-lending, 1988-93

2.1 While waiting for approval to resume lending,⁶ the Bank built up its knowledge of the economy and provided a range of non-lending services. Between 1988 and 1993 Bank staff helped organize EDI courses; administered a number of UNDP projects, including sector work and technical assistance to support reforms in many sectors; carried out its own economic and sector work (ESW); and began preparation of operations in agriculture, transportation, energy, and education and for structural adjustment. Initially contacts between the Bank and the Government were tentative (small missions, no management visits), but by 1991 senior economists and managers had frequent contact and intensive dialogue with Vietnamese officials. Between 1990 and 1993 the Bank produced three country economic reports and four sector reports, one each in energy, transport, health, and finance, which were among the first comprehensive reports of their type for Vietnam and were well received.

2.2 Although this period was frustrating for some staff and managers anxious to lend,⁷ the non-lending assistance was in fact extremely useful for developing the Bank's relationship with Vietnam. Bank staff had time to prepare thoroughly the subsequent credits; economists

⁴ Officials pointed out that this is neither by law nor by policy. But land registration forms allow room for only the head of household, which is typically considered to be the man in the family. As a result, women are de facto excluded from legal land ownership. The issue could be solved by reprinting the land registration forms to allow space for two names.

⁵ These studies have differing views on whether the trend is on the increase or decline (Vu Manh Loi, 1999, and World Bank CEM, 1999).

⁶ The Republic of (south) Vietnam (RV) became a member of the Bank in 1956. In 1959 a Bank mission concluded that the country was too dependent on foreign aid to qualify for an IBRD loan (this was pre-IDA). After unification in 1976, the Socialist Republic of Vietnam assumed RV's membership and in 1978 IDA approved its first credit to Vietnam, for irrigation rehabilitation in the Mekong Delta. For the next decade, however, only technical supervision missions went to Vietnam: because of the objections of a major shareholder, no high level missions were sent to the country and no further credits were made. Following a request by the Vietnamese in 1987 to resume lending, the Bank sent a small economic mission to the country in 1988 to learn about major policy changes. But lending was blocked until Vietnam reduced its spending on non-productive activities (military activities in Cambodia – the files are explicit on this point), which it did in 1988/89, and cleared its arrears to the IMF, which it did in late 1993.

⁷ This observation is based on interviews with Bank staff and managers and the files from that period.

concentrated on big issues without the “distraction” of the procedural requirements involved in lending;⁸ through UNDP and EDI activities, operational staff developed familiarity with officials, with the country and in different sectors; and the Bank prepared Vietnamese officials for the first donor conference in 1993, which was significant for facilitating donor coordination.

Bank assistance, 1993 to the present: products and services

Strategies

2.3 The Bank, along with other donors and observers of the “Asian miracle”, saw Vietnam in the early 1990s as the next Asian tiger. Successive strategies (1993, 1994, and 1995) focused on five areas: (i) maintaining macroeconomic stability and strengthening macroeconomic management (in cooperation with the IMF); (ii) support for rapid transition to a market economy, which included structural adjustment to the promote private sector and create a level playing field with state owned enterprises (SOEs), and reforms in the land market and financial sector; (iii) in recognition of the fact that Vietnam still had elements of a post-conflict country, support for economic infrastructure (transport, power, irrigation, and water supply); (iv) poverty alleviation through promoting economic growth and support for social sectors (education and health); and (v) protecting the environment. This strategy was further broadened in 1998⁹ to encompass governance issues such as improving public administration, transparency, decentralization efforts, and increasing participation. These strategies were owned by the authorities since they were consistent with the Government’s own development agenda. From the outset and up to the present, aid coordination and partnerships figured prominently in Bank strategy. Thus Vietnam was implementing most of the principles of the Comprehensive Development Framework even before they were enunciated.

2.4 As in many other countries, Bank strategies were broadly defined. They were articulated in such a way that a wide range of activities found justification in the general objectives. In the implementation of the strategies, there was a concentration on structural reform, infrastructure development, and poverty alleviation, but even these three areas have been broadly defined and cover investments in many sub-sectors including health; education; rural transport; rural power; community based development; irrigation rehabilitation, rural finance, among others. Selectivity in line with the Bank’s comparative advantage remains a challenge.

Implementation of the strategies: lending¹⁰

2.5 Commitment amounts were consistent with proposed lending programs (Table 2.1), except for the most recent CAS period, when they fell about 30 percent below the proposed base case level, due mainly to budget constraints and increasing preparation time required for a more community based approach to projects. Although Vietnam is the second-most important IDA-only client in terms of commitments per year, after Bangladesh, on a per capita basis

⁸ One senior economist commented that the Bank did its best work during the pre-lending phase, before the myriad issues connected with lending (procurement guidelines, reporting requirements, compliance with safeguard policies, etc.) began to preoccupy Vietnamese counterparts.

⁹ Both the 1995 and 1998 strategies were joint with IFC.

¹⁰ OEG has evaluated IFC’s investments and non-lending activities; see executive summary in Annex 1.

commitments are in line with other IDA-only countries.¹¹ IDA disbursements have been about 17 percent of total ODA disbursements and are second to Japan's in importance.¹²

Table 2.1: Planned versus actual Bank commitments, US\$ million

	FY94		FY95		FY96-98		FY99-01	
	P	A	P	A	P	A	P	A
CSP 93	350	325						
CAS94			350-420	415				
CAS95					1,000 – 1,260	1,247		
CAS98							856-2,333*	1,223

P = proposed; A = actual

*Base case was \$1,680 m

2.6 The Bank intended to support structural reforms and transition to a market economy through adjustment lending; successive strategies proposed an adjustment operation roughly every other year. In the event, however, between FY94 and 00 only one adjustment credit was approved, for about 6 percent of total commitments.¹³ The Structural Adjustment Credit (SAC, FY95) was closed in FY97 and an OED audit found its outcome to be satisfactory. The measures taken under SAC, however, were in retrospect relatively modest¹⁴ and as most of the reforms were not pursued for some time, in hindsight the relevance was not high.¹⁵

2.7 During the years following the SAC, Government was reluctant to commit to further adjustment lending. The Bank nevertheless continued to work intensively through non-lending activities on reforms related to trade, the banking sector, SOEs, private sector climate, and public expenditures. In FY01, a Poverty Reduction Support Credit (PRSC, formerly SAC II) was approved focusing on these areas.

2.8 Infrastructure, energy, and rural development together have accounted for around two thirds of total commitments. It is noteworthy that at a time when infrastructure was declining elsewhere in the Bank, the Vietnam lending program maintained its focus in this important area. In transport, the Bank has expanded from a focus on rehabilitation of the major highway into rural transport and feeder road improvement, while other donors continue to support further highway investments. In energy, the Bank has also shifted its focus from public sector provision of power generation to support for private sector participation and to rural energy. These shifts

¹¹ Commitments to Vietnam in the FY94-00 period, for example, were about \$5 per capita per year; this compares to an average of \$7.6 per capita for (mostly smaller) IDA-only countries.

¹² See Annex 2, Table 8a. ODA represented only about 4 percent of Vietnam's GNP, compared to an average of 15 percent for low income countries; Vietnam is far from being "aid dependent" (Annex 2, Table 8c).

¹³ Excluding the Debt and Debt Service Reduction operation, which did not have substantial conditions. This is in sharp contrast to Bank support for reforms in other transitional countries: in the Europe and Central Asia (ECA) Region (excluding Turkey and Bosnia), for example, about half of total commitments have been for adjustment operations over this period. Even if all adjustment operations had been approved as expected, however, the proportion of adjustment lending to total in Vietnam would have still been lower than in ECA, because there has always been a strong emphasis on infrastructure and social sector needs.

¹⁴ Adoption of a public investment program; completion of a public expenditures review – not by the Bank, not made public; audit of one state owned bank; small pilot equitization program for SOEs, not followed by substantial privatization. Export liberalization, by contrast, continued during and after the SAC.

¹⁵ The IMF had similar experience, in that an Enhanced Structural Adjustment Facility was approved in November 1994, followed by a hiatus in lending until FY01 when a three year Poverty Reduction Grant Facility was approved. For comments on Bank-IMF relations during this period, see footnote 25.

were consistent with the analytic work on poverty, which suggested that rural poverty was strongly associated with lack of economic infrastructure.

Table 2.2 Total IDA Lending by sector, FY94-01

Sector	No. of Credits	Gross Amount in US\$ m	% of Total Amount
Agriculture and Environment	8	642	20
Education	2	153	5
Finance	1	49	1
Macro/Multi-Sector*	3	435	14
Population, Health and Nutrition	2	151	5
Power	4	694	22
Transportation	7	739	23
Water Supply and Sanitation	3	345	11
Totals:	30	3208	100

Note: *Includes two adjustment credits and the debt and debt service reduction credit.

2.9 Project design in terms of the selection of provinces was not always based on the incidence of poverty. By contrast with the first Rural Transport Project which was targeted toward the poorer provinces, the second Rural Transport Project was expanded at Government request to 40 (out of a total of 61) provinces, and included some of the least poor with greatest rural road access, and excluded some of the poorest provinces with least access.¹⁶ This highlights the tension that can exist between targeted poverty reduction and infrastructure development geared to the removal of growth obstacles. *On balance, the lending program has displayed explicit poverty orientation as well as synergies with Bank analytic work. The poverty focus and the cross-fertilization with analytic work are strong points of Bank assistance to Vietnam.*

2.10 In addition, although the transport projects appear likely to achieve their basic objectives and are contributing to improved access and reduced transport costs, *implementation of transport projects* has experienced several obstacles. Government officials and Bank staff are still debating appropriate criteria for paving roads. Some Government officials and technical staff think that standards used by the Bank for rural roads are too low for Vietnam's weather conditions and that the Bank has been too rigid in its views. On the other hand, Bank staff have expressed concern that provinces are upgrading rural roads (although not with Bank funds) to a standard that is not economically justifiable. Under the highway rehabilitation projects the complex implementation involved in compensating and resettling thousands of people require particularly meticulous supervision and have created substantial implementation delays (see para. 2.19-2.20 on resettlement issues). Finally, maintenance of transport projects is a major issue, particularly for roads. Under the second Rural Transport Project, the issue was partially addressed through the requirement for provinces to sign maintenance agreements with districts and communes, with the expectation that the Rural Transport Unit in the Ministry of Transport will address technical and expertise needs (provinces have adequate funding for repair and maintenance but tend to use the funds only for repairs and not for maintenance; part of the problem is therefore instilling discipline in use of the budget).

2.11 In *the energy sector*, the first two power projects have closed, and are considered to have successfully met their objectives (two others are still active). Together the two closed projects helped to: improve transmission and distribution; meet growing demand for electricity,

¹⁶ Based on analysis carried out by Bank staff in a paper entitled, "Province Placement of Viet Nam's Rural Roads Projects", March 1999.

particularly in the southern part of the country; strengthen planning and management capacities of the power companies; corporatize and strengthen the Electricity of Vietnam (EVN); provide input to a new electricity law; assist Government in introducing private power to Vietnam, which took much longer than expected; and formulate a national strategy for rural electrification. Certain areas were less successful and remain issues: establishing a sound legal and regulatory framework is underway, but still not in place; clearly defining the roles of private capital and ownership in the energy sector; and putting in place adequate tariff policies that will both allow EVN to achieve financial sustainability and make the sector attractive to private investors.

2.12 *In support of rural development*, six investment operations were approved over the FY94-01 period, representing about one-fifth of total commitments, plus two others in rural areas that are environment-related (para. 2.17). In the earliest years, support was to irrigation rehabilitation, strengthening extension services, rural credit, and rubber development. One overarching objective of Bank assistance in rural development has been to support crop (and livestock) diversification; for the most part, the Bank has resisted Government's approach to crop-specific support. In addition, many areas selected for irrigation rehabilitation were in relatively poor central and northern parts of the country and within the Mekong Delta region, the poorer districts, and therefore Bank lending in rural areas can also be considered to have been poverty focused. Nevertheless, lending for rural development appears to lack the focus found in other sectors. Many obstacles to improving labor productivity in rural areas relate to policy issues (see para. 1.11) and areas for future focus might be on policies that promote land markets, greater freedom of crop selection, and a level playing field for private rural enterprises.

2.13 Only one of the rural projects, Agricultural Rehabilitation (FY94), has closed, with satisfactory outcomes on the three major components (rural finance, support for livestock extension and farmer training, and rubber rehabilitation). This latter component included building state owned rubber factories, however, which is inconsistent with the Bank's strategy and policy advice.¹⁷ The Rural Finance Project (FY96) is proceeding well, in the sense that the financial and managerial performance of participating financial institutions have improved; disbursements are going well; and reimbursements of sub-loans are exceptionally high at 98 percent. Over 75 percent of the funds disbursed have been for short term loans, however, compared to 50 percent expected at appraisal, due to interest rate caps on medium term loans; this may change in the near future, with a recent increase in margins allowed on medium term loans. But given the limited success on policy dialogue over approaches to reaching the poorer farmers through rural credit; the Government's non-market approach to interest rate policy; the support for broader financial sector reforms that are being pursued under the PRSC; and the fact that ADB is continuing to support rural finance, the relevance and the priority of continued Bank support for rural finance in the immediate future is not clear.¹⁸

2.14 The Bank has supported human resource development through four operations between FY94 and 01, representing about 10 percent of total commitments. In education, the Bank focused on country-wide improvements to primary and tertiary education, with other donors

¹⁷ The Bank provided no further direct financing of state owned agricultural operations, although under the Rural Finance Project up to 5 percent (or US\$5.5 m) of the loan amount can be on-lent to small and medium rural SOEs. There is no evidence that funds have been on-lent to SOEs, although fungibility of funds implies that the Rural Finance Project allowed more resources to be available to finance rural SOEs than would have otherwise been the case. One Government official did not agree that this support is inconsistent with Bank policy advice.

¹⁸ Several Government officials thought that the Rural Finance Project is indeed meeting its development objectives and asserted that it is reaching poor farmers.

covering secondary and vocational education. Two health projects were approved in FY96, one focusing on family planning and family health care and one on primary health care, targeting widespread diseases such as malaria and tuberculosis. With the possible exception of the higher education project, all of these operations were consistent with a focus on alleviating poverty and drew heavily on economic and sector work for their scope and design. In addition, there was consistent emphasis on including ethnic minorities as beneficiaries to these as well as infrastructure projects. All four of the projects appear to be proceeding well and are likely to achieve most of their objectives. One problem that has been noted during supervision, however, is the relatively poor quality of rural infrastructure and the lack of adequate maintenance. In both the education and health sectors, however, the Bank and Government have yet to reach agreement on the strategy, scope, and design of future Bank assistance.

2.15 In terms of support for thematic issues, such as private sector development and governance, most of the assistance has been in the form of analytic work, policy advice, and technical assistance (except for lending in agriculture, oriented toward private smallholders), discussed below. In lending, the Bank missed opportunities to support private sector development more pro-actively in the context of contract awards under its projects, particularly for infrastructure development. By failing to address sooner the constraints to full participation by private sector contractors, the Bank has allowed SOEs to continue to dominate on an unlevel playing field.¹⁹ The Rural Transport II Project (FY00) is making provision to promote greater participation by private contractors through training and undertaking an analysis of constraints to these private companies. This approach could have been used sooner in projects that involve local, small contracts.

2.16 On gender, disparities are generally small in Vietnam and have been decreasing. Partly as a result of this, the Bank's approach to project design has been mostly gender-neutral, with the important exceptions of the two health projects, the textbook component in the primary education project, and most recently, the PRSC. The PRSC is the first adjustment operation in the Bank to consider explicitly the gender implications of public sector downsizing and to propose a design of severance packages to reduce gender bias. A recent OED review of gender in Vietnam gave positive ratings to both outcomes and impact of Bank assistance, mainly due to pro-active local implementing agencies.²⁰

2.17 The environment has had a relatively high profile, in both lending and non-lending assistance: early sector work identified critical issues and strategies in environment, which has fed into both further analytic work at the sector level (water resources, rural, urban reviews) and in the design of projects. Over half of the active projects in the portfolio have environmental assessments, and two projects are dedicated to priority areas, Forest Protection and Rural Development (FY98) and Coastal Wetlands Protection and Development (FY00), both of which also have a strong focus on local participation to enhance ownership.

2.18 A salient feature of the lending program has been the extent to which projects in Vietnam have touched on safeguard issues: 20 of the 23 active operations (as of end FY01), more than 85 percent, require compliance with at least one of the safeguard policies and most require

¹⁹ Contracts were won by SOEs directly under the responsibility of agencies awarding the bids, which is inconsistent with Bank procurement guidelines. The Bank and Government have agreed that after an interim period during which selective exceptions will be made, this practice is to be discontinued by January 2003.

²⁰ "Gender Dimension of Bank Assistance: An Evaluation of Results", OED draft, April 2001.

compliance with more than one (see Annex 2, Table 9b for list of safeguards relevant to active projects). These include mainly environmental assessments, indigenous peoples, and involuntary resettlement. This is high even for the East Asia and Pacific (EAP) Region; in Philippines and Indonesia, for example, only 69 and 45 percent of active projects, respectively, touch on safeguard issues.²¹ Thus excessive risk aversion by country managers, common elsewhere in the Bank, has not been a feature of the Vietnam country assistance strategy.

2.19 Of course, compliance with safeguard policies could be improved and this may best be achieved through country dialogue rather than project-by-project. A country based agreement on national policies and institutions would facilitate project implementation. On environmental assessments, public disclosure and consultation processes could be better and the independence of consultants carrying out the assessments needs to be ensured. Involuntary resettlement has been complex and has run into a number of implementation problems, including differences in approach between the Bank and Vietnam (see next paragraph).

2.20 The Bank's involuntary resettlement guidelines are different from those in Vietnam. First, and most important, there are philosophical differences on the conditions under which affected people should be compensated. The Government is legally the owner of land in Vietnam and as such, can choose not to reimburse affected people who may have been using the land. Second, the Bank's guidelines do not distinguish between legal and illegal occupants in terms of who benefits from compensation, while the Government is reluctant to compensate illegal settlers. Third, the basis for calculating compensation amounts is different. The Government has a grid for different types of land in different locations, but the Bank stipulates that the amounts should be determined on a case-by-case basis, using a notion of market value. Finally, recourse for settling disputes by affected people is different: Government prefers a unilateral approach, but the Bank has insisted that affected persons be consulted and have the right to appeal offers of compensation up through local, district, and provincial levels. Adaptation by local government officials and local project management units to the Bank's guidelines has taken time.

2.21 In spite of the systematic use of independent monitoring agencies for resettlement, monitoring across large areas involving up to tens of thousands of people has proved to be complex and difficult. Under the first Highway Rehabilitation Project, for example, misuse of funds was discovered; the Government is in the process of rectifying the problem. Bank supervision missions have identified numerous problems of non-compliance with Bank guidelines on resettlement, and as of end-FY01, progress on resettlement was rated unsatisfactory in over a third of the projects where it was relevant. In FY01 the Bank carried out a Transport sector thematic resettlement review to address the issues and make recommendations for improved implementation.

2.22 The outcome of closed operations is very positive. As of end FY01, five projects had closed, Implementation Completion Reports were available for all of them, and an OED audit for one of them. All (100 percent) had satisfactory outcomes, with 94 percent likely sustainability and 84 percent substantial institutional impact, comparing very favorably to Regional and Bank-wide averages (Annex 2, Table 10 has figures through FY99).

²¹ Regional staff have noted that this is due to a particularly conscientious approach by the staff working on Vietnam, rather than to the nature of the projects themselves.

2.23 Portfolio at risk figures have jumped around in the past three years: In FY98, commitments at risk were as high as 39 percent, more in line with “new” borrowers (most borrowers in the ECA Region, for example, started borrowing from the Bank around the same time as Vietnam, and ECA average portfolio at risk has also been around 37 percent of commitments), but at the end of FY01, the portfolio at risk had come down to about 6 percent of commitments and 8 percent by number of projects, figures which are comparable to those of the EAP Region and somewhat better than Bankwide averages. The fifth Country Portfolio Performance Review, carried out jointly with Japan’s JBIC and the ADB in early FY02, examined problems with procurement and low disbursement rates (declining in the past four years and below 12 percent in FY00 and 01, due in part to the pace of new commitments) and recommended selective project restructuring.²²

2.24 The Bank and Vietnam have moved beyond the relatively straightforward stage of rehabilitating major infrastructure to addressing more difficult issues of structural changes in the economy, macro-economic, sector, and sub-sector policies, and institutional changes. Differences in fundamental approaches and objectives, sequencing and phasing of reforms, and pacing of institutional changes are emerging. The Bank will be challenged in future lending strategies and implementation of assistance with selecting areas, in consultation with the wide array of partners, where it can make a difference.

Implementation of the strategies: Analytic and Advisory Services

2.25 Although a few studies proposed in strategy documents were not carried out or delayed well beyond the time frame envisaged,²³ non-lending activities stand out on a number of counts. First, they began well before lending (para. 2.1) and targeted priority sectors. Second, the Bank carried out a relatively large amount of ESW, which is important in the case of a new borrower. Out of total expenditure over the period FY90-99 on lending, supervision, and ESW, 26 percent was spent on ESW, which is high compared to Regional and Bank-wide averages (18 percent for both). Finally, there has been wide dissemination, within Vietnam and among the donor community.

2.26 From the outset, there was a *focus on poverty analysis*. Technical assistance was provided to the Vietnamese statistical office to carry out a Viet Nam Living Standards Survey (VLSS) and to analyze the results in terms of poverty mapping. The 1995 Poverty Assessment which drew on the VLSS not only provided a good baseline for monitoring the impact of economic development on poverty, but also covered relevant policy issues in public finance, such as intergovernmental fiscal relations, and targeting infrastructure investments and provision of social services. This work was followed five years later by a second VLSS and another poverty assessment. The economic work on poverty is considered best practice (Box 4.1, page 23).

2.27 In addition, *the work on poverty served to orient the thrust of the lending program*. Analysis showed that a combination of broad based growth and investments in rural

²² Several task managers expressed the view that implementation issues have had low priority for management, a view reinforced by the unfilled vacancy of the position of Portfolio Manager in the Resident Mission for over two years.

²³ Examples: An Agricultural Marketing Study proposed in the 1993 CSP was not done; a study to be undertaken with IFC on Private Participation in Infrastructure proposed in the 1994 CAS was done only in FY00; and a Private Sector Assessment with IFC proposed in the 1998 CAS for FY00 was delayed because similar work was done by the MPDF; the assessment is now planned for FY02.

infrastructure and better targeting of social services were important factors in alleviating poverty. The Bank's lending program has thus become increasingly focused in these areas, although the design of investment projects in rural areas have not been consistently based on poverty analysis (para. 2.09). Sector analysis also underpinned Bank involvement in all the sectors in which it has had lending operations and informed to a large extent the scope and design of those projects (a list of ESW, now called Analytic and Advisory Activities, is in Annex 2, Table 12).

2.28 A second major theme of ESW has been *structural reforms needed for the transition to a market economy and to enhance private sector development*. Most reports emphasized the importance of promoting appropriate roles for private participants in all sectors of the economy, examined constraints to increasing their participation, and recommended policies to address these constraints. Issues covered included: land use rights and title registration; mortgage rights; accelerating SOE reforms; banking sector reforms; import tariff and other trade reforms; private provision of infrastructure. The Bank has also helped to provide substantial technical assistance, often financed through grants (UNDP, PHRD, IDF, ASEM), for: improving the legal environment, such as the new Enterprise Law passed in early 2000 (to which IFC's Mekong Project Development Facility, MPDF, also contributed) and a new law and decrees on private participation in petroleum; a pilot privatization program for SOEs in the early 1990s; developing a comprehensive strategy for banking reform and strengthening banking supervision by the State Bank of Vietnam. The Bank and IFC were instrumental in establishing a Private Sector Advisory Group of government officials and private sector representatives in the mid-1990s and in facilitating the inclusion of the Private Sector Forum (now called the Business Forum) in the CG process (Box 2.1).

Box 2.1 Business Forum: innovative and cost effective policy dialogue

Initiated by the Bank and IFC in 1998, the Business Forum has become an important vehicle for on-going dialogue between the Government and the private sector; it is now managed by the IFC. Initially comprised of foreign investors, the Forum gradually drew in domestic entrepreneurs. An important initiative has been to include the Forum in the CG meetings, where it is chaired jointly by the Ministry of Planning and Investments, the Bank, and the IFC, and where it can discuss in an open forum the constraints and issues faced by the private sector. Although the dynamics with Government have not always been smooth, the presence of the Forum at the CG meetings has a number of benefits, including more open discussion and donor backing. Because of the high degree of pro-bono involvement by the private sector, this forum has proved to be a cost effective way of maintaining the focus on policy issues affecting private investors.²⁴

2.29 On institutional issues, the Bank has provided or administered a large number of grants, including thirteen Institutional Development Funds (IDFs) as well as an equal number of bilateral grants providing technical assistance. Between FY90 and FY01, the total amount of Bank-administered grants, including PHRD grants for project preparation, was \$46.3 million. Recent reviews of the grant portfolio, including several audits by the Bank's Internal Auditing Department, indicate that the support for institutional development has had mixed results. In general, support for improving capacity building in public procurement and project management has been successful, including the adoption of improved procurement procedures and training in procurement. By contrast, an IDF grant for development of Government accounting was considered less successful.

²⁴ One official thought this assessment was too positive: Government is now seeking to make the Forum more effective and constructive.

2.30 More recent non-lending assistance has been provided for *addressing governance issues in public sector management, transparency, and corruption*. These include a joint effort with the IMF on helping the Government to publish its budget and producing a joint report on fiscal transparency (FY99); carrying out a participatory Public Expenditure Review (PER, FY01) in close consultation with Government and other donors, an important first step in introducing greater transparency and improving management of expenditures; a practical handbook for project managers, ministries, and donors, called “Combating Corruption”; and a country financial accountability analysis (FY01). Finally, the Bank has been pro-active and innovative in bringing representatives of NGOs and mass organizations into the process of carrying out analytic work as well as into dialogue with government on policy concerns. This also helps to make government more accountable to a wider range of constituents.

2.31 Analytic work gets high marks for strategic relevance, timeliness, internal quality, consistency of themes across sectors, and wide dissemination: reports were translated into Vietnamese, discussed with government officials, and often the subject of workshops at various levels throughout the government and country. Other Government partners (donors, business community, NGOs, researchers) also benefited from the analysis. The work strengthened the dialogue with Government and has been greatly appreciated by Vietnamese officials (Box 2.2).

Box 2.2 The views of the Borrower

Officials have consistently appreciated the Bank’s non-lending services even in the years when it was not accompanied by credits. Government officials interviewed by OED expressed virtually universal appreciation for and interest in the Bank’s analytic work. Although they didn’t always agree with the policy recommendations, officials (and most donors) consistently commented on the high quality of the analysis. One Vice Minister in particular spoke at length about the report *Advancing Rural Development: Vision to Action* (1998), discussing specific recommendations and what measures the Ministry was taking in these areas. Some officials had suggestions for improving dissemination (shorter/longer executive summaries, depending on the audience), and most thought that policy recommendations were considered seriously by decision makers. The reports were quickly copied and sold in street kiosks, the price varying inversely with their vintage (older reports, lower price); independent economic analysis was sufficiently scarce yet in demand that it had a market value.

In addition, almost every official interviewed, both in the initial round of meetings and again during the mission to discuss comments on this report, expressed and reiterated appreciation for Bank assistance in donor coordination and, in particular, with help in preparing the CG meetings. They noted the challenge of such coordination, both because of the number of donors and the differing views among them.

On lending, the views were positive, although with some caveats: some officials thought that there had been an appropriate balance of projects, although others expressed the view that there should have been from the outset greater focus on the social sectors. Several officials also brought up difficulties with Bank procedures, such as in procurement and safeguard policies, noting that these were not consistent with Vietnam’s internal procedures and policies and that the Bank was not sufficiently flexible in their application; several thought the Bank should harmonize its procedures with those of Vietnam. In addition, officials noted that the issue of Bank procedures is magnified by virtue of the large number of donors active in Vietnam, each with different procedures. On the other hand, several officials noted with satisfaction that the introduction of competitive bidding in procurement had brought down their costs of construction and officials noted their appreciation to the Bank for helping Government to realize these savings.

There was wide praise for the work of the Resident Mission (which has some 60-80 staff, depending on whether IFC staff are included), which is generally seen as responsive, professionally capable, and effective, providing strong leadership in the donor community.

Aid coordination

2.32 From the outset, the Bank focused on the need for strong aid coordination and cultivating partnerships. In the pre-lending years, the Bank and UNDP worked closely together, with Bank executing a number of UNDP financed projects. In addition, the Bank took the lead in preparing Vietnam for its first donor meeting in 1993 and the first Consultative Group meeting in 1994. Vietnamese officials interviewed expressed particular appreciation to the Bank for this role, especially as Vietnam was new to dealing with multiple foreign donors (Box 2.3).²⁵

Box 2.3 Partnerships/CDF

Determining long term objectives has shown progress, although more remains to be done. In April 2001, Government presented an Interim Poverty Reduction Strategy Paper (I-PRSP), which provides a medium term framework (initially seen as a Bank requirement, it became a useful input into the Government's ten year strategy written entirely in Vietnamese and discussed extensively with the donor community). The Ninth Party Congress has approved the ten year strategy on socio-economic development as well and five year plans; to become operational, these strategies will require further analysis than now exists of how policies will translate into outcomes and impact and greater transparency in tracking public expenditures.

On ownership, the Government and the Communist Party are firmly in control of the development program and accept only those investment projects, technical assistance, and adjustment loans that fit with their own priorities. On the other hand, the notion of an inclusive ownership, encompassing civil society and private sector voices, is not yet well accepted. Local NGOs, for example, are not officially sanctioned, and there was initial friction with Government when the Bank sought to establish a civil society forum as an associated event with the CG meetings, which would include local NGOs. Government had also expressed reservations about the Business Forum.

Partnership among the Government and donors appears to be well accepted in principle, although problems have emerged in practice. Transaction costs for most donors and NGOs are high: among donors, only the Bank has a sizeable Resident Mission and is therefore much better equipped in staff and expertise to participate in the various working groups and to lead several of them. Even donors supportive of the new partnerships have had trouble finding the resources to participate actively.

Second, the extent to which donors and/or governments have agreed on sectoral objectives, policies, and investment programs varies considerably among sectors. For example, some of the donors have disagreed among themselves on policies in health, although the process of analyzing and discussing together has brought these differences into the open. This is preferable to giving conflicting messages and working at cross-purposes. In the energy sector, by contrast, an important benefit of the partnership approach has been to allow Government to develop its own plans with greater realism: it became clear that donors had limited interest in continuing to finance thermal power, for example, and that therefore the private sector would have to play an increasingly important role in financing the needs.

A third issue is that partnerships involve letting other donors lead in many sectors, even if the pace, timing, and content is not what the Bank would prefer. In the last half of 2000, for example, some donors thought that the Bank, pressured by headquarters, was pushing for results too fast. In Vietnam, consensus is important but takes time, particularly if it involves policy decisions or institutional changes.

Accountability and monitoring is still a mixed picture: the VLSS and participatory poverty assessments provide benchmarks for tracking the evolution of poverty, income equality, and some social indicators, although further efforts will be necessary for monitoring specific indicators. By contrast, information on public expenditures of line ministries remains opaque and transparency and accountability of public sector management are still issues.

²⁵ An exception to this was the relationship between the Bank and IMF, which was at times strained in the early years. Although IMF staff did not agree with this assessment, an external review of the IMF's ESAF found that in the case of Vietnam, there were conflicts between staff of the two institutions over policy recommendations. The situation has improved considerably in more recent years, with close cooperation in the preparation of the more recent adjustment operations. (Source: IMF, 1998).

2.33 Some six months before Vietnam was selected as a pilot for the Comprehensive Development Framework (CDF), donors and the Government had begun closer explicit partnerships: sector working groups had been formed to exchange information, discuss issues, and work out common approaches. Thus, there was already a spirit and intent to work along the lines of the four pillars of the CDF (ownership, partnership, long-term/holistic vision, monitorable results). Progress has been good. The CDF Secretariat, in several reports on country experience (September 2000) and emerging issues (August 2001), noted that Vietnam had particularly good performance on long term vision and strategy, although details of that vision still need articulation; had made considerable progress on broadening consultations with stakeholders to enhance country ownership; and had improved partnerships and coordination among donors. Vietnam was cited as one of the few pilot CDF countries to have actively sought to include public-private sector dialogue through its Business Forum (Box 2.1). The least developed aspect was putting in place necessary information systems to measure development results (see Box 2.3). In November 2000, with extensive input from sector working groups, the Bank, ADB, and UNDP jointly produced a major economic report (in three volumes) which reviews the Government's ten year development strategy and donor efforts in each of six major areas. Some Bank staff have reported that the new approach, although involving higher transaction costs, has made a difference in both their own strategy for future assistance as well as the Government's. Further progress may require changes in the policies and delivery practices of individual donors.

Other Bank Group activities: IFC and MIGA

2.34 In addition to the lending and investments of the Bank, IFC has been active in Vietnam (see Box 2.4 for excerpt from OEG's evaluation of IFC activities), as has MIGA. Since 1995, MIGA has put in place five guarantees for a total liability of US \$61 million, mobilizing foreign direct investments in banking, export coffee processing, power plants, and telecommunications; the total FDI mobilized has been US\$460 million. In 1997, the MPDF was established, an IFC managed and donor funded initiative supporting the development of local SMEs and the enabling environment in which they operate in Vietnam, Cambodia and Laos.

Box 2.4 An OEG evaluation of IFC's program and performance in Vietnam

Overall conclusion of OEG report

IFC's efforts have been relevant and significant in Vietnam. Outcomes have been mixed but mostly disappointing: despite a strong IFC effort, the development and investment outcomes of investment operations have been sub-standard, the country has not made progress in improving its poor investment climate, and to date and on present outlook, IFC's Vietnam operations will continue to require a significant cross-subsidy from profits generated in other countries, raising the question of sustainability of past activity levels relative to opportunity costs.

Lessons and recommendations

Based on IFC's experiences in Vietnam, the OEG evaluation provides a range of lessons and recommendations on issues including: IFC's strategy and execution in unfavorable and distorted business environments; investment structuring and preparation; advisory efforts; location of IFC staff resources; and IFC/World Bank collaboration on PSD. These are discussed in section VIII of the main OEG report.

Source: Taken from OEG Vietnam Country Impact Review, executive summary, attached as Annex 1 to this report

3. PROGRESS ON DEVELOPMENT OBJECTIVES

Introduction

3.1 The relevance, efficacy, and efficiency of the Bank's assistance is summarized in the following chapter. This chapter reviews in more detail the progress over the past decade in terms of each of the major objectives established by the Bank's assistance strategy. These include: (i) maintaining macroeconomic stabilization and strengthening macroeconomic management; (ii) transition to a market economy, which included private sector development, SOE reforms, and financial sector reforms; (iii) infrastructure development; (iv) poverty alleviation, which included support to human development; and (v) environmental protection. More recently, an additional objective has been improving public administration, transparency, and participation.

Outcomes on macroeconomic stability and macroeconomic management

3.2 Vietnam's economic performance since 1990 has been impressive, even by East Asian standards, and growth has been strong (Chapter 1). The early success in combating inflation was initially fragile, however. Prices came down from triple digits in the late 1980s to around 5 percent by 1993, and accelerated again to 17 percent by 1995, in spite of tight monetary policy. This was thought to be primarily due to a supply shock which caused the price of staples (mainly rice) to increase. But continued prudent monetary and fiscal management enabled the authorities to bring down inflation to single digits for the remainder of the decade, while maintaining low levels of debt and debt service.

3.3 Government's historically prudent fiscal management, with small budget deficits (typically less than 1 percent of GDP), may prove to be overly prudent and difficult to sustain in the future. Revenues have decreased as a proportion of GDP, due mainly to the Asian crisis, while spending pressures have increased, driven in part by a 25 percent increase in civil service wages. Further increases in wages are anticipated, the full costs of SOE and banking reform are not yet known but are likely to be substantial, and increases in expenditures on operations and maintenance of infrastructure are needed. Outcomes on macroeconomic management have been highly satisfactory to date, but pressures on fiscal sustainability are mounting. Without increased revenues, civil service downsizing, and further reforms to address medium term planning, monitoring fiscal risks and expenditures, and prioritizing expenditures, such positive outcomes may not be sustainable in the future.

Transition to a market economy

3.4 Progress on structural changes is more mixed. *External trade* has evolved from a system of extensive controls of virtually all imports and exports to one of selective tariff and non-tariff protection for selected (albeit numerous) imports (such as cement, fertilizer, sugar, steel, motorcycles) which represented about 24 percent of imports in 1999. Vietnam signed a bilateral trade agreement with the United States in mid-2000 and has announced its intention to honor commitments under the ASEAN Free Trade Agreement, which involve reduction of tariffs, and liberalization of foreign investment and foreign entry into the service sector.

3.5 Since the beginning of the decade, *the legal environment has improved for both domestic and foreign investors*. FDI has been encouraged through tax and other incentives, but has been mainly in joint ventures with SOEs and oriented toward the capital intensive, import substituting industries. In early 2000 a New Enterprise Law was passed that reduced significantly the

number of licenses required (in about 150 subsectors) and over the following 18 months, some 20,000 enterprises were registered (some of which were probably existing enterprises that opted to become formally recognized), practically doubling the total number of registered enterprises. Nevertheless, implementation of new laws is uneven, particularly at provincial and district levels. The agenda for encouraging private sector development remains substantial.

3.6 *SOE reforms* over the decade have included more autonomy for the firms, ending state subsidies, and liquidating unprofitable ones. As of end-1999, about 5,300 SOEs remained, producing 30 percent of GDP (compared to 12,000 SOEs producing 24 percent of GDP in 1989).²⁶ By most measures, however, SOE reforms have been slow, many still dominate import-substituting industries, enjoy a high level of protection, and preferential access to resources (land, credit, export quotas), thereby crowding out competition from the private sector. After considerable internal debate, the Government has recently reached a consensus on accelerating SOE reform with a program to equitize (sell more than 65 percent of shares in) about 900 SOEs in the next three years (representing about 9 percent of employment in SOEs and 6 percent of total SOE debt) and to restructure about 250 others. This program of reforms is supported by both the IMF and the Bank. Although the program may signal a renewed commitment to level the playing field with the private sector, other SOEs are continuing to make substantial new investments, such as in fertilizer plants, pulp-paper mills, and steel production. In addition, the sale of Government shares in some SOEs is to employees; experience in other transitional countries suggests that this may lead to little effective restructuring or increased efficiency and continued preferential access to resources. On balance, it is unclear whether the SOE reforms will create a truly level playing field with the private sector.

3.7 *Reforms in the financial sector* over the decade consisted of developing a two tier banking system, allowing private investments in joint-stock banks, and strengthening prudential regulations. By the end of the decade, however, the sector remained dominated by state owned commercial banks (SOCB) that were inadequately supervised and had weak portfolios, due in part to outstanding credit to the SOEs, and troubled joint-stock banks. The Government has recently agreed to undertake a reform program, supported by the IMF and the Bank, to strengthen prudential regulations and banking supervision, to address weaknesses in the joint stock banks, to require international audits of the SOCBs, and to restructure and recapitalize them.

Improvements in infrastructure

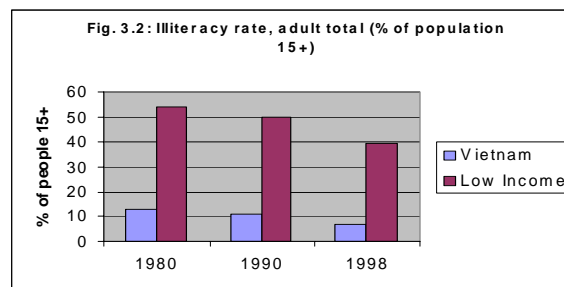
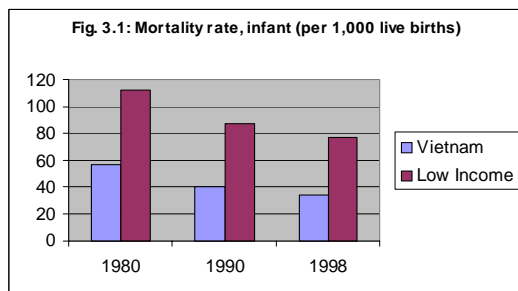
3.8 The decade of the 1990s witnessed *substantial expansion in infrastructure services*. The proportion of paved roads doubled; freight carried on roads and railways more than doubled; and use of inland waterways and coastal shipping also grew dramatically. The increased freight service facilitated economic growth and international trade. Investment needs for the future are still enormous and maintenance should be better funded and managed. Electricity generation tripled over the decade and access to electricity grew from 48 percent of households to about 75 percent. Transmission and distribution losses have decreased over the decade, but remain high

²⁶ The reduced numbers of SOEs is somewhat misleading, as many were merged and consolidated into holding companies. In addition, many liquidated SOEs were already moribund, so the impact of these reforms on the SOE contribution to GDP was probably negligible. A more recent estimate placed the number of SOEs at 5,900, suggesting that new ones are being set up, or are being spun off from existing ones. Sources: for 1989, CEM, 1992, p. 76; for 1999, World Bank, ADB, UNDP, Partnerships for Development, November 2000, p. 35.

relative to comparator countries (Annex 2, Table 5). To meet growing demand for electricity, which is expected to triple within the next decade, it is critical to attract private investors, yet tariffs are still below long run marginal cost, affecting the ability to attract private funds. Access to clean water supply and to sanitation has increased, but remains at modest levels.

Poverty alleviation and human development

3.9 *Poverty has decreased dramatically* from an estimated 58 percent in 1993 to 37 percent in 1998, a remarkable accomplishment. Most of the *traditional social indicators* (infant, child, and maternal mortality; life expectancy; literacy) have continued to improve from already high levels, and small gender gaps have narrowed further. In health, one notable shift has been the sharp drop in the proportion of deaths from communicable diseases, due in part to successful public health programs. Vietnam remains far ahead of most low-income countries in these areas



(Figures 3.1-3.2 and Annex 2, Tables 3-4). The country has also made progress in meeting the International Development Goals (Annex 2, Table 6), although not all of these defined goals fit with definitions used in Vietnam.²⁷ Nevertheless, concerns remain: many households remain close to the poverty line and are vulnerable to falling back into poverty from family sickness or natural disasters (drought, floods). The quality of education is an issue – primary schooling averages 500 hours per year, which is one half the international average, and the curriculum content and style of learning is outdated. Child malnutrition remains stubbornly high at some 35 percent, worse than in comparator countries. And although the fatality rates from communicable diseases have decreased, the incidence of infectious diseases such as dengue fever, tuberculosis and HIV/AIDs is on the rise.

Environmental protection

3.10 As recently as 1990 the Government had virtually no explicit environmental policies in place, but since then, has passed a law on environmental protection (1994); established relevant institutions, such as the National Environmental Agency; reached a consensus on a National Strategy for Environmental Protection; adopted a Five Million Hectare Reforestation Program; and is developing an environmental action plan in order to mainstream environmental concerns into the planning cycle of other ministries. Due to reforestation, forest coverage has actually increased from 26 percent in 1990 to 29 percent in 1999 and the annual rate of deforestation has decreased to about half of what it was in the 1970-1995 period. Implementation of regulations and effective control and enforcement of pollution standards have been weak, however, and at

²⁷ For example, the IDG for education is the primary school enrollment rate, which is high in Vietnam, while the quality of education is not captured by IDGs. The IDG for poverty is based on percent of the population living on less than two dollars per day, while Vietnam measures poverty based on the income level needed to cover basic needs.

present environmental institutional capacity at all levels needs strengthening to address both rural and urban environmental issues.

Improving public administration, transparency, and participation

3.11 Some progress has been made related to governance. In terms of *public administrative reform (PAR)*, the Government officially launched a PAR program in 1995 and since then, new legislation on civil servants was passed in 1998, procedures simplified, and some ministries restructured. A donor-supported governmental PAR review proposed a series of future reforms. In terms of *transparency*, the state budget was published for the first time in 1999, albeit in very summary form; government's financial statistics are now published in the IMF's Statistical Yearbook; and the PER led to the formulation of a program of further reforms to enhance monitoring of actual expenditures and improving public accountability. In terms of *participation*, Government has made efforts in recent years to increase communication with civic society. In 1998, the Regulation of the Exercise of Democracy in Communes (the Grassroots Democracy decree) was passed, to provide a legal basis for community participation in local matters. But much remains to be done; Government has made it a priority to fight corruption, but the outstanding agenda is large, and a clear strategy with key reforms and benchmarks for monitoring remains to be defined.

4. ATTRIBUTION AND RATINGS

4.1 To what extent has Bank assistance contributed to these outcomes? First, Vietnam's excellent economic performance was the result of a combination of factors: dramatic reforms introduced at the end of the 1980s, continued reforms into the early 1990s; the country's ability to produce a supply response from the policy changes; and Vietnam's proximity and access to booming Asian economies, which provided, at least until the crisis in 1997, markets and sources of foreign direct investments. Vietnam's strong macroeconomic record throughout the 1990s can thus be attributed to a combination of exogenous and endogenous factors, including good macroeconomic policies.

4.2 The initial dramatic reforms occurred before the Bank was present. Decisions were taken in 1988/89 (with advice from the IMF) to align the exchange rate with the parallel rate, control monetary expansion, liberalize the trade regime, decollectivize agriculture, liberalize prices and marketing, decentralize decision making for SOEs, and pass laws allowing foreign investments. In fact, at the end of the 1980s Bank mission were carried out to learn about the scope and impact of the reforms.²⁸

4.3 For the rest of the 1990s, as the debate within Vietnam grew stronger over continued reforms, it is likely that the Bank's relatively intense advice, seminars, workshops, analytic work, and discussions had a positive impact on decision-makers to maintain fiscal discipline and carry out further tax and trade reforms, devaluations of the exchange rate, interest rate reforms, and some pilot SOE reforms. The 1997 Asian crisis was a serious (and hopefully temporary) setback for reformers in Vietnam, as enthusiasm for the Asian miracle in general, and the Korean model of chaebol conglomerates in particular, evaporated; the calamitous experience of Indonesia and Thailand served as a cautionary tale to those promoting more liberalized trade and exchange rate

²⁸ This sequencing in assistance was not a deliberate decision to wait until good policies were in place, but rather the result of political concerns of major shareholders.

liberalization. The Bank stayed involved and continued to work with authorities. The recent renewed momentum on reform measures is, in part, attributable to the Bank's persistence.

4.4 The Bank has contributed to continued growth, poverty reduction, and institutional developments through sectoral involvements in several ways. Together with other donors, for example, highway rehabilitation and urban development (water and sanitation) helped improve the condition and access to economic infrastructure. In the energy sector, the increased access to electricity was partially due to the successful power projects. The Bank's involvement in the power sector has also helped to: develop a national rural electrification master plan, strengthened the institutional capacities of the power companies responsible for distribution and of the Electricity of Vietnam; and helped to improve the planning and efficiency of the power supply system. Although it has taken some years for Government to conclude negotiations for private participation in the energy sector, the Bank's involvement, through lending, technical assistance, and facilitation of grant facilities, has paved the way for private participation in the sector. In health, the Bank helped to re-establish the commune-level health service delivery, which has carried out immunization programs that have successfully reduced mortality rates from infectious diseases and improved family planning and maternal care.

4.5 The early poverty assessment fed into the development of Vietnam's Gender Strategy and the second poverty assessment is contributing toward the articulation of a Poverty Reduction Strategy. Technical assistance helped to focus Government on the critical importance of environmental issues. And the Bank's public positions on the importance of improved public sector management, addressing corruption, transparency, and wider ownership are helping to give prominence to these issues. Finally, the introduction of international competitive bidding to Vietnam, a new concept to the country in the early 1990s, quickly bore fruit: the country adopted competitive bidding as a principle, saving considerable costs in the process.

4.6 Nevertheless, the Bank portfolio is very young: only three investment projects have closed, and most Bank operations have begun implementation within the last four years. It is early to expect substantial outcomes, even at a sectoral level, from these various efforts. Vietnam is one of the largest Bank clients, and all of ODA, for example, represents only about 4 percent of GNP, with the Bank about one-sixth of this. The extent to which the impact of Bank-financed investment projects will be felt at a national level will depend on whether the approaches, strategies, and policies applied under one project are replicated elsewhere in the country, that is, the extent to which there is institutional development impact. This in turn will depend in part on whether increased partnerships now being forged among donors, Government, NGOs, and other actors will result in consensus about and application of these approaches on a broad scale. The Bank's efforts at partnerships and forging long-term visions and strategy are moving in the right direction, but it is too soon to see substantial impact.

Counterfactuals

4.7 What would have happened in Vietnam if the Bank had been absent? Unlike other transition economies, the Bank started lending too late to have a signaling effect – most of the bigger donors were already lending or had explicit plans to lend to Vietnam (Japan, ADB, and many European countries); and foreign investors started arriving as early as 1992. On the other hand, after the first wave of dramatic reforms of the late 1980s and 1990s, Vietnam's reform pace faltered. The Bank's efforts to provide continuous policy advice and examples of international experience helped decision makers to avoid halting or backsliding of reforms. The

recent renewed program of reforms is due in part to substantial Bank non-lending support for analytic work to underpin them.

4.8 Would outcomes have been better if the Bank had pushed harder for structural changes, taken a stronger position on the pace of reform, and been more aggressive in advocating a larger role for the private sector? If the Bank had been more proactive within its own projects, for example, in trying to remove obstacles to local private contractors, the domestic private sector might be more vibrant today (para. 2.15). But as experience has shown in other countries, pushing hard on reforms when the Government is not willing to undertake them is not likely to succeed. In Vietnam, in particular, where decision-makers hold differing views, such an approach could have been counterproductive. Overall, the Bank has struck an appropriate balance by providing, through a range of instruments, consistent policy advice, covering a wide range of issues, including the importance of market forces and a larger role for the private sector, appropriate targeting of public expenditures, as well as improving governance, increasing transparency, and addressing corruption. A more aggressive or intrusive approach is unlikely to have caused Vietnam to move farther or faster in its reforms.

Ratings

4.9 The rating on outcome of Bank assistance is discussed in paras. 4.10-4.14 below. It consists mainly of relevance of the strategies, efficacy, and efficiency of the products and services. It is distinct from a consideration of Bank performance, although there is some overlap (relevance of the strategies and consistency of the assistance delivered with the strategies are part of Bank performance, but other considerations are important as well, such as consistency with corporate objectives). Bank assistance is one input into assessing outcomes. Borrower performance, performance of other agencies such as donors, and exogenous factors (floods, financial crises, civil unrest, etc.) are equally important factors. Bank performance is discussed in para. 4.17 below, but not rated.

4.10 Relevance of the strategies was high. The strategies were also consistent with Government priorities. The Bank maintained its focus on structural reforms, even in the face of limited progress, as well as on infrastructure rehabilitation and poverty alleviation, both of which were priorities for Government. The lending program was consistent with the strategies. In addition, the Bank has done a good job orienting investments toward those areas identified by sector work and research as benefiting the poor.

4.11 On balance, the efficacy of the assistance has been positive. Outcomes on individual operations are all considered satisfactory, although as reviewed in some detail in the previous chapter, the Bank has been more successful on infrastructure and physical developments than on supporting structural reforms, and has had some success in introducing institutional changes.

4.12 Efficiency. Depending on the measure used, cost of Bank assistance to Vietnam is average or somewhat below average: over the FY94-99 period, the average costs of lending, supervision, and ESW per approved project were similar to the Bank-wide and IDA average. On the basis of average costs per \$1,000 of net commitment, Vietnam was relatively low cost: about 20 percent less than the Bank average and about half of that for IDA countries. If these figures are adjusted to take into account the “benefit” side, or the cost per dollar commitment of satisfactory projects,

then assistance to Vietnam looks quite efficient. Cost per \$1,000 of commitment for satisfactory and non-risky projects (closed operations rated satisfactory and non-risky active projects) in Vietnam was about 35 percent lower than the Bank-wide average, and only about one-third of the average for IDA countries (Annex 2, Tables 13a-c).²⁹

4.13 By contrast, the average elapsed time for lending to Vietnam is high. From project concept document to Board approval, it was some 40 and 36 percent higher than Regional and Bank-wide averages in the FY94-00 period. In addition, the elapsed time for Vietnam's projects shows no discernible trend, in contrast to the sharp downward trend for those of the Region and the Bank (Annex 2, Table 13d). By FY99 and FY00 elapsed times were more than 80 percent higher than Bank averages. This might be due to the impact of compliance with safeguards at the project preparation stage, which has sometimes involved multiple resettlement action plans and environmental assessments for different sub-project areas within a single project. In addition, project preparation has involved a relatively high degree of participation and consultation with local communities and district and provincial level ministries, and increasing consultations with donors and other partners. A third explanation may relate to the nature of decision-making in Vietnam, which requires consensus at various levels and across agencies; given the complex bureaucracy, developing this consensus on project features may take longer than in most countries. Elapsed time for IFC investments between internal IFC sign off to proceed to appraisal and commitment of funds is 40 percent longer than in other Asian countries, suggesting that there may be a country-specific factor at work.

4.14 Outcome is the combination of relevance, efficacy, and efficiency of Bank lending and non-lending assistance. *Outcome of Bank assistance to Vietnam is considered satisfactory.* The strategies were highly relevant and timely and assistance was generally consistent with the strategies. In some important respects the assistance has achieved or is likely to achieve its objectives: macro-economic management has been good and stability maintained; infrastructure has been rehabilitated and expanded; poverty has decreased and social indicators have improved. In other important respects the assistance has not achieved its objectives: the transition to a market economy has been neither as rapid nor as profound as had been expected at the beginning of the period under review. It is difficult to argue that if the structural reforms had been more profound or more rapidly undertaken, growth rates would have been higher or poverty lower, as Vietnam has achieved one of the best records in the world on both of these scores. But looking ahead, the momentum of growth and poverty reduction may slow down unless structural reforms are accelerated and the environment for private sector development becomes more welcoming. This would help attract larger flows of private investment, achieve a better competitive position for exporting, and secure stronger economic prospects for the future.

4.15 Sustainability is the likelihood that the benefits of the assistance will be sustained over the long term. In infrastructure, which has been an important focus of Bank assistance, sustainability will depend on Vietnam's ability to operate and maintain the physical assets. This is uncertain, because the record on operations and maintenance in the highway, rural roads, irrigation, water, and sanitation sectors is not strong. By contrast, policy changes and institutional development impact in sectors such as power are likely to be sustained as Vietnam moves toward a market economy. The possibility of temporary reversals cannot be dismissed,

²⁹ This measure was still some 20 percent above the EAP Regional average, but East Asia is an outlier in terms of overall efficiency (cost per dollar of satisfactory commitment) within the Bank.

however, even as the overall trend is toward greater liberalization, improved efficiency, and a larger role for the private sector. *Overall, sustainability is rated as likely.*

4.16 Institutional development impact. As noted above, this is mixed. There have been some important successes, such as introducing competitive bidding; changing the policy on private investors in the energy sector which led eventually to their involvement in the sector; improved operations of some agencies, such as Electricity of Vietnam and water agencies in urban areas. There have been efforts that have not been as successful so far, such as introducing changes in Vietnam's involuntary resettlement policy. And there have been efforts that, until very recently, had modest outcomes: SOE and banking reforms supported under the first adjustment operation continued to be pursued through the provision of technical assistance, but there was little progress for a number of years. Recently, however, the Government renewed its commitment to continuing them. *Overall, institutional development impact is considered modest.*

4.17 Bank performance. The Bank program in Vietnam has been very responsive to corporate priorities and objectives. In many respects, the Bank's performance has been exemplary in its: appropriate risk-taking in activities affected by safeguards; priority on partnership; focus on inclusiveness of ethnic minorities as beneficiaries of Bank projects; efforts at participation, of the private sector and local NGOs in donor conferences and strategy sessions. Decentralization of the program to Hanoi, and the staffing of a large field office, have been important elements in developing partnerships and improving participation. The quality of the services, both lending and non-lending, has been high. The main weakness in the assistance has been its wide ranging character, covering many sectors and sub-sectors. As with many Bank programs, lack of selectivity is linked to internal and external pressures on the Bank to be present in most sectors.

Box 4.1 Good practice: focus on poverty, partnerships, and participation

In many respects, the Bank's program in Vietnam follows corporate objectives closely. In particular, the assistance strategy has from the outset focused consistently on poverty alleviation. The early sector work analyzing poverty fed into the selection of projects as well as their design. In this sense, the assistance program has unusually strong synergies between lending and non-lending. In addition, partnerships and wide collaboration have been strong elements of the Bank's assistance, particularly in non-lending services; this is exemplified by the reports, "Private Solutions for Infrastructure" (published by a multi-donor technical assistance facility in 1999); "Growing Healthy: A Review of Vietnam's Health Sector" (financed by four donors, with contributions from four other donors as well as NGOs and civic groups, 2001); "Vietnam 2010, Entering the 21st Century" (joint report by World Bank, ADB, and UNDP, peer reviewed by representatives of a bilateral donor and an NGO, 2000), and "Managing Public Resources Better" (a participatory public expenditures review, 2000).

The economic report "Attacking Poverty" (1999) was a follow up to the earlier poverty work and was widely singled out for praise by many observers during the OED mission in September 2000. The report drew on the results of the 1997/98 VLSS (para. 2.26), as well as in-depth participatory poverty assessments by NGOs. As a result of the work done on the report and the widespread sense of ownership of the results, a working group was established under the Ministry of Labor, Invalids, and Social Affairs (MOLISA) to develop a poverty reduction strategy. The report exemplifies not only the continued high priority IDA gives to monitoring poverty and analyzing the impact of a range of relevant policies on the poor, but also the benefits that can come from working in close partnerships with a wide range of actors, well beyond the production of the report itself.

5. LESSONS AND RECOMMENDATIONS

Lessons and Recommendations

5.1 Accelerating structural reforms and improving the environment for private sector development are key to maintaining the past momentum of growth and poverty reduction. Bank assistance should therefore focus as a priority on structural, policy, and institutional reforms that define appropriate boundaries between public and private roles and enhance a market economy. This focus should be an integral part of investment lending as well as the focus of adjustment lending.³⁰ Structural, policy, and institutional reforms, as difficult as they will be to bring about in Vietnam, are likely to be the area where the Bank can make the largest contribution to the long-term development and growth of the country.

5.2 In the transport sector priority should be on strengthening the maintenance capacity; the Bank should not continue to provide support for expanding or rehabilitating infrastructure until there are visible improvements in maintenance. In addition, the Bank and the Government need to reach agreement on appropriate criteria for selecting technical standards for road construction and rehabilitation.³¹

5.3 In rural development, a more strategic approach should be used in partnership with other actors (donors, NGOs), limiting intervention to two or three major areas, including support for key policy reforms.³²

5.4 For infrastructure investments and rural projects that have a poverty focus, the Bank should seek agreement with the Government on criteria that will be used in selecting the areas for inclusion.

5.5 Planning for support for further reforms is difficult in this environment: in spite of Government's public statements about their intentions to move toward a market economy, to improve transparency, and to reduce corruption, there remains uncertainty about the speed and

³⁰ Several officials commented on this section: one noted that it should also cover recommendations on how Government can make donor assistance more effective. Another commented that the benefits of investment lending should not be underestimated: it can have significant demonstration effect in the country and can also serve to enhance the reputation of the World Bank. One commented that support for private sector development would be better done through legal reform to level the playing field rather than through direct support to the private sector. Several agreed that economic issues should be a priority for Bank assistance, but that the Bank needs to work on even wider dissemination of its analysis and recommendations, to many officials as well as to citizens, and even to universities and libraries.

³¹ One official expressed the view that the scarce foreign exchange from the World Bank should be used to expand rural electricity and telephone networks and not rural roads, because the latter can be more easily financed through Government budget and Government now recognizes the importance of rural transport for poverty reduction. This same official also thought more funds should go to education, particularly primary and secondary.

³² The official from the agricultural ministry, MARD, agreed with this and outlined two other critical areas in need of support: science and technology, both in development and application, and infrastructure (irrigation, roads, marketing infrastructure). He also commented that administrative reforms and capacity building should be an important aspect of future Bank assistance.

effectiveness of actions. The Bank should recognize explicitly the uncertainties (more so than in the past), continue to provide analysis and support for further reforms (as it has done in the past and is currently doing), and continue to engage in dialogue with a wide array of Government officials, donors, NGOs, private sector, and other members of civic society (as it is doing at present).

5.6 Joint World Bank and IFC efforts can add value, as in Vietnam, where there is a healthy dialogue among the local and foreign business communities, the Government, donors and diplomats, involving all parties sitting at the table addressing relevant, practical issues affecting the private sector. The Bank's inclusion of the IFC-facilitated Business Forum in the CG process has been an influential and cost effective means of promoting the PSD agenda. In other countries, these joint efforts might also provide a useful forum for identifying private sector concerns.

International Finance Corporation
Operations Evaluation Group

VIETNAM: IFC COUNTRY IMPACT REVIEW

EXECUTIVE SUMMARY

Strategy execution

IFC has been formally active in Vietnam since 1992, commencing with a technical assistance assignment reviewing leasing opportunities. In June of 1994 IFC approved its first investment, the expansion of the historic Hanoi Metropole hotel.

IFC's initial strategy in Vietnam, as reflected in the 1995 CAS, envisaged an expansive investment and advisory program for fully supporting the establishment of a private sector in Vietnam. The strategy was aggressively pursued. Much of the investment program came to fruition – mirroring the FDI trends at the time – but it outpaced the progress of reform in Vietnam, as apparent from the problems encountered and the experience of many of these projects to date. The 1995 CAS also laid the basis for extensive, well-focused TA support and the establishment of the Mekong Project Development Facility (MPDF), a donor-funded and IFC-managed SME support initiative.

IFC proposed a remarkably different strategy in the 1998 CAS, reflecting the marked slowdown of the pace of reform in Vietnam and the poor results from a number of IFC's initial efforts. IFC responded well to the evolving investment climate (and needs) in Vietnam – in particular moving from an investment-intensive program to an advisory-intensive program, including expanded direct SME support and financial intermediary assistance.

IFC's investment program

IFC's investment program has involved staff efforts on over 60 investment operations, with 24 IFC approvals totaling \$568 million in direct and syndicated IFC financing, supporting projects totaling \$1.5 billion in private investment. IFC supported a wide range of path-breaking investments – the first private infrastructure projects (port and water supply), the first BOT power project, the first greenfield limited-recourse project financing, the first private leasing company, support for the largest private textile company in Hanoi, and more recently, support in the internet, hospital and higher education sectors. Nonetheless, these operations have been costly to transact and have featured a high attrition rate upstream of disbursement. Development and investment outcomes for those disbursed – largely affected by both the slowdown in domestic reforms and the regional economic crisis – have mostly been less than satisfactory.

Non-investment operations

IFC's non-investment activities included 26 formal advisory projects totaling \$3.7 million in technical assistance funding as well as the establishment of the \$25 million MPDF and several "informal" advisory activities such as the Private Sector Forum, which brings together under an IFC-led secretariat private companies, bankers, donors and government authorities in periodic discussions of issues affecting the PSD agenda. The advisory projects have been successfully implemented with mixed outcomes. The MPDF has been successful in catalyzing financing for its SME clients. The PSF participants consider it to be an efficacious instrument.

IFC's additionality

IFC is generally well-regarded in Vietnam – by the local and foreign business communities, bankers and business service providers, government officials, and the donor and diplomatic communities. Investment sponsors and partners value IFC for its appraisal value-added, honest-broker role and problem-solving abilities in this difficult and bureaucratically complex and high-risk business environment. Some IFC-led private sector development efforts, such as MPDF and the PSF, are strategically important activities that only IFC appears to have been capable of initiating and facilitating, and it has done so effectively. IFC is particularly relevant in this public sector-dominated, donor-oriented IDA country where the business sector tends to view many donors as less concerned with the private sector issues, and the government's stance towards the private sector has been ambiguous.

Private sector impediments

In Vietnam, IFC's private sector development efforts have taken place in a poor business climate that has featured a range of constraints and impediments. The inhospitable business climate has been well documented by *Institutional Investor* and a variety of other sources. This evaluation of IFC's experiences to date points to constraints including: unclear legal and administrative frameworks, an unlevel playing field between state-owned and private sectors, financial sector distortions, constraints on foreign borrowers and lenders, a poor accounting framework, and corruption.

Summary of findings

IFC program and performance strengths:

- Strategic priorities well-aligned with country needs and IFC's value-adding potential
- Active pursuit of all strategic priorities with generally sound execution
- Nimble adjustment to evolved country needs and opportunities in the wake of the 1998 crisis

Significant efforts in promoting the transition process through pioneering investment projects, relevant TA projects, the MPDF and the PSF initiatives

- Strong catalytic effect in mobilization effectiveness (B loans, donor TA and MPDF financing, pro bono private sector PSF contributions)
- Favorably perceived value-added delivery within the country
- Appropriate focus and effective delivery in support services for local SMEs

IFC program and performance weaknesses:

- Aggressive ramp-up of investment operations ahead of significant progress in the transition process – with high attrition rates and transaction costs and disappointing development and investment outcomes
- High transaction costs and poor investment results has been a net drain on IFC's profitability
- Some instances of weak project economic analysis in the context of a highly distorted economy
- Mekong Financing Line proved costly, slow and non-responsive to SME clients

Overall conclusion

IFC's efforts have been relevant and significant in Vietnam. Outcomes have been mixed but mostly disappointing: despite a strong IFC effort, the development and investment outcomes of investment operations have been sub-standard, and the country has not shown a sustained commitment to improving its relatively uncompetitive investment climate. To date and on present outlook, IFC's Vietnam operations will continue to require a significant cross-subsidy from profits generated in other countries, raising the question of sustainability of past activity levels relative to opportunity costs.

Lessons and recommendations

Based on IFC's experiences in Vietnam, the OEG evaluation identifies a range of lessons and recommendations on issues including: IFC's strategy and execution in unfavorable and distorted business environments, investment structuring and preparation, advisory efforts, location of IFC staff resources, and IFC/World Bank collaboration on PSD. These are discussed in section VIII of the main OEG report.

Annex 2: Table 1 – Vietnam at a Glance

Vietnam at a glance

	Vietnam	East Asia & Pacific	Low-income	
POVERTY and SOCIAL				
2000				
Population, mid-year (millions)	78.8	1,837	2,417	
GNP per capita (Atlas method, US\$)	380	1,000	410	
GNP (Atlas method, US\$ billions)	30.5	1,833	988	
Average annual growth, 1993-99				
Population (%)	1.6	1.2	1.9	
Labor force (%)	1.6	1.3	2.3	
Most recent estimate (latest year available, 1993-99)				
Poverty (% of population below national poverty line)	37	..	..
Urban population (% of total population)	23	34	31	
Life expectancy at birth (years)	68	69	60	
Infant mortality (per 1,000 live births)	26	35	77	
Child malnutrition (% of children under 5)	34	22	43	
Access to improved water source (% of population)	36	84	64	
Illiteracy (% of population age 15+)	7	15	39	
Gross primary enrollment (% of school-age population)	114	119	96	
Male	116	121	102	
Female	110	121	86	
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
			Rev.	Prel.
	1979	1989	1999	2000
GDP (US\$ billions)	..	6.3	28.2	30.5
Gross domestic investment/GDP	..	14.6	20.5	24.0
Exports of goods/GDP	..	23.8	40.8	47.3
Gross domestic savings/GDP	..	4.4	22.1	23.0
Gross national savings/GDP	..	5.1	24.4	25.5
Current account balance/GDP (exc. grants)	..	-9.3	3.9	1.5
Interest payments/GDP	..	0.9	2.2	..
Total debt/GDP **	39.6	45.5
Total debt service/exports	14.6	11.1
Present value of debt/GDP **	36.4	..
Present value of debt/exports **	71.9	..
	1979-89	1989-99	Rev. 1999	Prel. 2000
(average real annual growth)				Proi. 2001-05
GDP	4.3	7.8	4.5	5.5
GNP per capita	1.7	6.0
Exports of goods and services	..	24.1	19.7	19.7
				9.2

Development diamond*

Life expectancy

GNP per capita

Gross primary enrollment

Access to safe water

— Vietnam

— Low-income group

Economic ratios*

Trade

Domestic Savings

Investment

Indebtedness

— Vietnam

— Low-income group

STRUCTURE of the ECONOMY				Prel.
	1979	1989	1999	2000
<i>(% of GDP)</i>				
Agriculture	..	40.8	27.1	26.6
Industry	..	22.9	36.7	37.0
Manufacturing	..	19.1	18.7	..
Services	..	36.2	36.3	36.4
Private consumption	..	87.7	75.3	76.0
General government consumption	..	7.8	6.8	7.0
Imports of goods	..	34.1	37.0	46.1
	1979-89	1989-99	1999	Prel. 2000
<i>(average real annual growth)</i>				
Agriculture	3.9	4.6	5.2	4.0
Industry	..	11.8	7.0	10.0
Manufacturing
Services	..	7.9	2.0	4.2
Private consumption	..	5.9	..	..
General government consumption	..	9.4	3.2	..
Gross domestic investment	..	62.5	19.7	13.8
Imports of goods and services	..	24.3	-2.5	26.3
Gross national product	4.4	7.7	4.5	5.5

Growth of investment and GDP (%)

229

0

-229

93 94 95 96 97 98 99

— GDI — GDP

Growth of exports and imports (%)

70

60

50

40

30

20

10

0

-10

94 95 96 97 98 99

— Exports — Imports

Note: 1999 data are preliminary estimates.

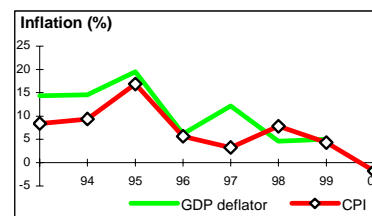
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

** Debt estimates exclude non-convertible debt, based on CAS Annex Tables.

Vietnam

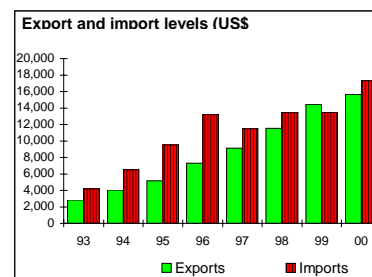
PRICES and GOVERNMENT FINANCE

	1979	1989	Rev. 1999	Prel. 2000
Domestic prices (% change)				
Consumer prices	..	95.8	4.3	-1.8
Implicit GDP deflator	..	82.6	4.6	..
Government finance (% of GDP, includes current grants)				
Current revenue	..	13.9	19.8	20.4
Current budget balance	..	0.0	5.9	5.0
Overall surplus/deficit	-0.8	-1.8



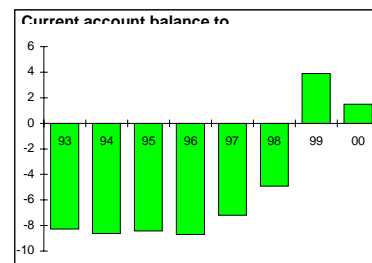
TRADE

	1979	1989	Rev. 1999	Prel. 2000
<i>(US\$ millions)</i>				
Total exports (fob)	..	1,320	11,537	14,443
Rice	..	319	1,025	722
Fuel	..	200	2,091	3,500
Manufactures
Total imports (cif)	..	1,790	11,502	15,473
Food
Fuel and energy	1,166	..
Capital goods
Export price index (1995=100)	87	..
Import price index (1995=100)	84	..
Terms of trade (1995=100)	104	..



BALANCE of PAYMENTS

	1979	1989	Rev. 1999	Prel. 2000
<i>(US\$ millions)</i>				
Exports of goods and services	14,097	17,196
Imports of goods and services	13,494	17,350
Resource balance	602	-154
Net income	-537	-719
Net current transfers	..	6	1,177	1,477
Current account balance	..	-586	1,243	604
Financing items (net)	-47	509
Changes in net reserves	-1,290	-95

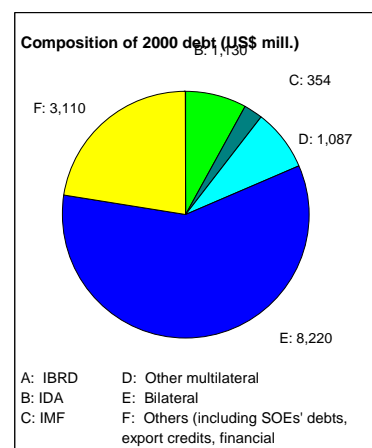


Memo:

Reserves including gold (US\$ millions)	..	..	2,711	3,030
Conversion rate (DEC, local/US\$)	..	4,464.0	13,350.0	14,300.0

EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	Rev. 1999	Prel. 2000
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed **	..	..	11,142	13,900
IBRD	0	0	0	0
IDA	1	59	989	1,149
Total debt service	0	235	2,056	1,904
IBRD	0	0	0	0
IDA	0	1	9	10
Composition of net resource flows				
Official grants	192	44	133	140
Official creditors	2	-50	-347	..
Private creditors ***	0	-3	-500	..
Foreign direct investment ***	..	..	700	800
Portfolio equity	0	0	0	0
World Bank program				
Commitments	0	0	468	345
Disbursements	1	0	158	160
Principal repayments	0	1	2	2
Net flows	1	-1	156	158
Interest payments	0	0	7	7
Net transfers	1	-1	149	151



EASPR

* Figures are rounded.

** Debt estimates exclude non-convertible debt based on CAS Annex Table.

*** Bank staff estimates.

Annex 2: Table 2 – Key Economic Indicators, 1990-2000

Indicators													Vietnam	Low income	East Asia &
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Average 90-99	Average 90-99	Average 90-99	
GDP growth (annual %)	5.1	6.0	8.6	8.1	8.8	9.5	9.3	8.2	4.0	4.5	5.5	8.1	2.4	7.4	
GNP per capita growth (annual %)	2.2	3.8	6.5	6.0	6.8	7.6	7.4	6.5	4.3	2.9	..	6.2	0.4	5.9	
GNP per capita, Atlas method (current US\$)*	..	..	..	170.0	200.0	250.0	290.0	330.0	350.0	370.0	388.0	370.0	410.0	1000.0
GNP per capita, PPP (current international \$)*	937.0	999.7	1111.8	1204.7	1313.2	1451.1	1570.8	1654.2	1684.5	1755.3	..	1755.3	1790.0	3500.0	
Agriculture, value added (% of GDP)	37.5	39.5	33.0	28.8	28.7	28.4	27.2	25.8	25.7	25.4	..	30.0	27.1	16.2	
Industry and Construction, value added (% of GDP)	..	..	..	28.9	28.9	28.8	29.7	32.1	32.5	34.5	..	30.8	18.5	30.6
Services, etc., value added (% of GDP)	39.9	36.7	39.7	42.3	41.6	41.7	42.1	42.2	41.7	40.1	..	40.8	42.1	40.4	
Exports of goods and services (% of GDP)	26.4	32.6	32.4	28.2	34.4	36.3	43.1	43.6	44.8	47.7	..	37.0	20.6	31.3	
Imports of goods and services (% of GDP)	33.4	31.1	29.9	32.7	42.0	47.1	56.9	51.7	52.2	49.9	..	42.7	23.2	30.1	
Resource balance (% of GDP)	-7.0	1.5	2.6	-4.5	-7.6	-10.8	-13.8	-8.1	-7.4	..	..	-6.1	-2.6	1.2
Current account balance (% of GDP)	-5.4	-2.0	-0.8	-8.3	-8.6	-10.3	-11.1	-6.9	-4.7	4.4	..	-5.4	..	..
Total debt service (% of exports of goods and services)	8.9	6.4	7.1	11.0	5.7	4.9	3.9	7.7	8.9	..	..	7.2	14.1	13.0
Gross international reserves in months of imports	..	..	1.5	0.9	1.5	1.6	1.5	1.7	1.7	2.3	..	1.6	4.4	4.3
Gross domestic investment (% of GDP)	13.0	15.0	17.6	20.5	25.5	27.1	27.8	28.3	28.7	27.3	..	23.1	23.3	35.1	
Gross domestic savings (% of GDP)	6.0	16.5	20.2	16.0	17.9	16.3	14.0	20.2	21.3	24.4	..	17.3	20.7	36.3	
Inflation, consumer prices (annual %)	..	..	..	..	..	16.9	5.6	3.1	7.9	4.1	..	7.5	..	..
Current revenue, excluding grants (% of GDP)	..	..	..	..	24.0	23.1	23.4	20.0	19.6	18.2	17.1	21.4	14.7	12.9
Expenditure, total (% of GDP)	..	..	..	..	26.2	24.5	24.3	22.0	21.3	21.0	22.3	23.2	17.1	13.6
Overall budget deficit, including grants (% of GDP)	..	..	..	..	-1.5	-0.5	-0.2	-0.8	-1.1	-0.9	-2.9	-0.8	-3.9	-0.6
Foreign direct investment, net (BoP, current US\$m)	..	169.0	311.0	850.0	1048.0	2276.0	1813.0	2074.0	800.0	700.0	..	1115.7	5871.1	21815.7	
Foreign direct investment, net (% of GDP)	1.9	2.3	2.6	2.3	6.7	10.8	7.8	8.4	3.1	2.5	..	4.8	1.1	2.7	
Exports of goods and services (current US\$m)	2525	2189	2918	2985	4054	5128	7337	9145	9365	11540	14400	5719	184666	474330	
Exports of goods and services (annual % growth)	..	-13.3	33.3	2.3	35.8	28.2	41.1	24.6	2.4	23.2	25.2	19.7	4.0	12.1	

Source: SIMA database, from World Bank and IMF. Note that starting in 1999, some of these figures differ from official Government figures.

Annex 2: Table 3 – Vietnam and low income countries: Social Indicators, 1980-1999

Indicator	Vietnam	Low Income	Vietnam	Low Income	Vietnam	Low Income	Vietnam	Low Income	Vietnam	Low Income
	1980		1985		1990		1998		1999	
Population, total	53.7	1612.9	58.9	1805.4	66.2	2021.0	76.5	2371.5	77.5	2417.0
Population growth	2.1	2.4	2.0	2.2	2.2	2.2	1.4	2.0	1.3	1.9
GNP per capita (constant 1995 US\$)	..	369.5	180.1	408.3	202.3	453.2	324.8	451.5	334.1	462.6
GNP per capita, Atlas method (current US\$)	..	370.0	..	350.0	..	440.0	350.0	410.0	370.0	410.0
Life expectancy at birth, total (years)	63	53	..	..	67	58	68	60	..	..
Fertility rate, total (births per woman)	5	5	..	..	4	4	2	4	..	..
Maternal mortality ratio (per 100,000 live births)	..	..	..	..	..	..	..	..	..	..
Mortality rate, infant (per 1,000 live births)	57	112	..	..	40	87	34	77	..	..
Mortality rate, under-5 (per 1,000 live births)	105	177	..	..	54	127	42	107	..	..
School enrollment, primary (% gross)	109	83	103	89	103	89	..	..	..	..
Illiteracy rate, adult total (% of people 15+)	13	54	11	50	10	46	7	39	7	39
Sanitation (% of population with access)	..	..	..	14	..	..	..	..	..	..
Safe water (% of population with access)	..	..	..	46	..	..	..	..	..	..
Poverty headcount, national (% of population)	..	..	..	..	..	..	..	..	..	..

Annex 2: Table 4 – Gender disparities

Indicator	Vietnam	Low Income Countries	Vietnam	Low Income Countries	Vietnam	Low Income Countries	Vietnam	Low Income Countries	Vietnam	Low Income Countries
	1980		1985		1990		1998		1999	
Life expectancy at birth, female (years)	65.0	54.0	..	..	69.0	59.0	71.0	61.0	..	..
Life expectancy at birth, male (years)	61.0	53.0	..	..	65.0	57.0	66.0	59.0	..	..
Mortality rate, adult, female (per 1,000 female adults)	204.0	300.0	..	..	153.0	261.0	153.0	248.0	..	..
Mortality rate, adult, male (per 1,000 male adults)	262.0	328.0	..	..	215.0	290.0	225.0	277.0	..	..
School enrollment, primary, female (% gross)	106.0	70.0	100.0	77.0	..	78.0	..	..	..	..
School enrollment, primary, male (% gross)	111.0	94.0	106.0	100.0	..	98.0	..	..	..	..
School enrollment, secondary, female (% gross)	40.0	19.0	41.0	25.0	31.0	28.0	..	..	..	..
School enrollment, secondary, male (% gross)	44.0	34.0	44.0	41.0	33.0	43.0	..	..	..	..
Illiteracy rate, adult female (% of females 15+)	19.3	65.3	15.7	60.9	13.1	56.4	9.4	49.0	9.0	48.0
Illiteracy rate, adult male (% of males 15+)	6.7	42.5	6.1	38.8	5.5	35.2	4.7	29.8	4.6	29.1
Illiteracy rate, young adult female (% of females aged 15-24)	6.5	51.5	6.3	46.0	5.4	40.6	3.2	32.4	3.0	31.5
Illiteracy rate, young adult male (% of males aged 15-24)	4.1	30.5	4.7	27.4	4.6	24.1	3.4	19.2	3.3	18.7

Annex 2: Table 5 -- Infrastructure Services in Vietnam and other countries.

Series Name	1990		1999	
	Vietnam	Low income	Vietnam	Low income
Access to health centers (%)	..	..	..	..
Access to electricity (%)	48	..	..	..
Electric power consumption (kwh per capita)	94.03	189.41	..	..
Transmission & distribution losses (%)	..	..	..	..
Improved water source (% of population with access)	48.00	70.30	56.00	75.66
Improved water source, rural (% of rural population with access)	40.00	63.57	50.00	70.00
Improved water source, urban (% of urban population with access)	81.00	89.38	81.00	88.13
Sanitation (% of population with access)	73.00	39.85	73.00	45.12
Sanitation, rural (% of rural population with access)	70.00	24.62	70.00	30.18
Sanitation, urban (% of urban population with access)	86.00	68.46	86.00	78.43
Roads, paved (% of total roads)	23.50	16.80	25.00	18.00
Telephone mainlines (per 1,000 people)	1.40	10.52	26.70	26.26
Information				
Television sets (per 1,000 people)	39.27	41.72	184.24	85.46
Radios (per 1,000 people)	104.23	127.01	107.00	206.00
Personal computers (per 1,000 people)	..	..	8.89	4.40
Internet hosts (per 10,000 people)	..	..	0.00	0.30

Source: World Bank SIMA database as of 09/10/2001.

* Indicators such as Improved water source (% of population with access, % of rural population with access, % of urban population with access) and Sanitation (% of population with access, % of rural population with access, % of urban population with access) are given for the years 1990 and 2000.

Annex 2: Table 6 –International Development Goals, Vietnam and comparators

Goal	Indicator	Vietnam		Most Recent Comparative Data			
		1990	1999 ¹⁸	China		Low Income Countries	
				1990	1999 ¹⁸	1990	1999 ¹⁸
1. Reduce the proportion of people living in extreme poverty by half between 1990 and 2015	Incidence of extreme poverty: people living on less than \$2 a day (%) ¹⁵	..	..	..	18.50	..	..
2. Enroll all children in primary school by 2015	School enrollment, primary (% net)	78.00	92.00	97.40	101.50	73.23	76.20
3. Make progress towards gender equality and empowering women, by eliminating gender disparities in primary and secondary education by 2005	a. Ratio of girls to boys in primary and secondary school						
	Combined (primary and secondary) enrollment ratio ¹⁶	95.00	97.00	98.30	99.90	..	..
	b. Ratio of literate females to literate males (15-24 year olds) %	99.00	100.00	94.35	97.07	78.28	84.29
4. Reduce infant and child mortality rates by two-thirds between 1990 and 2015	Mortality rate, infant (per 1,000 live births) ¹	44.00	35.00	33.06	31.10	87.35	77.40
5. Reduce maternal mortality ratios by three-quarters between 1990 and 2015	Maternal mortality ratio (per 100,000 live births) ¹	200 ¹⁷	160.00	..	55.00	..	..
6. Provide access for all who need reproductive health services by 2015	Contraceptive prevalence (% of women 15-49) ¹	53.00	75.00	84.60	..	6.00	31.30
7. Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015	a. Biodiversity: protected land area	..	..	..	6.40	..	5.60
	b. Energy efficiency: GDP per unit of energy use	2.80	4.00	1.90	4.00	..	..
	d. Carbon dioxide emissions per capita	0.36	..	1.58	1.00	0.50	0.60

Source: World Development Indicators database as of April 2001 and September 2001 unless otherwise indicated.

¹ Source: Health Sector Review, Draft September 2000.

¹⁵ Poverty in Vietnam is measured by adequacy of per capita expenditures, the amount needed to cover nutritional needs and basic non-food needs. This amount was estimated at \$83 in 1993 and at \$128 in 1998. It is thus not strictly comparable to the poverty measure of \$2/day used as an IDG.

¹⁶ Source: Expanding Choices for the Rural Poor, Human Development in Vietnam, UN, 1998, figures are for 1995 and 1998, respectively.

Annex 2: Table 7 – ODA Donor Flows to Vietnam, 1994-1998

Recipient Flow	Viet Nam					Total ODA Net	
	1994	1995	1996	1997	1998	disb. 94-98, \$m	disb. 94-98, \$m
Donor							
AUSTRALIA	33.44	39.8	47.45	41.34	40.76	202.79	40.56
AUSTRIA	1.68	3.1	2.31	1.65	1.34	10.08	2.02
BELGIUM	36.58	10.27	14.76	7.73	9.7	79.04	15.81
CANADA	7.09	6.14	9.14	15.79	9.16	47.32	9.46
DENMARK	16.2	13.65	34.56	34.31	40.91	139.63	27.93
FINLAND	8.04	11.19	9.68	8.22	8.7	45.83	9.17
FRANCE	179.75	94.06	67.33	63.88	66.18	471.2	94.24
GERMANY	52.71	120.42	52.82	40.1	54.78	320.83	64.17
IRELAND	0.43	0.09	0.19	0.57	0.06	1.34	0.27
ITALY	92.27	3.49	1.58	1.11	0.88	99.33	19.87
JAPAN	79.46	170.19	120.85	232.49	388.62	991.61	198.32
LUXEMBOURG	0.13	0.5	2.59	2.72	4.52	10.46	2.09
NETHERLANDS	16.06	22.6	29.66	19.13	23.19	110.64	22.13
NEW ZEALAND	0.67	1.76	2.31	2.74	2.26	9.74	1.95
NORWAY	6.12	6.85	4.18	6.48	7.91	31.54	6.31
PORTUGAL	-	-	-	-	-	-	-
SPAIN	-	-	5.32	4.77	10.86	20.95	6.98
SWEDEN	21.05	33.96	46.24	35.67	33.68	170.6	34.12
SWITZERLAND	7.88	4.84	10.14	10.43	11.45	44.74	8.95
UNITED KINGDOM	16.06	5.74	8.39	8.35	7.28	45.82	9.16
UNITED STATES	10	1	-	48	-9.61	49.39	12.35
DAC DONORS	585.62	549.65	469.5	585.48	712.63	2902.88	580.58
AF. D B	-	-	-	-	-	-	-
AFRICAN DEV. FUND	-	-	-	-	-	-	-
AS. D B	-	-	-	-	-	-	-
AS. D B SPECIAL FUNDS	8.84	56.81	26.91	147.47	127.88	367.91	73.58
CARDB	-	-	-	-	-	-	-
COUNCIL OF EUROPE	-	-	-	-	-	-	-
EBRD	-	-	-	-	-	-	-
EC	20.73	23.01	19.87	23.59	22.07	109.27	21.85
EIB	-	-	-	-	-	-	-
IBRD	-	-	-	-	-	-	-
IDA	125.2	46.45	188	180.2	253.06	792.91	158.58
IDB	-	-	-	-	-	-	-
IDB SPECIAL OPER. FUND	-	-	-	-	-	-	-
IFAD	1.23	2.37	2.59	3.22	4.46	13.87	2.77
IFC	-	-	-	-	-	-	-
IMF	-	-	-	-	-	-	-
IMF TRUST FUND	-	-	-	-	-	-	-
NORDIC DEVELOPMENT FU	-	-	-	8.26	-	8.26	8.26
OTHER UN	1.91	2.52	2.99	-	0.03	7.45	1.86
SAF & ESAF	86.47	91.6	175.37	-	-	353.44	117.81
UN AGENCIES	-	-	-	-	-	-	-
UNDP	9.05	8.13	9.77	11.43	13.97	52.35	10.47
UNFPA	8.9	6.86	4.5	4.82	5.49	30.57	6.11
UNHCR	12.07	-	-	-	-	12.07	12.07
UNICEF	15.05	18.85	12.1	7.25	7.23	60.48	12.10
UNRWA	-	-	-	-	-	-	-
UNTA	2.32	7.48	1.76	3.66	2	17.22	3.44
WFP	15.05	12.77	9.86	13.85	11.4	62.93	12.59
Arab Agencies	-1.68	-3.41	-3.41	-2.45	4.27	-6.68	-1.34
TOTAL MULTILATERAL	305.14	273.44	450.31	401.3	451.86	1882.05	376.41
Arab Countries	-	-	-1.07	0.41	-1.61	-2.27	-0.76
EC + EU Members	461.69	342.08	295.3	251.8	284.15	1635.02	327.00
TOTAL DONORS	890.76	823.09	918.74	987.19	1162.88	4782.66	956.53

Source: Geographical Distribution of Financial Flows to Aid Recipients, OECD, CD, 2000

Annex 2: Table 8a: External Assistance, List of ODA Donors, 1994-1998

Recipient: Vietnam
Flow: Total ODA Net

Year	1994	1995	1996	1997	1998	Net ODA disb. 94-98, \$m
Donor						
AUSTRALIA	33.44	39.8	47.45	41.34	40.76	203
AUSTRIA	1.68	3.1	2.31	1.65	1.34	10.1
BELGIUM	36.58	10.27	14.76	7.73	9.7	79
CANADA	7.09	6.14	9.14	15.79	9.16	47.3
DENMARK	16.2	13.65	34.56	34.31	40.91	140
FINLAND	8.04	11.19	9.68	8.22	8.7	45.8
FRANCE	179.75	94.06	67.33	63.88	66.18	471
GERMANY	52.71	120.42	52.82	40.1	54.78	321
IRELAND	0.43	0.09	0.19	0.57	0.06	1.34
ITALY	92.27	3.49	1.58	1.11	0.88	99.3
JAPAN	79.46	170.19	120.85	232.49	388.62	992
LUXEMBOURG	0.13	0.5	2.59	2.72	4.52	10.5
NETHERLANDS	16.06	22.6	29.66	19.13	23.19	111
NEW ZEALAND	0.67	1.76	2.31	2.74	2.26	9.74
NORWAY	6.12	6.85	4.18	6.48	7.91	31.5
PORTUGAL	-	-	-	-	-	-
SPAIN	-	-	5.32	4.77	10.86	21
SWEDEN	21.05	33.96	46.24	35.67	33.68	171
SWITZERLAND	7.88	4.84	10.14	10.43	11.45	44.7
UNITED KINGDOM	16.06	5.74	8.39	8.35	7.28	45.8
UNITED STATES	10	1	-	48	-9.61	49.4
DAC DONORS	585.62	549.65	469.5	585.48	712.63	2903
AF. D B	-	-	-	-	-	-
AFRICAN DEV. FUND	-	-	-	-	-	-
AS. D B	-	-	-	-	-	-
AS. D B SPECIAL FUNDS	8.84	56.81	26.91	147.47	127.88	368
CARDB	-	-	-	-	-	-
COUNCIL OF EUROPE	-	-	-	-	-	-
EBRD	-	-	-	-	-	-
EC	20.73	23.01	19.87	23.59	22.07	109
EIB	-	-	-	-	-	-
IBRD	-	-	-	-	-	-
IDA	125.2	46.45	188	180.2	253.06	793
IDB	-	-	-	-	-	-
IDB SPECIAL OPER. FUND	-	-	-	-	-	-
IFAD	1.23	2.37	2.59	3.22	4.46	13.9
IFC	-	-	-	-	-	-
IMF	-	-	-	-	-	-
IMF TRUST FUND	-	-	-	-	-	-
NORDIC DEVELOPMENT FU	-	-	-	8.26	-	8.26
OTHER UN	1.91	2.52	2.99	-	0.03	7.45
SAF & ESAF	86.47	91.6	175.37	-	-	353
UN AGENCIES	-	-	-	-	-	-
UNDP	9.05	8.13	9.77	11.43	13.97	52.4
UNFPA	8.9	6.86	4.5	4.82	5.49	30.6
UNHCR	12.07	-	-	-	-	12.1
UNICEF	15.05	18.85	12.1	7.25	7.23	60.5
UNRWA	-	-	-	-	-	-
UNTA	2.32	7.48	1.76	3.66	2	17.2
WFP	15.05	12.77	9.86	13.85	11.4	62.9
Arab Agencies	-1.68	-3.41	-3.41	-2.45	4.27	-6.7
TOTAL MULTILATERAL	305.14	273.44	450.31	401.3	451.86	1882
Arab Countries	-	-	-1.07	0.41	-1.61	-2.3
EC + EU Members	461.69	342.08	295.3	251.8	284.15	1635
TOTAL DONORS	890.76	823.09	918.74	987.19	1162.88	4783

Source: Geographical Distribution of Financial Flows to Aid Recipients, OECD, CD, 2000

Annex 2: Table 8b –Net ODA disbursements for Vietnam and comparator countries, 1994-1998

Net ODA disbursements (\$ m)

<i>Countries</i>	<i>Population 1996, thousand</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>Total 94-98</i>	<i>Annual average 94-98</i>	<i>Per capita annual average</i>
Vietnam	75355	890.8	823.1	918.7	987.2	1162.9	4782.7	956.5	12.8
Bangladesh	121679	1751.7	1277.0	1235.2	1007.0	1251.1	6522.0	1304.4	10.6
Egypt	59272	2689.8	2014.3	2198.8	1933.9	1914.9	10751.6	2150.3	36.0
Ethiopia	58234	1071.0	882.7	814.5	571.4	647.5	3987.2	797.4	13.5
Nigeria	114568	190.1	212.4	190.8	200.8	204.0	998.0	199.6	1.7
Myanmar	43381	161.4	149.5	42.1	33.5	58.7	445.2	89.0	2.0
Pakistan	125410	1605.1	823.4	883.7	593.9	1049.8	4955.8	991.2	7.8
Kenya	27918	675.3	730.59	590.57	444.53	473.89	2914.9	582.98	21.0
Sudan	27161	409.8	239.39	218.89	138.12	209.12	1215.3	243.06	8.9
Tanzania	30488	965.3	877.08	876.6	944.06	997.84	4660.9	932.18	30.6

Source: Geographical Distribution of Financial Flows to Aid Recipients, OECD, CD, 2000

Annex 2: Table 8c: ODA net disbursement as a percent of GNP for Vietnam and low income countries (with per capita income below \$500)

Countries						Net ODA		
	1994	1995	1996	1997	1998	Total	Average	disb./GNP
Vietnam	890.76	823.09	918.74	987.19	1162.88	4782.66	956.532	4%
Angola	449.65	417.8	473.12	354.63	335.15	2030.35	406.07	13%
Armenia	191.28	217.86	290.2	164.88	138.45	1002.67	200.534	10%
Bangladesh	1751.68	1276.95	1235.22	1007.02	1251.11	6521.98	1304.396	3%
Benin	255.98	280.36	288.32	220.61	210.42	1255.69	251.138	12%
Burkina Faso	432.65	488.84	415.3	368.02	397.47	2102.28	420.456	18%
Burundi	312.08	287.67	111.01	56.24	76.53	843.53	168.706	19%
Cambodia	326.61	555.99	421.53	333.45	337.12	1974.7	394.94	14%
Chad	213.02	236.32	295.87	227.56	167.36	1140.13	228.026	15%
Eritrea	157.22	148.94	156.41	119.28	158.19	740.04	148.008	20%
Ethiopia	1071.04	882.7	814.49	571.39	647.54	3987.16	797.432	13%
Ghana	545.95	650.52	649.19	489	700.88	3035.54	607.108	9%
Guinea-Bissau	172.09	115.5	177.94	124.24	95.73	685.5	137.1	60%
Haiti	601.12	725.79	368.85	324.61	407.05	2427.42	485.484	16%
India	2324.31	1731.6	1897.2	1640.99	1594.61	9188.71	1837.742	0.5%
Kenya	675.29	730.59	590.57	444.53	473.89	2914.87	582.974	6%
Kyrgyz Republic	171.98	282.93	230.53	238.04	216.11	1139.59	227.918	11%
Madagascar	289.16	301.05	356.66	833.37	494.15	2274.39	454.878	13%
Malawi	466.59	432.28	492.42	345.05	433.73	2170.07	434.014	23%
Mali	440.74	541.25	491.15	430.65	349.29	2253.08	450.616	19%
Mauritania	267.2	230.13	272.11	240.5	171.14	1181.08	236.216	24%
Moldova	0	0	0	59.92	33.34	93.26	46.63	2%
Mongolia	182.35	205.56	199.82	246.58	203.49	1037.8	207.56	23%
Mozambique	1199.9	1064.05	887.95	946.75	1039.31	5137.96	1027.592	35%
Nepal	447.9	431.81	390.38	400.72	404.34	2075.15	415.03	9%
Nicaragua	596.86	651.74	931.26	410.1	562.17	3152.13	630.426	36%
Niger	376.83	273.76	253.98	332.57	291.37	1528.51	305.702	16%
Nigeria	190.07	212.42	190.82	200.75	203.97	998.03	199.606	1%
Pakistan	1605.06	823.44	883.7	593.86	1049.78	4955.84	991.168	2%
Rwanda	714.03	701.99	466.5	229.57	349.88	2461.97	492.394	32%
Sierra Leone	275.42	206.23	184.02	118.62	106.28	890.57	178.114	23%
Sudan	409.8	239.39	218.89	138.12	209.12	1215.32	243.064	3%
Tajikistan	66.68	64.71	103.33	85.24	105.13	425.09	85.018	5%
Tanzania	965.33	877.08	876.6	944.06	997.84	4660.91	932.182	15%
Togo	125.25	192.22	157.01	125.03	128.41	727.92	145.584	11%
Uganda	749.5	830.31	675.51	812.8	470.76	3538.88	707.776	12%
Zambia	718.06	2033.56	609.5	609.8	348.7	4319.62	863.924	27%
Laos	215.89	308.52	332.07	327.88	281.41	1465.77	293.154	19%
Gambia	69.64	46.65	36.52	37.9	37.8	228.51	45.702	12%

Annex 2: Table 9a: Portfolio of Credits, Status (Open and Closed)

<i>Name of project</i>	<i>Approval date</i>	<i>Credit Amount (US\$m)</i>	<i>Status</i>
Primary Education	10/93	70	Open
Highway Rehabilitation	10/93	158.5	Open
Agricultural Rehabilitation	01/94	96	Closed
Structural Adjustment Credit	10/94	150	Closed
Irrigation Rehabilitation	04/95	100	Open
Power Sector Rehabilitation and Expansion	05/95	165	Closed
Banking Payment System and Modernization	11/95	49	Open
Family Health and Population	01/96	50	Open
National Health Support	01/96	101.2	Open
Power Development	02/96	180	Closed
Rural Finance	05/96	122	Open
Rural Transport	12/96	55	Open
Highway Rehabilitation II	04/97	195.6	Open
Water Supply	06/97	98.6	Open
Forest Protection and Rural Development	10/97	21.5	Open
Inland Waterways and Port Rehabilitation	11/97	73	Open
Debt and Debt Service Reduction	01/98	35	Closed
Transmission Distribution and Disaster Reconstruction	01/98	199	Open
Agricultural Diversification	06/98	66.9	Open
Urban Transport Improvement	08/98	42.7	Open
Higher Education	08/98	83.3	Open
Mekong Delta Water Resources	05/99	101.8	Open
Three Cities Sanitation	05/99	80.5	Open
Coastal Wetlands Protection and Development	11/99	31.8	Open
Rural Transport II	12/99	103.9	Open
Rural Energy	5/00	150.0	Open
Mekong Transport and Flood Protection	12/00	110	Open
Ho Chi Minh City Environmental Sanitation Project	03/01	166.3	Open
Poverty Reduction Support Credit	05/01	250	Open
Community Based Rural Infrastructure Project	06/01	102.8	Open

Annex 2: Table 9b – Active Projects and Compliance with Safeguards Required

<i>Name of project</i>	<i>EA</i>	<i>IR</i>	<i>IP</i>	<i>NH</i>	<i>F</i>	<i>SD</i>
Primary Education			✓			
Highway Rehabilitation	✓	✓	✓			
Irrigation Rehabilitation		✓				✓
Banking Payment System and Modernization						
Family Health and Population			✓			
National Health Support			✓			
Rural Finance	✓					
Rural Transport	✓	✓	✓			
Highway Rehabilitation II	✓	✓				
Water Supply	✓	✓				✓
Forest Protection and Rural Development	✓		✓	✓	✓	
Inland Waterways and Port Rehab	✓	✓				
Transmission and Distribution and Disaster Reconstruction	✓	✓				
Agricultural Diversification			✓			
Urban Transport Improvement						
Higher Education						
Mekong Delta Water Resources	✓	✓				
Three Cities Sanitation	✓	✓				
Coastal Wetlands Protection and Development	✓	✓	✓	✓	✓	
Rural Transport II	✓	✓	✓			
Rural Energy	✓	✓	✓			
Mekong Transport and Flood Protection	✓	✓	✓			
Ho Chi Minh City Environmental Sanitation Project	✓	✓				

EA = Environmental Assessment (OD 4.01)

IR = Involuntary Resettlement (OD 4.30)

IP = Indigenous People (OD 4.20)

NH = Natural Habitats (OP 4.04)

F = Forestry (OP 4.36)

SD = Safety of Dams (OD 4.37)

Annex 2: Table 10 – OED and QAG Findings

Table I: OED Ratings

Country	Total Evaluated \$m	o/w Adjustment \$m	Outcome		Inst. Devel. Imp.		Sustainability	
			% Satisf.	% Satisf. Adj.	% Substan.	% Substan. Adj.	% Likely	% Likely Adj.
<i>before 1991</i>								
Bank	202920	34603	71	68	34	38	54	56
EAP	43444	4220	86	83	49	66	76	86
Vietnam	60	..	100	..	100	..	0	..
Indonesia	14259	950	87	100	51	100	71	100
Lao PDR	187	40	75	100	30	0	67	100
Thailand	3739	326	91	100	49	..	82	..
Bangladesh	4597	1764	72	60	16	8	31	0
<i>1991-2001</i>								
Bank	87733	44634	86	90	48	48	68	72
EAP	23877	11239	91	100	53	56	78	89
Vietnam	626	185	100	100	85	100	94	81
Indonesia	5176	1750	82	100	45	71	27	20
Lao PDR	141	60	86	67	57	0	60	67
Thailand	2039	1350	99	100	41	56	99	100
Bangladesh	1008	206	87	74	25	0	72	26

1) The Institutional Development Impact and Sustainability ratings have been in use only since FY 89. Hence, the data for these two ratings for the period before FY 91 applies for smaller levels of total net commitment than shown in columns 2 and 3 of the table.

2) Source: OED rating database as of 07/15/2001.

Table II: QAG Ratings

Country	No. of projects	Net commit., \$m	Projects at risk, %	Commitment at risk %
EAP	281	28238	9	7
Vietnam	25	2557	8	6
Indonesia	53	4338	11	9
Lao PDR	10	234	30	44
Thailand	14	1078	7	13
Bangladesh	26	2352	27	10

1) Source: World Bank Business Warehouse as of 08/13/2001.

Annex 2: Table 11 – IFC and MIGA Portfolios in Vietnam

IFC Approvals in Vietnam

(Amounts in USD \$ millions)

Project Name	Board Date	Department	Project Size	IFC Gross	IFC Net	IFC Loan	IFC Equity	IFC QE	Part. Loan
Hanoi Metropole	06/23/94	East Asia Pacific	35.0	26.0	8.5	5.0	0.0	3.5	17.5
Foremost Dairy	03/14/95	Agribusiness	30.0	15.0	8.0	8.0	0.0	0.0	7.0
Baria Serece Port	06/14/95	East Asia Pacific	10.0	5.0	3.0	3.0	0.0	0.0	2.0
Vietnam Int'l Leasing	06/28/96	East Asia Pacific	55.0	15.8	5.8	5.0	0.8	0.0	10.0
Morning Star Cement	09/14/95	East Asia Pacific	309.0	96.6	30.0	30.0	0.0	0.0	66.6
Tay Ninh Sugar	03/27/96	Agribusiness	95.0	42.0	22.0	22.0	0.0	0.0	20.0
Vimaflour	08/25/95	Agribusiness	26.0	11.0	8.0	8.0	0.0	0.0	3.0
Vina Kyoei Steel	11/02/95	East Asia Pacific	70.8	15.0	15.0	15.0	0.0	0.0	0.0
SMH Glass Co.	03/29/96	East Asia Pacific	32.0	14.5	10.0	10.0	0.0	0.0	4.5
Tourane Hotel	03/29/96	East Asia Pacific	23.7	14.3	8.3	6.0	0.0	2.3	6.0
Tosac Hotel	04/17/96	East Asia Pacific	11.9	6.2	3.4	3.4	0.0	0.0	2.8
Nghi Son Cement	06/23/97	East Asia Pacific	373.0	56.5	30.0	30.0	0.0	0.0	26.5
SEM Hotel	07/08/96	East Asia Pacific	81.5	47.5	17.5	13.0	0.0	4.5	30.0
KIA Huy Hoang	07/08/96	East Asia Pacific	20.6	13.8	7.6	6.2	0.6	0.8	6.2
Vinafood	10/28/96	Agribusiness	41.0	24.0	10.5	10.5	0.0	0.0	13.5
Nghe An Sugar	06/17/97	Agribusiness	85.0	50.0	20.0	20.0	0.0	0.0	30.0
Baria Serece Port II	06/11/98	Power	112.6	77.2	28.2	24.2	4.0	0.0	49.0
BAWC	06/30/98	Infrastructure	38.2	25.0	12.5	12.5	0.0	0.0	12.5
MFL Vinh Phat	06/03/98	East Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MFL Minh Minh	01/06/99	East Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MFL Chau Giang	06/25/99	East Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MFL Mondial	07/07/99	East Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MFL-AA	03/23/00	East Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interflour	06/30/00	Agribusiness	28.0	13.0	8.0	8.0	0.0	0.0	5.0
Totals			<u>1,478.3</u>	<u>568.3</u>	<u>256.3</u>	<u>239.8</u>	<u>5.4</u>	<u>11.1</u>	<u>312.1</u>

IFC Commitments in Vietnam

(Amounts in USD \$ millions)

Disbursement Year	Project	Loan	Equity	Quasi-Equity	Participations	Total
1994	Hanoi Metropole Sofitel	5.0	0.0	3.5	17.5	26.0
1995	Baria Serece Port	3.0	0.0	0.0	2.0	5.0
1996	Morning Star Cement	30.0	0.0	0.0	66.6	96.6
1996	Vina Kyoei Steel	15.0	0.0	0.0	0.0	15.0
1997	San Miguel Haiphong Glass Company	10.0	0.0	0.0	4.5	14.5
1997	Sucrierie de Bourbon - Tay Ninh	22.0	0.0	0.0	20.0	42.0
1997	Vietnam Foremost Dairy Company	8.0	0.0	0.0	6.5	14.5
1997	Vietnam International Leasing Company	0.0	0.8	0.0	0.0	0.8
1997	Vimaflour	8.0	0.0	0.0	3.0	11.0
1999	Nghi Son Cement	30.0	0.0	0.0	26.5	56.5
1999	Vinh Phat Company	0.3	0.0	0.0	0.0	0.3
2000	Nghe An Tate & Lyle	20.0	0.0	0.0	20.0	40.0
Totals		<u>151.3</u>	<u>0.8</u>	<u>3.5</u>	<u>166.6</u>	<u>322.2</u>

MIGA Portfolio

No.	Investor	Investor Country	Project Enterprise	Project Description	Effective Date	Coverage	Maximum Aggregate Liability (US\$)	FDI (US\$)	Contract Status on 3/31/01
1	Citibank, NA	United States	Citibank, NA	Establishment of a new branch in Hanoi	5/31/1995	A,B,C	13,500,000	15,000,000	Cancelled
2	McOullagh International, L.P.	United States	Net Café	Construction and operation of export coffee processing and roasting plant	10/24/1995	A,B,C	1,125,000	7,250,000	Cancelled
3	McOullagh International, L.P.	United States	Krong Ana Joint Venture Export Coffee Processing Company	Construction and operation of coffee processing company	4/2/1996	A,B,C	789,750	6,877,500	Cancelled
4	Wartsila Vietnam Power Investments, Ltd.	Cayman Islands	Vung Tau Energy Company Limited (Vietnam)	Construction and operation of a 120 MW power plant under a build, operate and transfer contract in Vung Tau province	5/27/1999	A,B,C	36,000,000	113,000,000	Active
5	France Cables Et Radio Vietnam Pte Ltd.	Singapore	Vietnam Posts and Telecommunication VNPT	Construct, install and maintain telecommunications lines	12/08/2000	A	10,000,000	318,400,000	Active
							61,414,750	460,527,500	
Total Issued		Contracts: 5		Projects: 5					
Total Active on 3/31/01		Contracts: 2		Projects: 2					

Types of Coverage:

- A - Currency Inconvertibility
- B - Expropriation
- C - War and Civil Disturbance

Annex 2: Table 12 – List of Analytic and Advisory Activities

<i>Title</i>	<i>Date</i>	<i>Report no.</i>
<u>Economic Reports</u>		
Mission Report	7/59	FE12
Economic Reconnaissance Mission Report	9/73	198
Current Economic Position and Prospects	1/74	315
Introductory Economic Report	8/77	1718
Stabilization and Structural Reforms	4/90	8249
Restructuring Public Finance and Public Enterprises	4/92	10134
Viet Nam: Transition to the Market	9/93	11902
Public Sector Management and Private Sector Incentives	9/94	13143
Poverty Assessment and Strategy Report	2/95	13442
Industrialization and Industrial Policy	10/95	14645
Fiscal Decentralization and the Delivery of Rural Services	10/96	15745
Deepening Reform for Growth	10/97	17031
Rising to the Challenge	11/98	18632
Toward Fiscal Transparency (with IMF)	FY99	
Vietnam: Strategy for Broad-Based Growth	FY99	
Vietnam Development Report 2000: Attacking Poverty (CEM)	11/99	19914
Managing Public Resources Better: Public Expenditure Review	12/00	21021
Vietnam 2010: Entering the 21st Century (Joint report of WB, ADB, UNDP)	11/00	21411
<u>Sector Reports</u>		
Review of Land and Water Resource Development in the Lower Mekong Basin	2/72	PS8
Transforming a State Owned Financial System: A Financial Sector Study of Viet Nam	4/91	9223
Population, Health, and Nutrition Sector Review	9/92	10289
Energy Sector Investment and Policy Review	6/93	10842
Transport Sector: Serving an Economy in Transition	8/94	12778
Environmental Program and Policy Priorities for a Socialist Economy in Transition	2/95	13200
Financial Sector Review: An Agenda for Financial Sector Development	3/95	13135
Water Resources Sector Review	5/96	15041

<i>Title</i>	<i>Date</i>	<i>Report no.</i>
Education Financing Sector Study	10/96	15925
Fueling Vietnam's Development: New Challenges for the Energy Sector	12/98	19037
Power Trade Strategy for the Greater Mekong sub-region	3/99	19067
Advancing Rural Development – From Vision to Action	FY99	
Moving Forward – Achievements and Challenges in the Transport Sector	4/99	18748
Energy Sector Institutions and Policy Review	FY99	
A Tale of Two Cities in Vietnam – Towards a Strategy for Growth, Poverty, and Environment in the Cities and Regions of Vietnam	FY99	
Review of sustainable farming practices in mountainous areas	FY99	
Private Solutions for Infrastructure: Opportunities for Vietnam	FY00	
Growing Healthy: A Review of Vietnam's Health Sector	06/01	22210
<u>CAS documents</u>		
Country Strategy Paper (CSP)	6/93	
1994 CAS (covered FY95-97)	9/94	13545
1995 CAS (covered FY96-98)	10/95	15053
CAS progress report	1996	
1998 CAS (covered FY99-02)	8/98	18375
CAS progress report	5/00	IDA/R2000-66
<u>Other reports</u>		
Rural and household energy issues and options	01/94	ESM161
Power sector reform and restructuring: final report to the steering committee	9/95	ESM174
Household energy technical assistance: improved coal briquetting and commercialized distribution	01/96	ESM178
Options for renewable energy in Vietnam: a report on the June 15-16 two-day participatory workshop in Hanoi	7/00	21349
Voices of the Poor – Synthesis of participatory poverty assessment	11/99	
Tra Vinh – A Participatory Poverty Assessment	11/99	
Ho Chi Minh City – A Participatory Poverty Assessment	11/99	
Lao Cai – A Participatory Poverty Assessment	11/99	
Ha Tinh – A Participatory Poverty Assessment	11/99	
Vietnam – Preparing for Take-off? (prepared for CG meeting)	12/99	
Vietnam: Combating Corruption	05/00	
Vietnam's Economic Reforms: Progress, Next Steps, and Donor Support – background note for mid-year CG meeting	06/00	
Towards a Comprehensive Approach to Development – an update on Partnership – background paper for mid-year CG meeting	06/00	
Export Performance in 1999 and Beyond	06/00	
Petroleum fiscal issues and policies for fluctuating oil prices in Vietnam	02/01	ESM236
<u>Internal Discussion/Research Papers</u>		
A Case Study of a Gradual approach to Economic Reform: The Viet Nam Experience of 1985-88	9/90	IDP 74
Awakening the Market	3/92	WBDP 157

<i>Title</i>	<i>Date</i>	<i>Report no.</i>
Household Welfare and Vietnam's Transition	5/98	
Who gained from Vietnam's boom in the 1990s? An analysis of poverty and inequality trends	01/00	WPS2275
An ecological and historical perspective on agricultural development in Southeast Asia	03/00	WPS2296
Sources of ethnic inequality in Vietnam	03/00	WPS2297
Are returns to investment lower for the poor? Human and physical capital interactions in rural Vietnam	08/00	WPS2425
The effects of the United States granting most favored nation status to Vietnam	/00	WPS
Linking participatory poverty assessments to policy and policymaking – experience from Vietnam	01/01	WPS2526
Trade policy reform in the East Asian transition economies	01/01	WPS2535
Measuring equity in health care financing – reflections on (and alternatives to) the World Health Organizations fairness of financing index	02/01	WPS2550
The gender implications of public sector downsizing: the reform program of Vietnam	03/01	WPS2573
Private infrastructure in East Asia – lessons learned in the aftermath of the crisis	04/01	WTP501
State ownership and labor redundancy – estimates based on enterprise-level data from Vietnam	05/01	WPS2599
Freshwater fishes of Northern Vietnam	06/01	Working paper
IFC or FIAS reports		
Mortgage Study (IFC)	FY98	
Export Competitiveness of Garment and Textile Industry (IFC)	FY98	

Annex 2: Table 13a – Average Costs of Lending, Supervision, and ESW

Costs		BFY90	BFY91	BFY92	BFY93	BFY94	BFY95	BFY96	BFY97	BFY98	BFY99	Totals/Averages	
Dropped Projects Cost (\$m)												Total 93-99	Average 93-99
BANK WIDE	Number of Projects Dropped	201	183	227	200	150	473	256	348	363	459	2249	321
EAST ASIA AND PACIFIC	Number of Projects Dropped	19	14	15	26	25	43	28	30	53	72	277	40
VIETNAM	Number of Projects Dropped	..	..	..	2	2	..	2	2	..	3	11	1.6
BANK WIDE	Dropped Projects Cost (\$m)	10.0	10.5	18.3	16.2	16.3	28.2	26.6	35.4	35.6	34.3	193	28
EAST ASIA AND PACIFIC	Dropped Projects Cost (\$m)	0.8	2.2	2.5	3.7	2.6	1.9	1.9	3.6	6.9	4.4	25	4
VIETNAM	Dropped Projects Cost (\$m)	..	..	..	0.3	..	..	0.1	0.4	..	0.3	1	0.2
BANK WIDE	Average Dropped Cost Per Project (\$ '000)	49.7	57.2	80.8	81.2	108.7	59.6	103.8	101.7	98.0	74.7	..	86
EAST ASIA AND PACIFIC	Average Dropped Cost Per Project (\$ '000)	44.0	155.8	166.4	141.7	104.1	45.2	67.3	120.0	129.9	60.7	..	90
VIETNAM	Average Dropped Cost Per Project (\$ '000)	..	..	..	174.5	15.5	..	69.9	211.0	..	115.2	..	100
Lending Completion Cost (\$m)												Total 94-99	Average 94-99
BANK WIDE	Number of Projects	222	229	222	245	228	242	256	241	286	277	1530	255
EAST ASIA AND PACIFIC	Number of Projects	35	39	45	45	43	42	46	37	45	55	268	45
VIETNAM	Number of Projects	..	..	..	..	3	3	5	3	5	4	23	4
BANK WIDE	Lending Completion Cost (\$m)	59.5	74.9	69.9	74.8	83.4	85.6	94.3	79.4	104.0	91.4	538	90
EAST ASIA AND PACIFIC	Lending Completion Cost (\$m)	8.2	12.5	15.1	16.7	19.2	16.0	16.1	12.1	17.1	21.6	102	17
VIETNAM	Lending Completion Cost (\$m)	..	..	..	..	2.1	1.1	2.3	1.7	1.5	2.0	11	2
BANK WIDE	Average Completion Cost (\$ '000)	267.9	327.0	314.6	305.2	365.7	353.5	368.3	329.3	363.8	329.8	..	352
EAST ASIA AND PACIFIC	Average Completion Cost (\$ '000)	235.5	320.0	335.2	372.1	447.3	382.1	350.9	327.9	381.0	393.4	..	381
VIETNAM	Average Completion Cost (\$ '000)	..	..	..	..	701.0	379.9	466.9	563.7	308.4	512.1	..	465
Supervision Intensity (\$m)												Total 94-99	Average 94-99
BANK WIDE	Projects Under Supervision (#)	1681	1734	1755	1771	1763	1740	1751	1766	1817	1810	10647	1775
EAST ASIA AND PACIFIC	Projects Under Supervision (#)	291	297	302	298	300	297	302	307	312	326	1844	307
VIETNAM	Projects Under Supervision (#)	..	..	..	..	3	6	11	14	18	21	73	12.2
BANK WIDE	Supervision Intensity (\$m)	53.9	60.2	73.5	85.1	96.3	106.4	111.7	120.6	126.1	118.0	679	113
EAST ASIA AND PACIFIC	Supervision Intensity (\$m)	8.0	9.1	10.8	11.5	13.6	15.7	17.6	19.1	20.7	19.3	106	17.7
VIETNAM	Supervision Intensity (\$m)	..	..	..	..	0.4	0.7	1.6	1.3	1.4	1.3	7	1.1
BANK WIDE	Supervision Intensity Cost (\$ '000)	32.1	34.7	41.9	48.0	54.6	61.2	63.8	68.3	69.4	65.2	..	64
EAST ASIA AND PACIFIC	Supervision Intensity Cost (\$ '000)	27.5	30.8	35.9	38.5	45.3	53.0	58.2	62.2	66.5	59.1	..	57
VIETNAM	Supervision Intensity Cost (\$ '000)	..	..	..	..	148.0	123.9	142.8	95.6	75.8	62.2	..	92
Unsched. ESW Completion Costs (\$m)												Total 96-99	Average 96-99
BANK WIDE	Reports (#)	214	250	211	258	199	191	254	226	182	205	867	217
EAST ASIA AND PACIFIC	Reports (#)	7	8	5	6	11	12	24	27	29	61	141	35
VIETNAM	Reports (#)	..	..	..	..	..	..	2	1	4	7	14	3.5
BANK WIDE	ESW Completion Costs (\$m)	10.5	10.5	11.1	19.7	14.5	13.6	17.7	14.1	14.8	18.3	65	16
EAST ASIA AND PACIFIC	ESW Completion Costs (\$m)	0.6	0.3	0.8	0.1	0.6	1.1	1.5	0.9	2.1	5.0	10	2.4
VIETNAM	ESW Completion Costs (\$m)	..	..	..	..	..	..	0.1	..	0.4	0.4	0.9	0.2
BANK WIDE	Average Completion Cost (\$ '000)	49.1	42	52.5	76.3	72.8	71	69.6	62.5	81.5	89.5	..	75
EAST ASIA AND PACIFIC	Average Completion Cost (\$ '000)	85.8	34.2	166.1	20.3	55.6	92.5	63.0	32.4	71.6	82.0	..	67
VIETNAM	Average Completion Cost (\$ '000)	..	..	..	..	..	..	36.9	..	98.7	50.0	..	64
ESW Completion Costs (\$m)												Total 90-99	Average 90-99
BANK WIDE	Reports (#)	210	180	215	215	223	242	164	135	109	182	1875	188
EAST ASIA AND PACIFIC	Reports (#)	37	32	35	36	34	40	34	29	16	25	318	32
VIETNAM	Reports (#)	1	1	2	2	3	4	2	2	2	5	24	2.4
BANK WIDE	ESW Completion Costs (\$m)	25.6	26.5	31.3	34.9	42.5	41.5	29.6	26.6	19.3	28.6	306	31
EAST ASIA AND PACIFIC	ESW Completion Costs (\$m)	6.2	5.8	7.7	7.8	7.8	6.6	7.0	5.9	2.9	5.0	63	6.3
VIETNAM	ESW Completion Costs (\$m)	0.3	0.2	0.7	0.6	0.4	0.9	0.8	0.7	0.5	0.7	6	0.6
BANK WIDE	Average Completion Cost (\$ '000)	121.9	147.4	145.5	162.3	190.5	171.5	180.2	196.7	177.1	157.1	..	163
EAST ASIA AND PACIFIC	Average Completion Cost (\$ '000)	168.2	181.2	219.2	216.9	230.2	164.3	206.2	204.9	183.7	201.5	..	197
VIETNAM	Average Completion Cost (\$ '000)	282.8	206.4	325.9	317.1	147.0	221.4	383.2	370.0	256.6	145.8	..	242

Annex 2: Table 13b – Cost Tables for 1994-1999

Data for 1994-1999

Costs				
<i>Regions/ Countries</i>	<i>Total costs, \$m</i>	<i>Lending completion costs, \$m</i>	<i>Supervision costs, \$m</i>	<i>ESW completion costs, \$m</i>
Bank wide	1674.0	714.0	679.0	281.0
East Asia And Pacific	275.7	123.3	106.0	46.4
IDA total	606.8	256.5	270.4	79.9
Vietnam	23.1	11.5	6.7	4.9
Percentages				
Bank wide	100%	43%	41%	17%
East Asia And Pacific	100%	45%	38%	17%
IDA total	100%	42%	45%	13%
Vietnam	100%	50%	29%	21%

Efficiency Table

<i>Regions/ Countries</i>	<i>Total costs, \$m</i>	<i>Number of projects</i>	<i>Net commitment, \$m</i>	<i>Net commitment for satisf. & nonrisky projects, \$m</i>	<i>Average costs per project, \$1000</i>	<i>Average costs \$ per \$1000 of net</i>			<i>Memo Average project size, \$m</i>
						<i>Average costs \$ per \$1000 of net commitment</i>	<i>Average costs \$ per \$1000 of net commitment</i>	<i>commitment for satisf. & nonrisky projects</i>	
Bank wide	1674	1533	135084	97369	1092	12	17	88	
East Asia And Pacific	276	268	39112	30779	1029	7	9	146	
IDA total	607	583	25930	18015	1041	23	34	43	
Vietnam	23	23	2297	2021	1004	10	11	100	

Annex 2: Table 13c – Share of Total Cost

Costs	Costs			Cost shares		
	Vietnam	EAP	Bank wide	Vietnam	EAP	Bank wide
Dropped Projects Cost (\$m)	1.1	29.7	221.4	4%	8%	10%
Lending Completion Cost (\$)	10.7	146.4	757.7	43%	38%	33%
ESW Completion Costs (\$m)	6.4	68.9	415.1	26%	18%	18%
Supervision Intensity (\$m)	6.7	137.4	897.9	27%	36%	39%

Source: World Bank CRM database s of FY 2000.

Annex 2: Table 13d – Elapsed Time for Lending

Country/region	Fiscal year	IBRD/IDA No.	IBRD/IDA Amt	Ave Lag: PCD to Appraisal	Ave Lag: Appraisal to Approval	Ave Lag: PCD Rev to Approval
Bank wide	1994	228	20836	17.4	9.5	26.9
EAP	1994	43	6034.4	19.9	11.4	31.3
Vietnam	1994	3	324.5	11.9	30.6	42.5
Bank wide	1995	242	22521.7	18.3	8.8	27
EAP	1995	42	5693.8	17.7	7.7	25.4
Vietnam	1995	3	415	23.4	6.6	30.1
Bank wide	1996	256	21352.2	14.4	9.3	23.7
EAP	1996	46	5420.1	13.1	8.3	21.6
Vietnam	1996	5	502.2	16.3	5.9	22.4
Bank wide	1997	241	19146.7	15.1	7.9	22.9
EAP	1997	37	4866	13.5	6.5	19.6
Vietnam	1997	3	349.2	26.2	6.1	31.9
Bank wide	1998	286	28593.9	13.8	6.8	20.6
EAP	1998	45	9623.2	13.5	4.7	18.2
Vietnam	1998	5	395.4	21.7	6.4	28
Bank wide	1999	275	28965.3	8.1	5.5	13.6
EAP	1999	55	9765.2	8.2	4.7	12.9
Vietnam	1999	4	308.3	18.1	7.4	25.5
Bank wide	2000	223	15276.2	8.9	6.5	15.4
EAP	2000	28	2979.1	11	4.9	15.9
Vietnam	2000	3	285.7	19.2	9	28.1
Bank wide	1994-2000	1751	156692	13.6	7.7	21.3
EAP	1994-2000	296	44381.8	13.8	6.9	20.6
Vietnam	1994-2000	26	2580.3	19.4	9.5	28.9

Annex 2: Table 14 – List of Managers Responsible for Vietnam

<i>Calendar Year</i>	<i>Regional VP</i>	<i>Director</i>	<i>COD Chief</i>	<i>Resident Representative*</i>
1989	A. Karaosmanoglu	G. Kaji	K. Ikram	
1990	A. Karaosmanoglu	G. Kaji	K. Ikram	
1991	A. Karaosmanoglu	G. Kaji	K. Ikram	-
1992	G. Kaji	C. Madavo	K. Ikram	-
1993	G. Kaji	C. Madavo	K. Ikram	-
1994	G. Kaji/R. Cheetham	C. Madavo	K. Ikram	B. Babson (April)
1995	R. Cheetham	C. Madavo	P. Cox	B. Babson
1996	R. Cheetham	Khalilzadeh-Shirazi		B. Babson
1997	J-M. Severino	Khalilzadeh-Sharizi/Steer		B. Babson/A. Steer
1998	J-M. Severino	A. Steer		
1999	J-M. Severino	A. Steer		
2000	Jemal-ud-din Kassum	A. Steer		
2001	Jemal-ud-din Kassum	A. Steer		

* In 1997, Country Director responsibilities were transferred to the Resident Mission.

Annex 3: Questionnaires sent prior to mission

- Donors
- Education
- Environmental Agency
- Health
- MPI & SBV
- NGOs
- Private Sector
- Rural
- Transport

Questions for Donors

For discussion only, no written answers are expected.

1. Based on your observations of World Bank assistance in the recent past (including loans and other types of assistance, such as analytic work and seminars), what are your main impressions: Has the Bank focused on the right issues? Has the Bank been effective in contributing to Government's efforts at structural reform, promoting growth, reducing poverty, improving social indicators? Could the Bank have done things differently to have had a greater, more positive impact?
2. Do you think the Bank should have been focusing on needs in other sectors? Based on your observations, do you have comments on the effectiveness of Bank operations in any of these specific sectors?
3. If you are familiar with IFC activities, do you think they have been effective in supporting private sector development? What have been the principal obstacles to the development of the private sector?
4. The sector and thematic groups are being transformed from donor-led to Government-led working groups: are you supportive of this transformation? Do you think that they would be a good forum to pursue Sector-wide Assistance Programs (SWAPs)? Why have SWAPs not been favored by the donors so far in Vietnam? Might they be in future?
5. How do you view the initiatives to harmonize donor procedures?
6. How do you view the quality of transparency and accountability by the Government, and how important do you think the Bank's role has been in improving them? Why have the donors not given higher priority to legal and judicial reform?
7. What are your views on the effectiveness and cost-effectiveness of current aid coordination arrangements?
8. What are your views on Comprehensive Development Framework? Is it effective as a tool of aid coordination? Is the Poverty Reduction Strategy Paper (PRSP) a useful process? For example, for achieving greater Government ownership of the reform program?
9. For the future, where do you think the Bank should focus its assistance and why?

Questions on Education

For discussion only, no written answers are expected.

1. The 1996 education sector study was a collaborative effort on the part of Government and a number of donor agencies, including IDA. If you are familiar with this work, to what extent do you think this effort was useful for setting education policy and the framework for public investments in education? To what extent do you think IDA contributed to this effort?
2. Following this study, IDA financed a higher education project to address skills gaps in the labor market. If you are familiar with this project, to what extent do you think the design of the project is consistent with the analysis and recommendations of the sector study? Do you think the project has the right objectives? Do you think the project is or will be effective in meeting its objectives?
3. If you had to do it over again, how would you have designed IDA interventions (studies, investments, technical assistance, etc.) in the education sector?
4. Is there any evidence that the chosen development path in education is leading to the expected development outcomes (that is, greater efficiency of public sector investments in education, lowering the cost of graduates, and developing institutions and courses needed for a market economy)?
5. To what extent do you think IDA has worked in cooperation with other donors?
6. In what ways could IDA assistance be improved in the future?
7. Do you consider that a sector-wide approach would be useful – a sector-wide approach would mean GNV establishing a sector strategy which all the donors could all support with annual aid allocations without going through the trouble of preparing and negotiating self-standing projects?

Questions for National Environment Agency

For discussion only, no written answers are expected.

1. Has the National Environment Action Plan (NEAP) and other IDA activities concerning the environment helped government to make the environment a priority and to formulate an effective strategy and action plan to protect the environment? And is that demonstrated through government actions to protect the environment (e.g., in forestry) and to implement environmental policies?
2. In forestry in particular, the government imposed a logging ban in 1998. Was IDA involved in helping the government sort out the issues connected with this ban and if so, in what way do you think IDA's input was useful? Could IDA assistance been more effective in this area?
3. Vietnam is a very densely populated country, which puts additional pressure on the environment. Has this led government to pursue longer term land management studies and programs to assure environmental sustainability and if so, has IDA provided useful input to this process?
4. To what extent has IDA been involved in institution-building around environmental issues and what has been the impact of IDA's efforts?
5. If you are familiar with sector work and other analysis by IDA on environmental issues in Vietnam (which includes environmental assessments of specific investment projects, as well as the 1995 report on Environmental Program and Policy Priorities for a Socialist Economy in Transition, and other studies on environmental issues in urban areas, water resources, energy, rural development strategy, and sustainable farming practices in mountainous areas), do you think this work has been useful and if so, in what ways?
6. In what ways is IDA helping the government to balance the demands of agriculture and industry on environmental resources?
7. For the future, how do you think IDA could be most effective in supporting Vietnam to tackle environmental issues?

Questions on Health

For discussion only, no written answers are expected.

1. If you are familiar with the two on-going health projects financed by IDA, to what extent do you think the objectives of the projects reflect the Government's priorities? If you had to do the projects over again, would you change anything about them? Do you think the projects are or will be effective in meeting their objectives? What indicators are you using to measure the projects' impacts?
2. If you are familiar with the recent Health Sector Strategy and Expenditure Review, to what extent do you think this effort was useful for affecting the future direction of public investments and policies in the health sector?
3. If you had to do it over again, how would you have designed IDA interventions (studies, investments, technical assistance, etc.) in the health sector?
4. To what extent do you think IDA has worked in cooperation with other donors?
5. In what ways could IDA assistance be improved in the future?
6. Do you consider that a sector-wide approach would be useful – a sector-wide approach would mean GNV establishing a sector strategy which all the donors could all support with annual aid allocations without going through the trouble of preparing and negotiating self-standing projects?

Questions for Ministry of Planning and Investment,
State Bank of Vietnam, Prime Minister's Advisory's Group, and CIEM

For discussion only, no written answers are expected.

1. In terms of the overall program of IDA assistance to Vietnam, including investment and adjustment lending, economic and sector work, formal and informal policy discussion, workshops, grants, what are your main impressions:
 - Has IDA focused on the right issues?
 - How do you see IDA's past contribution to Vietnam's structural and policy reforms?
 - Has IDA had an impact on promoting economic growth, reducing poverty, improving social indicators?
 - Could IDA have done things differently that might have had a greater impact?
2. If you are familiar with the lending operations financed by IDA since 1993 (a list of all credits is in Attachment 1), do you think IDA has been focusing on the right sectors? Do you think IDA should have been focusing efforts in other areas and if so, which ones?
3. Do you have any comments on the whether any of the specific lending operations have been meeting their objectives?
4. If you are familiar with the economic and sector work done by IDA in the past five years (a list of reports since 1990 is in Attachment 2), what is your view of their quality? Are there any that stand out for having been useful, practical, timely?
5. Do you have any comments on other aspects of IDA's assistance, such as grants (PHRD, IDF), training activities, technical assistance in the form of informal policy discussions?
6. Do you have any views on IDA's guidelines and policies, such as guidelines on procurement and auditing, or policies on resettlement, that affect the way investments are implemented?
7. If you are familiar with IFC's investments and technical assistance, do you think IFC has been focusing in the right areas? What are your views on whether IFC has been effective in Vietnam and whether it has helped private sector development?
8. What are your views of IDA's coordination and cooperation with other donors?

Questions for NGOs

For discussion only, no written answers are expected.

1. Based on your observations of World Bank assistance in the recent past (including loans and other types of assistance, such as analytic work and seminars), what are your main impressions: has the Bank focused on the right issues? Has the Bank been effective in contributing to Government's efforts at reducing poverty and improving social indicators? Could the Bank have done things differently to have had a greater, more positive impact?
2. Do you think the Bank should have been focusing on needs in other sectors? Based on your observations, do you have comments on the effectiveness of Bank operations in any of these specific sectors?
3. Has the Bank had an effective partnership with NGOs? Could it have done better in this area? If so, how?
4. Are you familiar with the sector work or other non-lending activities of the Bank in Vietnam? If so, do you think this work has had any impact on Government thinking or policies? If so, do you think the impact has been positive? Do you think the Bank could have focused on different issues, or done things differently to have had a greater impact? For example, given more attention to governance issues (tackling corruption, rule of law, transparency and accountability issues)? What about IDA support for protection of the environment? Participation?
5. If you are familiar with the work of other donors, do you think the Bank's coordination and cooperation with other donors are adequate? Could the Bank have done more to improve aid coordination?
6. If you are familiar with the Bank's work on the Comprehensive Development Framework, do you have any views on the approach? And the Poverty Reduction Strategy Paper (PRSP)?
7. For the future, where do you think the Bank should focus its assistance and why?

Questions for Chamber of Commerce, private sector

For discussion only, no written answers are expected.

1. Vietnam's record in the past few years has included a steady decline in FDI, sluggish growth, and a perception that the Government does not support the development of the private sector by virtue of a series of policies that favor the SOEs. Is this an accurate perception? What do you think are the major obstacles to private sector growth and development?
2. How well has IDA performed in identifying and suggesting reforms to constraints to private sector development through advisory work (e.g., the creation of Private Sector Forums), economic and sector work or specific investment activities?
3. Vietnam's privatization program has led to modest results. How effective has IDA been (including through financing 2 studies from grant facilities) in persuading the Government to modify its program (e.g., fewer restrictions, more transparency, etc.) to get better results?
4. If you are familiar with IFC's investment operations and other activities, what has been their impact? How have IFC activities contributed to the development of the private sector? What have been the principal obstacles to the development of the private sector? How has IFC contributed to their resolution?
5. If you are familiar with the work of FIAS (Foreign Investment Advisory Service, a joint service of IFC and the Bank), has it made a useful contribution to making relevant recommendations?
6. The financial sector seems to have major problems. Should IDA have been more pro-active in assisting GNV to strengthen the financial sector?

Questions on Rural Development, Rural Finance, Irrigation Rehabilitation

For discussion only, no written answers are expected.

1. Since 1994, six investment credits aimed at rural development have been put in place in Vietnam, covering irrigation rehabilitation, rural finance, rubber development, forest protection, and a coastal wetlands project. This represents a substantial portion of IDA's total lending to the country. If you are familiar with these projects, do you think that they focused on the priority needs for Vietnam? If you had to do it over again, would you have selected these investments for financing?
2. Have these projects been well-designed? Do you think these projects are succeeding in meeting their objectives? Which ones do you think have been the most successful and why? The least successful and why?
3. What do you think have been the main factors contributing to the successes or failures of IDA financed projects in the rural areas?
4. What is your view of how IDA's policies and guidelines have affected investment projects and their impact on rural development? For example, have IDA's procurement guidelines improved or hindered project implementation? If you are familiar with IDA's resettlement policy, how do you think it has influenced implementation of irrigation projects?
5. In what ways have IDA's interventions in rural finance affected the banking system or farmers' access to credit?
6. Since 1996, IDA has produced several sector reports relating to agriculture: (Water Resources Sector Review in 1996; Advancing Rural Development, from Vision to Action in 1998, and a Review of sustainable farming practices in mountainous areas, 1999). How would you rate the quality of these reports? In what ways have they been useful to the Government in terms of their analysis and recommendations?
7. To what extent do you think IDA has worked in cooperation with other donors in the rural sector?
8. Do you consider that a sector-wide approach would be useful – a sector-wide approach would mean GNV establishing a sector strategy which all the donors could all support with annual aid allocations without going through the trouble of preparing and negotiating self-standing projects?
9. Based on your observations of IDA's assistance to date, what do you think are the most important lessons for the past that should be incorporated into future strategy and assistance in the agricultural/rural sector?

Questions on Transport

For discussion only, no written answers are expected.

1. Since 1994, five investment credits aimed at road transport rehabilitation and development have been put in place in Vietnam, covering highways, rural roads, and urban transport. This represents the largest share of IDA's total lending to the country. If you are familiar with these projects, do you think that they focused on the priority needs for Vietnam? If you had to do it over again, would you have selected these investments for financing?
2. Have these projects been well-designed? Do you think these projects are succeeding in meeting their objectives? Which ones do you think have been the most successful and why? The least successful and why?
3. What do you think have been the main factors contributing to the successes or failures of these IDA financed projects?
4. What is your view of how IDA's policies and guidelines have affected investment projects and their impact on rural development? For example, have IDA's procurement guidelines improved or hindered project implementation?
5. If you are familiar with IDA's resettlement policy, how do you think it has influenced implementation of transport projects?
5. Since 1994, IDA has produced two sector reports relating to transport: (Transport Sector, Serving and Economy in Transition in 1994 and Moving Forward – Achievements and Challenges in the Transport Sector, 1999). How would you rate the quality of these reports? In what ways have they been useful to the Government in terms of their analysis and recommendations?
7. To what extent do you think IDA has worked in cooperation with other donors in the transport sector?
8. Do you consider that a sector-wide approach would be useful – a sector-wide approach would mean GNV establishing a sector strategy which all the donors could all support with annual aid allocations without going through the trouble of preparing and negotiating self-standing projects?
9. Based on your observations of IDA's assistance to date, what do you think are the most important lessons for the past that should be incorporated into future strategy and assistance to the transport sector?

Annex 4: List of People met on OED missions

Government officials

Ministry of Planning and Investment

Dr. Nguyen Van Phuc (both missions)
Vice Director
Foreign Economic Relations Department

Cao Viet Sinh (both missions)
Deputy General Director
National Economic Issues Department

Phan Thi Thuy Tram
Program Officer
Foreign Economic Relations Department

State Bank of Vietnam

Dr. Nguyen Van Giau
Deputy Governor

Ha Dan Huan
Director
Foreign Department

Nguyen Quang Huy
Deputy Director
Foreign Department

Do Viet Hung (both missions)
Deputy Chief, World Bank Division
Foreign Department

Bui Quang Trung
Expert
World Bank Division
Foreign Department

Cao Sy Kiem
(former Governor of SBV)
Advisor
Prime Minister's Office

International Credit Projects Management Unit/SBV

Duong Quoc Anh
Acting Director

Nguyen Nhan Nghia
Division Chief, International Projects and Technical
Assistance Division

Ministry of Agriculture and Rural Development

Dr. Cao Duc Phat (both missions)
Vice Minister

Dr. Doan The Uong (both missions)
Deputy Director
Department of International Cooperation

Pham Trong Hien
Officer of International Cooperation Dept.

Agricultural Diversification Project:
Nguyen The Hinh

Hoang Ngoc Son

Coastal Wetlands Protection & Development
Project :

Tran Viet Thu
Trinh Binh Thanh
The Van Than

Ministry of Trade (second mission)
Planning and Statistics Department

Nguyen Van Thu
Director General

Ma. Le Phu Cuong
Head of Foreign Exchange Division

Vu Ba Phu
Trade Development Strategy Expert
Vietnam National Center for Social Sciences and
Humanities

Trinh Duy Luan
Associate Professor
Director, Institute of Sociology

Central Institute for Economic Management

Dr. Le Dang Doanh (both missions)

General Statistical Office
Nguyen Phong
Deputy Director
Social and Environmental Department

Government Office, Prime Minister's Research Commission

Vu Quoc Tuan
Senior Advisor

Nguyen Thieu (both missions)
Advisor to Vice-Prime Minister

Phan Ngoc Thang (both missions)
Expert

Government Office

Le Hong Lam
Principal Officer on External Finance
International Relations Department
MOLISA

Le Duy Dong
Vice Minister

Nguyen Manh Cuong
Deputy Director
International Relations Department

Dr. Nguyen Hai Huu
Director General of social Protection Department
Director of National program office for HEPR

Ministry of Finance

Dr. Truong Thai Phuong
Director General
Department of External Finance

State Securities Commission

Dr. Le Van Chau
Senior Advisor

Nguyen Dzung
Deputy Director
Personnel and Training Department

Nguyen Thanh Nam
Manager
Multilateral Relations Department

Vietnam Chamber of Commerce and Industry

Mme. Pham Chi Lan

Development Strategy Institute , MPI

Prof. Dr. Nguyen Quang Thai
Vice President

Nguyen Thien Hiep
Deputy Director of Department

Ministry of Transport

Mr. Tien
Vice Minister

Eng. Truong Tan Vien
Deputy General Director, Planning and Investment
Department

PMU 18
Eng. Ngo Dinh Tuan
Project Manager, Rural Transport Project

Donors

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Guide to OED's Country Evaluation Rating Methodology

1. This methodological note presents the basic elements of OED's country assistance evaluation (CAE) rating methodology for the Bank/IFC. The Bank's role has been increasingly country-based, policy oriented and programmatic. Thus OED's evaluations have also shifted to become more country-based: over the past seven years (FY95-01) OED has evaluated the development impact of country assistance programs in 45 countries. This note reflects the lessons of this evaluation experience.

Performance of the country, performance of Bank assistance, and performance of the Bank

2. It is easy to confuse three types of performance ratings: the country's development performance; the performance of the Bank's assistance program to the country; and the Bank's own performance in designing and implementing the program. While inter-related, they are not identical. Favorable Bank program outcomes do not always translate into favorable economic and social development results for the country, nor does a strong Bank performance necessarily mean that the assistance program was successful. Poverty reduction in a country may fail to occur even if the specific programs supported by the Bank have had good outcomes. In addition, the programs supported by the Bank may succeed even if the Bank's own performance has not been satisfactory.

3. Thus, the results of a Bank assistance program could be rated as highly satisfactory even for a client whose performance, *in areas not addressed by the Bank's program*, did poorly. From the record of the CAEs we have done to date, we have evaluated:

- Clients whose prolonged periods of development were matched by successful Bank assistance (e.g., Poland, Ghana, and El Salvador);
- Clients that achieved above-average development results, even though the Bank's assistance did not fare nearly as well (e.g., Costa Rica); and,
- Clients where the Bank's assistance achieved significant development results, despite lagging country development (e.g., Ethiopia).

4. Also of note is the fact that, in conformity with its mandate, OED does not rate the *development performance of the Client Country* or the *performance of partners, such as other donors*. Yet it is critical to have a clear view of both to assess the outcome of the assistance program, as well as any exogenous factors (both pro and con) the Bank contended with in designing and implementing its country assistance strategy. Hence, active participation of the Client, other partners, and the Region in the evaluation process is likely to lead to the best results.

Building a Metric Algorithm

5. Intermediate development objectives, such as financial sector adjustment and integrated rural development, are often indispensable elements to realizing higher-order objectives, such as poverty reduction. The causative links between the two must be identified. Work can then proceed toward design of a ratings scale with appropriate weights.

6. Client countries may have development goals at odds with the broad-based goals embodied in the Bank's Comprehensive Development Framework (CDF). Normally, such conflicts would be identified and resolved in the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. In other instances, key development constraints, such as disagreements between the Bank and the client over development objectives, may not have been identified or addressed by the Bank's assistance program. Such omissions tend to emerge during the evaluation of implementation and results of the assistance. Finally, the evaluation must be alert to possible major shortcomings in the assistance program results, such as violations of the Bank's safeguard policies.

Ratings Scale

8. Outcome. Currently, OED utilizes six rating categories for outcome, ranging from highly satisfactory to highly unsatisfactory:

<i>Highly Satisfactory:</i>	The country assistance program achieved significant progress toward all major relevant objectives, possibly with minor shortcomings. Best practice development impact was achieved in one or more areas.
<i>Satisfactory:</i>	The country assistance program achieved significant progress toward all major relevant objectives, possibly with minor shortcomings.
<i>Partially or Moderately Satisfactory:</i>	The country assistance program achieved significant or acceptable progress toward a majority of the major relevant objectives, but failed to address -- or did not make acceptable progress toward -- at least one major relevant objective.
<i>Partially or Moderately Unsatisfactory:</i>	The country assistance program failed to address -- or did not make acceptable progress toward -- a majority of its major relevant objectives. However, progress toward at least one major relevant objectives was acceptable.
<i>Unsatisfactory:</i>	The country assistance program failed to address -- or did not make acceptable progress toward -- any of its major relevant objectives.
<i>Highly Unsatisfactory:</i>	The country assistance program failed to address -- or did not make acceptable progress toward -- any of its major relevant objectives, and had at least one major shortcoming, such as a violation of the Bank's safeguard policies.

9. The **institutional development impact** can be rated as: high, substantial, modest, and negligible/negative. Ratings are based on an assessment of the Bank's assistance impact on strengthening the Client Country's capacity to manage, among others, in the following areas:

- economic management.
- the structure of the public sector, and, in particular, the civil service.
- the institutional soundness of the financial sector.
- legal, regulatory, and judicial systems.
- monitoring and evaluation systems.
- aid coordination.
- financial accountability.
- building NGO capacity; and,
- social and environmental capital.

10. **Sustainability** measures the likelihood that the development benefits of the country assistance program will be maintained. Sustainability can be rated as highly likely (4), likely (3), unlikely (2), highly unlikely (1), or non-evaluable. Future work will focus on refining the definition of sustainability to distinguish between the expected duration of benefits vs. the likelihood that some or all of the expected benefits may not materialize.

Three-Dimensional Evaluation

11. We have developed three modules dealing with different perspectives, or dimensions, of Bank assistance:

- (a) *Products and Services Dimension*. The evaluator adopts a “bottom-up” analytical approach to the major Bank Group inputs: loans, economic and sector work, strategic advice, aid coordination, and resource mobilization.
- (b) *Development Impact Dimension*. The evaluator adopts a “top-down” analytical approach, rating the overall outcome and results of the Bank's program of assistance. Counterfactuals are applied.
- (c) *Partner Performance Dimension*. The evaluator assesses responsibility for the impact of the country assistance program to four sets of actors: the Bank, its aid partners and stakeholders, the Client Country, and exogenous factors. The contribution of each is rated independently, and then blended into a dimensional rating. However, to minimize the risk of steering all debate among the key partners over their performance ratings, OED does not make these explicit in its CAEs.

12. The dimensional scores should be equal (or nearly so), since they capture different facets of the same assistance result. Were a large disparity to arise, this would signal some inconsistency, requiring *adjustments* among the three dimensional scores, in

this way mitigating the effects of rating subjectivity. For example, good partner performance (assessed against current policies and standards) combined with favorable exogenous conditions may contrast with an apparently poor development impact thus requiring a revision of one or both assessments (e.g., by concentrating on the adequacy of policies and standards or on the accuracy of the development impact indicators).

COMMENTS FROM THE GOVERNMENT ON OED REPORT

MINISTRY OF TRADE

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness

Ref: *Comments on the Bank's*
"Vietnam: Country Assistance
Evaluation"

Hanoi, 26 September 2001

To: World Bank Vietnam

After studying the document "Vietnam: Country Assistance Evaluation" prepared by OED, MOT have some comments as follows:

I. Overall comments:

1. The report gave a comprehensive assessment on the cooperation between Vietnam and the World Bank during a long time since Vietnam unified its country to date. The report focused on the status of all sectors that WB provided assistance operations (since resuming relations) in order to assess the efficiency of WB operations in Vietnam according to WB criteria.
2. The report was well prepared, brief and close to the current status with various illustrative figures. The report was based on the consultations with Government agencies through relevant questions, but MOT has not received any questions relating to trade.
3. For assessment on trade reform, the report has indicated the main points of trade policy reform and some improvements during the last time. However, the report has not shown the strong reform according to trade liberalization, especially the Vietnam's process of actively economic integration and its achievements gained over the recent time.
4. The report stood just at the assessment on Vietnam's trade policies from "a system of extensive controls of virtually all imports and export to one of selective tariff and non-tariff protection for selected imports" (Part 3: Progress on development objectives, para 3.4), and not yet indicated the guideline on trade liberalization while it has to implement "proper, selective and time-limited protection" in Vietnam's process of actively economic integration.

The following recent progress in trade policies has not yet indicated in the report:

- Joining regional trade organizations such as AFTA, APEC, ASEM
- Extending business rights in import-export activities for all enterprises

- Issuing a sustainable management mechanisms for exports and imports (5 years) that aims to make the trade policy more transparent and gradually reduce quantitative restrictions.
- Reform tariff policy towards transparency, simplicity and efficiency

5. Especially, the report has not shown the GoV's commitments to negotiations to join WTO. This is the effort to fully reform in trade policies.

6. For WB's operations in Vietnam during last time, the report has recorded WB's assistance to Vietnam systematically, assessing reasonably the involvement and achievements. These assessments have shown the WB's contributions as well as shortcomings of sectors supported by WB. Generally, MOT agreed with most of assessments in Part 4 – "Attributions and Ratings".

7. The WB's contributions to Vietnam during last time are proactive. However, it needs to affirm the impact of the change in Government agencies' way of thinking as well as in defining the appropriate steps for the reform process on the achievements gained so far. The reforms carried out have reflected the policy and directions of the Government and the Party of Vietnam. The assessment in the "Counterfactuals" (par. 4.7 and 4.8) is not appropriate, as it showed only World Bank's role but not Vietnam's active role in the reform process, and Vietnam's emphasis on the prudence and the sustaining of stability, and on that the reform pace should be correspondent with the Vietnam's socio economic situation.

8 Data: The report used World Bank data thus there are some discrepancies to the data of the Vietnamese agencies i.e. in the GDP growth, poverty rateThis may be due to the differences of the resources and calculating methods used.

II. Proposed revisions:

1. Background part: The report has reflected the main socio economic features of Vietnam since 1976 till now in the areas of macro economy, infrastructure, rural development, environment, health, education and public administration, especially the reforms in those areas during the 1990 decade. The assessment is accompanied with the detailed data, though in some places, the assessment has not yet fully reflected the actual situation.
2. Par. 1.2. Taken into account
3. Par 1.14: Taken into account
4. Par. 2.7: Please change "In spite of the Government's reluctance" to "In spite of the Government's prudence"
5. Par. 3.4. Please revise the whole first phrase to "Trade policy has been changed toward liberalization. Vietnam is implementing its policy on active integration to the world economy by participating in the regional economic associations (ASEAN, ASEM,

APEC,...) and is currently under negotiation for joining WTO. The rights on doing business of the enterprises of various sectors are extended that allowed a number of enterprises, especially the private enterprises take part in the external trade. Though a selected, time-bounded and reasonable protection level is still maintained but the non tariff barriers have been cut down substantially and dramatically recently.” Besides, earlier overall comments should be also incorporated in this paragraph.

6. Par. 4.7 and 4.8 should be revised to highlight that the reforms carried out are Vietnam’s initiatives. They are implemented in the form of careful steps in order to maintain the socio economic stability and to avoid the negative impacts of the market economy. World Bank’s attributes are considerable in term of technical assistance to the adjustment of policy in specific area.

For Minister of Trade

Vice Minister Luong Van Tu



MINISTRY OF FINANCE
SOCIALIST REPUBLIC OF VIETNAM

Date: 20 September 2001

Dear Laurie Effron

I would like to bring to your attention several points, that in my opinion, would need some modifications. Regarding the draft of Country Assistance Evaluation, I have following comments:

Page iii, Paragraph 4: the second line from the end of the paragraph: "and limited success untilstrucrural reform", we would suggest you change to "and a great deal of time to discuss to get success"

Page iv, paragraph 6, last sentence: I would suggest to add "In PRSC program committed with the WB, the Government focuses to solution of SOE reform and state own commercial bank reform"

Page 1, paragraph 1.2, First sentence: "After unification the north", we suggest to change to "After unification, the Government implemented the centralized planning mechanism, collectivized farming, and output targets for industry."

Page 4, paragraph 1.13, "Land registration excludes women" . I believe that there is no existing regulations that excludes women for land registration. I propose to correct this information.

Page 7, paragraph 2.9: "Project design, however, on term of the selection of provinces, was not based consistently on poverty mapping" . In reality, when the selection of provinces in the project was done, we were based on the poverty maps (Poverty provinces and poverty areas) and gaping between the donors. Some poverty provinces have at that time received other ODA funds for poverty alleviation. So WB fund was allocated to other provinces. In addition, the selection of provinces took into account economic efficiency and invested priority.

Page 7, paragraph 2.10, " Ministry of Transport has proceededeconomic analysis". We would think that the WB's point of view on paving road for rural road is somewhat hard and not allows the diversity of practical that may lead to wasted investment. For example, Dak lak province has so much rain and thus, base assess roads exist for only 1 or 2 years. The Government has requested that WB

could increase investment limit for each rural road to pave road in order to have sustainable project achievements.

Page 8, paragraph 2.13 , "This latter componentpolicy advice". According to Government opinion, this onlending project is implemented efficient. Rubber factories were onlent at market interest rate (Libor + 1%). This is not assistance from government but it is really commercial lending.

Page 9, paragraph 2.15, " By failing to address unlevel playing field". In my opinion, in Vietnam, economic types are considered those are equally. But capacity of SOE and private sector are far different. In several sector, only SOEs have large capital, technology and experience and therefore have fully capacity to participate in the bidding. Many projects financed by WB have low progress due to the fact that SOE can not participate while private companies lack of capacity.

Page 18, paragraph 3.11, the third line from the end of the paragraph , "Rank by the Hong Kong in Asia". Since the assesement is not strongly supported by comparative empitical evident, I would suggest you consider removeing it

Page 20, paragraph 4.7, "the more conservativeeven reserved them" . I confirm that the reform in Vietnam is indispensable and main task of The Party and Government of Vietnam. Whether it has or does not have an assistance from outside, the reform should take place.

Page 23, paragraph 5.1, "Bank assistance should a market economy". I would like to affirm that under development policies, Vietnam focuses as a priority on all three issues: reform on structures and institutions, completion infrastructure on economic and social (Including maintenance as well as poverty reduction).

I hope my comments above are helpful and please contact me if I can be of futher assistance .

With best regards



Truong Thai Phuong.
Director
External Financial Department
Ministry of Finance, Vietnam

Vietnam
Country Assistance Evaluation
Management Action Record

Major monitorable OED recommendations requiring a response	Management response
<p><i>The Bank should increase its support for structural, policy, and institutional reform in investment lending. To this end, it should:</i></p> <p><i>1. Develop a more strategic approach to rural development, focusing assistance in two or three major areas.</i></p> <p><i>2. In transport it should agree with Government on criteria for road standards and focus support on improving maintenance policies and institutions.</i></p> <p><i>3. In infrastructure and rural projects, further strengthen the poverty focus by agreeing with Government on criteria to be used for targeting.</i></p>	<p><i>We share the view that we should strive to forge better links between our dialog on policy and institutional issues with the project portfolio. This was an explicitly stated goal of the last CAS, and is addressed in the CAS Progress Report, to be reviewed by the Board on October 25th, 2001. We are pleased with progress, but agree that this is an area in which there is scope for improvement.</i></p> <p><i>More than 90% of the poor live in rural areas, and the government has rightly seen rural development as their most important challenge. Following our major report “From Vision to Action” in FY98, we helped place rural development at the center of the donors’ agenda, through the use of the Consultative Groups and other fora, and also made its IDA’s leading sector for support. We agree that in the upcoming years we would seek to focus our rural support as strategically as possible. But this does not necessarily imply that the number of subsectors should shrink. There are currently nine rural projects, with \$706 million of IDA funding, in our active portfolio. These address urgent challenges in the fields of water resources (\$202 million for 2 projects), rural infrastructure (\$262 million for 3 projects), rural finance (\$122 million for 1 project), forest management (\$53 million for 2 projects), and agricultural services (\$67 million for 1 project). It is not obvious that if we had consolidated to fewer sectors – for example, eliminating the forest projects and placing the resources in rural finance – we would have had a bigger impact on policy and institutional development. The CDF approach that we have been practicing in Vietnam will enable us clarify comparative advantages, particularly with the ADB, and it is likely that we will eliminate at least one subsector from our rural lending.</i></p> <p><i>We agree with this recommendation. The concern about the need to agree on standards refers to the fact that sometimes the Ministry of Agriculture and Rural Development applies higher standards on rural roads than does the Ministry of Transport. It also stems from a desire in some Provinces that IDA should finance hard-topped rural roads rather than the lower cost roads that are currently supported under our Rural Roads projects. We have agreed with the Government that IDA funds can support rural roads with bitumen finish where explicitly justified on economic grounds. The subject of operations and Maintenance is also a very important one, and will be the principal objective of the project in the sector (which will help set up a national road maintenance fund).</i></p> <p><i>We agree there is a need for the Government to develop better information systems on the linkage between public spending and poverty, and in clarifying their allocation principles. This is an important component of the work of the Poverty Working Group and will be embedded in the upcoming PRSP. In establishing criteria for targeting it is important to remember that while some regions are particularly poor and deserve special focus (and this is the theme of our two community-based poverty targeted projects), the poorest 20% of communes (which tend to be remote) account for only around 10% of the poor. In Vietnam all rural areas have widespread poverty, and thus all well-designed rural roads can help address poverty.</i></p>

Report from CODE

Informal Subcommittee to the Committee on Development Effectiveness

Vietnam: OED Country Assistance Evaluation and OEG Country Impact Review

October 23, 2001

CODE2001-95

1. The Informal Subcommittee (SC) of CODE met on October 15, 2001 to discuss the OED Country Assistance Evaluation (CAE) for Vietnam (CODE2001-0088), covering FY88-FY01, and the OEG Country Impact Review (CIR) for Vietnam (CODE2001-0089), covering FY92-FY01. OED rated the overall outcome of World Bank assistance to Vietnam satisfactory, with Bank efforts to deliver this assistance being considered exemplary in following the Government's priorities and the Bank's corporate mandates. OEG's evaluation found that IFC's efforts had been relevant and well-executed but that outcomes had been mixed in the wake of the Asian crisis and slowing in the pace of reforms. OEG also found that IFC's Vietnam operations will continue to require a significant cross-subsidy from profits generated in other countries, raising the issue of the sustainability of past activity levels relative to opportunity costs.
2. **Comments by Management.** Management welcomed the CAE and generally agreed with OED's analysis, conclusions and specific recommendations. Noting that the vast majority of Vietnam's poor live in rural areas, it was not certain that limiting IDA involvement to 2-3 rural subsectors, as recommended by OED, would improve performance. It emphasized that lessons from institutional development in Vietnam ought to be included in the CAE, pointing to the difficulty of building market institutions and noting that the positive development outcomes observed in Vietnam reflected important progress in institution building over a relatively short period. In terms of safeguards policies, Country Management is interested in OED's recommendations (see section below). IFC Management noted that IFC had a lot to learn from its experience in Vietnam related to when and how to engage (striking the balance between not getting ahead of the reform process and making a contribution to private sector development) given the difficult environment for the private sector in many transition countries. In a frontier country like Vietnam, IFC clearly faces a tradeoff between the profitability of its operations and the extent of its direct involvement in investment activity.
3. The SC broadly supported the findings of the evaluation reports and raised the following issues.
4. **Bank/IFC strategy.** Committee members noted that the evaluations stated that past Bank/IFC strategies have been targeted at the right priorities, implicitly attributing performance shortfalls to inadequacies in the environment and the effects of the Asian crisis. One member questioned the extent to which the Bank Group strategy itself had focused on institutional development. Other members requested greater clarity on the quality of IFC's performance given the mixed feedback on IFC services from some members of some constituencies. A member asked what contribution MIGA might have made relative to FIAS's lack of success in establishing an investment promotion agency, and requested that MIGA's services in PSD promotion be evaluated in these country evaluations. OEG staff responded that the summary finding on IFC's perceived value-added delivery being favorably perceived within the country was an accurate characterization of the overall feedback, even though some in some constituency groups had complaints as noted in the report. OED commented that it rates the outcome of Bank assistance and not Bank performance; however, in its view performance had been better than the report indicated.

5. **Adjustment lending.** Some members expressed concern about the low level of adjustment lending in Vietnam, noting that in other transition countries adjustment operations are used to support structural change. OED commented that at the time the Bank first started operations, Vietnam was still recovering from years of conflict and the need had been for infrastructure investment lending rather than adjustment operations. In that context the Bank's focus had been appropriate. Management pointed out that Vietnam's approach towards structural reform was consensus driven, incremental and cumulative and thus did not lend itself to the Bank's traditional support to "lumpy" packages of reforms through structural adjustment lending. Major structural changes have taken place during the last decade, particularly with respect to the increased dynamism of the private sector. The Government, however, continues to believe in a role for state enterprises in some sectors.
6. **Safeguards.** Some members commented favorably on OED's recommendation to pilot a "principled compromise" between the Bank's approach to implementing its safeguards policies and that of Vietnam. This would apply country-wide to all investments and thus minimize the tension and implementation confusion resulting from the application of different policies side-by-side. Members underlined the need to ensure that the Bank's policies not be relaxed, but pointed out that sustainability requires cognizance of a country's own systems.
7. ESSD Management responded that while it appreciated the opportunity to work with Vietnam on the harmonization of safeguard procedures and policies, there should not be a perception that the Bank would consider lowering its standards. It noted that the term "compromise" could be seriously misinterpreted by parties outside the Bank and recommended that an alternative terminology be adopted. It looked forward to more details on the bases for OED's recommendations given the importance of these recommendations. Management also noted that a harmonization of *environment* related safeguards policies appeared more promising as a starting point than a harmonization of *social* safeguards policies. Harmonizing safeguard *processes* was quite different from harmonizing *policies* since Bank Operational Policies are legally binding and might require a waiver from the Board, setting a highly visible precedent. Regional management emphasized that this provides a good opportunity for a dialogue with borrowers on the subject. OED clarified that their recommendation was based on evaluation evidence about the high transactions costs of the enclave approach, pragmatic considerations related to the difficulty of implementation of Bank operations involving safeguards, and the idea of using the space afforded by the CDF to discuss the issues involved.
8. **Partnerships.** One member asked whether the Bank was perhaps expanding its involvement too fast, especially in seeking a leading role in different sectors despite being late in coming in to Vietnam. He noted that selectivity and partnership were critical ingredients of the CDF approach. Management responded that decentralized country management had meant that the Bank had a very strong local presence, which was able to provide intellectual leadership for poverty related work in addition to its traditional responsibility for Consultative Group coordination.
9. **Links between investment operations and ESW.** A committee member asked about the role played by the Poverty Assessment in project identification and questioned whether the pace and timing of the I-PRSP had been driven by the Bank. Other members asked about follow-up to the Public Expenditure Review with regard to improvements in accountability and monitoring. Management clarified that the PRSP process was fully country-owned, that the Government had done much background work on the PRSP even before it became a Bank mandate, and that the time-table for it had been set by Vietnam. At the same time, it acknowledged that progress had been slow in systemic governance related issues.

10. **Next steps.** The Board will discuss the CAS progress report for Vietnam on October 25, 2001. A full CAS for Vietnam is expected early in the next FY.

Emmanuel Moulin, Acting Chairman
CODE Subcommittee

Distribution

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA