

# **TAKING STOCK**

## **AN UPDATE ON VIETNAM'S ECONOMIC DEVELOPMENTS AND REFORMS**

**PROGRESS AND DONOR SUPPORT**

**Mid-year Consultative Group Meeting**  
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**Currency Equivalents**

Currency unit = Dong

US\$ = 15,480 Dong (June 2003)

**ACRONYMS AND ABBREVIATIONS**

ADB	- Asian Development Bank
AFTA	- ASEAN Free Trade Area
ASEAN	- Association of South East Asian Nations
CPRGS	- Comprehensive Poverty Reduction and Growth Strategy
DAF	- Development Assistance Fund
DANIDA	- Danish International Development Agency
DATC	- Debts and Assets Trading Company
DFID	- Department for International Development
FDI	- Foreign Direct Investment
FSQL	- Fundamental School Quality Level
GC	- General Corporation
HCFP	- Health Care Fund for the Poor
IAS	- International Accounting Standards
IMF	- International Monetary Fund
JBIC	- Japan Bank for International Cooperation
JSB	- Joint-Stock Bank
LUC	- Land-Use Right Certificate
LSDS	- Legal System Development Strategy
MDG	- Millennium Development Goals
MOF	- Ministry of Finance
MONRE	- Ministry of Natural Resources and the Environment
MPI	- Ministry of Planning and Investment
MTEF	- Medium-Term Expenditure Framework
NGO	- Non-Government Organization
NPL	- Non-Performing Loan
NSCERD	- National Steering Committee for Enterprise Reform and Development
PAR	- Public Administration Reform
PER	- Public Expenditure Review
PRSC	- Poverty Reduction Support Credit
QR	- Quantitative Restrictions
SBV	- State Bank of Vietnam
SIDA	- Swedish International Development Agency
SME	- Small and Medium Enterprise
SOCB	- State-Owned Commercial Bank
SOE	- State-Owned Enterprise
TABMIS	- Treasury and Budget Management Information System
UNDP	- United Nations Development Programme
USBTA	- United States Bilateral Trade Agreement
VHLSS	- Vietnam Household Living Standards Survey
WTO	- World Trade Organization

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## INTRODUCTION

Taking Stock provides an informal update on Vietnam's recent economic developments. It also summarizes the progress in implementing its reform agenda, and the support provided to the reform process by international partners. Now in its fifth edition, it has been produced every year since 1999 as a background report for the mid-year Consultative Group meeting. Taking Stock provides a half-yearly complement to the more complete, and more polished, annual Vietnam Development Report and annual Partnership Report.

The structure of Taking Stock is closely linked to that of the Government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS), one of the main documents guiding the reform agenda of Vietnam. The CPRGS translates the vision laid out in Vietnam's Ten-Year Strategy into concrete public actions. It uses localized Millennium Development Goals to develop a system of indicators to monitor and evaluate progress. It makes economic growth and poverty reduction the two main objectives of the development strategy of Vietnam. Economic developments will be reviewed in this light.

As for the policy reforms considered by CPRGS, they can be organized around three main themes or pillars:

- Completing the transition to a market economy;
- Ensuring that growth is inclusive and sustainable; and
- Building a modern governance system.

Vietnam's international partners are providing assistance to help strengthen these three pillars of development so as to lay the foundation, and create the structure upon which Vietnam will realize its growth and poverty reduction objectives.

Part I of this report, **Development Outcomes**, gives a brief overview of trends in economic growth and poverty alleviation. It summarizes economic developments in the last few months, and especially during 2003. It also assesses the current poverty situation and reviews recently completed analyses on poverty in Vietnam.

Part II, **Development Policies**, is structured around the three pillars of the CPRGS. The first section in this part reports progress in the "*Transition to a Market Economy*": international trade integration, private sector development, state enterprise management, and strengthening of the banking system. The next section, "*Making Development Inclusive*" describes recent developments regarding education, health, land and natural resource management. The last section deals with reforms related to "*Building Modern Governance*", including public financial management, legal sector reform, and the reform of public administration.

**PART I**  
**DEVELOPMENT OUTCOMES**

## A. ECONOMIC GROWTH

The economic outlook for Vietnam continues to be favorable, despite an external context which remains uncertain. Real GDP is expected to grow by around 7 percent in 2003. This sustained economic expansion is driven by buoyant domestic demand, reflecting strong confidence and positive expectations among businesses and households. Increasing exports have been another important source of growth in the first five months of the year.

While the outbreak of SARS has been contained in Vietnam, its overall impact is difficult to gauge at this point. The economic consequences stem mainly from public perceptions and fears about the disease, not from the disease itself. The negative impact of SARS will be greatest in the tourism and travel industry. However, the effect will most likely be transitory and will not break off the underlying strength of the economy.

### *1. The engines of growth*

As in 2002, GDP growth is currently driven by domestic consumption and investment, as well as a strong export performance. Retail sales were 10 percent higher in the first five months of 2003, compared to the same period last year. Supportive monetary and fiscal policies played a role in buttressing demand, as have increasing inward remittances from overseas. Importantly, especially for the rural poor, farm income has been boosted by higher prices for agricultural products.

More than 21,000 new private enterprises were registered last year, about 11 percent more than in 2001. These new firms have significantly increased the share of private investment in GDP. Capital accumulation by the formal private sector has been increasing steadily, and last year it amounted to 9 percent of GDP. The Ministry of Planning and Investment (MPI) estimates that the private share of investment increased from 20 percent in 2000, to 23 percent in 2001, to 29 percent last year. In HCMC, private enterprises accounted for a larger share of total investment than did SOEs and official credit combined. Foreign Direct Investment (FDI) is on an upward trend too. Data on FDI approvals just released shows a 30 percent increase in the first four months of 2003, year on year. Preliminary estimates for this year imply that the level of FDI inflows will be sustained, bringing disbursements to around 3.5 percent of GDP.

Data for the first five months of 2003 show industrial production increasing 16 percent compared to the same period last year. The domestic private sector displayed the strongest expansion, with an annual output increase of 19 percent. The foreign invested sector followed at 17 percent, while the production of state-owned enterprises grew 12 percent. In the first quarter of 2003, power consumption increased 14 percent, underlining the solid growth in economic activity.

The more modest performance of the state sector mirrors Vietnam's gradual transition to a market economy. The total number of state-owned enterprises (SOEs) has declined steadily over the past few years. The rate has been moderate, but unambiguous.

The National Steering Committee for Enterprise Restructuring and Development (NSCERD) estimates that there are around 5,000 SOEs in operation in Vietnam as of end-May 2003. This reduction in the number of SOEs has been accompanied by a considerable drop in the share of SOEs in industrial output, non-oil exports, and bank credit over past few years (see table 1).

**Table 1: The Size of the SOE Sector**

<b>Indicator</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total number of SOEs	5861	5713	5571	5326	5195
Share of SOEs in industrial output (%)	45	40	32	30	29
Share of SOEs in non-oil exports (%)	62	54	48	44	35
Share of bank credit going to SOEs (%)	52	48	45	42	39

**Source:** *General Statistical Office, State Bank of Vietnam, Vietnam Exports: Challenges and Opportunities, World Bank (2003), and staff estimates.*

## **2. Strong export performance**

International trade is becoming an increasingly important component of the Vietnamese economy. The share of exports in GDP reached 48 percent in 2002 and manufactured and processed products now account for almost half of sales abroad. The value of exports registered a 31 percent year-on-year growth in the first five months of the year, after growing 11 percent over the whole of 2002 (see table 2). Virtually all of this growth was carried by increasing sales to the US. Vietnam more than doubled its exports to this market as the landmark bilateral trade agreement with the US became effective in 2002. Garment exports to the US were 18 times higher than in 2001. The US now accounts for more than a third of Vietnam's garment exports and is the second most important overall market after the EU (see figure 1).

Agricultural exports increased by 22 percent, in value terms, in the first five months of 2003. This increase was mostly due to higher commodity prices and to a lesser extent to increasing volumes, thus reversing the pattern of previous years when plummeting commodity prices offset increasing export quantities.

Given Vietnam's relatively recent penetration of the main world markets, there appears to be room for expanding exports even if the world economy recovers only modestly over 2003. A more serious obstacle to exports growth than sluggish world demand is the increasing use of non-tariff trade barriers by industrial countries as Vietnam becomes a more important player in world markets. Recent examples include the US anti-dumping duty levied on catfish, as well as its import quotas on garment and textiles. These non-tariff barriers follow Canada's objection to imports of waterproof footwear and garlic from Vietnam, and the EU's objections to Vietnamese gas lighters.

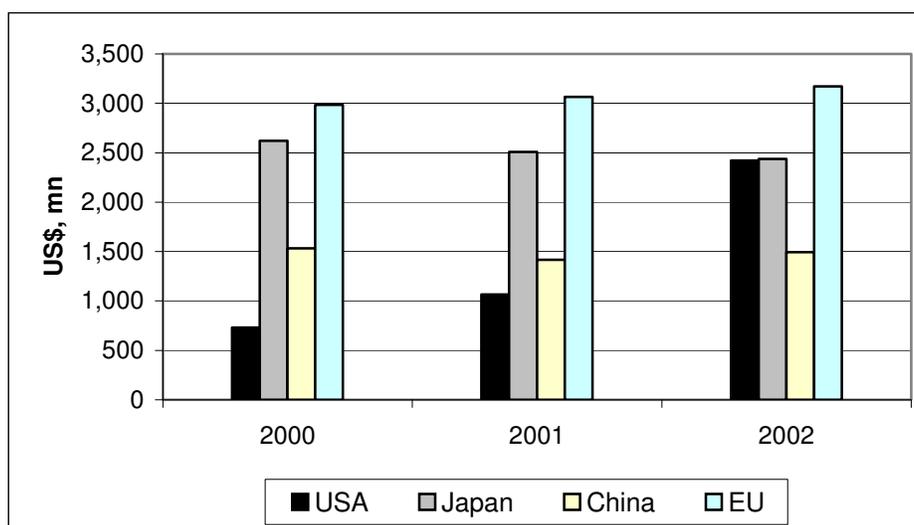
These obstacles might have contributed to the recently announced determination of the Government to join the World Trade Organization (WTO) as early as end-2005, if possible (see box 1).

**Table 2: Export Performance**

	Value, US\$	Share of exports	Growth rate, year-on-		Contribution to
	million	in percent	year in percent	year in percent	export growth
	5 months-2003	2002	2002	5 months-2003	5 months-2003
Total export earnings	7,897	100.0	11.2	31.3	
Crude oil	1,690	19.6	4.6	40.7	8.1
Non-oil	6,207	80.4	12.9	29.0	23.2
Agricultural commodity	902	11.8	5.0	22.2	2.7
Seafoods	708	12.1	13.8	7.8	0.9
Mining products	72	1.0	41.0	7.1	0.1
Garment	1,390	16.5	39.3	70.7	9.6
Footwear	891	11.2	19.7	21.8	2.7
Electronics & computers	268	2.9	-17.4	39.4	1.3
Handicraft & fine arts	156	2.0	40.7	7.9	0.2
Other	1,820	23.0	1.9	23.9	5.8

Source: General Statistical Office and General Department of Customs.

**Figure 1: Value of Exports to Top Markets**



Source: General Statistical Office and General Department of Customs.

### Box 1: The WTO Accession Process

A forum on Vietnam's readiness for accession to the WTO was held in Hanoi and HCMC in early June. The forum was attended by senior policymakers from central and local government, entrepreneurs, academics, and international partners. The forum was opened by Deputy Prime Minister Nguyen Tan Dung, and Prime Minister Phan Van Khai met and conferred with speakers after the forum in Hanoi.

Negotiations and lobbying in Geneva and elsewhere play an important role in the process, but at the same time it is clear that accelerating domestic reforms will be crucial for the ambitious plan of joining WTO by end-2005. WTO accession will require fundamental changes in the structure of the economy, with a level playing field for all enterprises, and a transparent and unified legal framework. WTO accession is a good opportunity for Vietnam to accelerate domestic reforms and achieve the goals set by the 9<sup>th</sup> Party Congress in 2001, especially for SOE and banking reform, as well as private sector development.

The most important challenges for Vietnam's accession are not associated with tariff reductions and liberalized trade in goods, as significant progress has already been made in these areas. They are rather associated with the so-called *behind-the-border issues*. These issues refer to the appropriate extent of competition and regulation in areas such as finance, the legal system, intellectual property rights, investment, and transparency in general.

To ensure that Vietnam can accede the WTO as planned, a detailed WTO-roadmap for domestic reforms in all relevant areas needs to be developed. But deeper integration with the world economy entails both opportunities and risks. It is therefore important to also set up mechanisms to cope with the potentially adverse impacts of integration. These include social safety nets for redundant workers, the promotion of corporate social responsibility, and the development of hedging instruments against the effects of commodity price volatility.

With about a fifth of the country's export earnings accruing from crude oil, Vietnam is the third biggest oil exporter in South East Asia. As exports and imports of petroleum products are almost equal in value, Vietnam is well guarded against the most immediate impacts of oil price swings.

The overall import bill for the first five months of the year rose to US\$ 10 billion, resulting in a trade deficit of around US\$ 2.1 billion. The trade gap is the result of higher prices of imported goods, and also increasing imports of machinery, petroleum products, intermediate goods, and fertilizer. Lumpy expenditures on generators and equipment for large energy projects alone accounted for US\$ 1.2 billion of imports in early 2003. As investments feed into expanded economic activity in the future, the higher trade deficit does not appear to be a source of concern at present. The State Bank of Vietnam (SBV) continues to consolidate international reserves, which now cover 10 weeks of imports. Sources in the Vietnamese banking industry estimate that remittances from overseas Vietnamese crossed the US\$ 2 billion mark in 2002, and are likely to increase further in 2003. This development is closely linked to the confidence that the signing of the US-Vietnam trade agreement has instilled. The Government has also embarked on a policy to improve the investment climate for overseas Vietnamese specifically, while also expanding access to money transfer services across the country.

### **3. *Limited impact of SARS***

The service sector is emerging as an increasingly important engine of growth. Its dynamism is partly sustained by tourism. Arrivals of international visitors increased by 12 percent last year. In the first three months of 2003 it increased 11 percent, year on year. This was prior to the SARS alert. Despite Vietnam having been declared SARS-free, the immediate impact of public perceptions about the disease is showing in the vacancy rates of international hotels in Vietnam, and in canceled flights to and from Vietnam. Leading hotels that reported occupancy rates of 85-90 percent in the first quarter of 2003 were closer to 10-20 percent in May. However, in June a recovery in arrivals is already apparent.

The tourism sector accounts for roughly 3.5 percent of GDP in Vietnam. In 2002, around 2.6 million foreign tourists and business arrivals were registered. This number had been poised to grow by around 15 percent in 2003, and the figures for the first quarter of 2003 confirmed this trend. However, Vietnam's General Statistical Office (GSO) reported a 55 percent decline in arrivals from April to May of this year. This has caused an 11 percent decrease in the number of international arrivals in the first five months of 2003 compared to the same period of 2002. Although substantial, this is a much less severe slowdown than had previously been feared. If the number of foreign arrivals is reduced by this magnitude over the current and next quarter of 2003 only, and the trend growth of previous quarters resumes thereafter, international arrivals are likely to be at least maintained at last year's level in 2003 as a whole. Under this assumption, the shock to the tourism and travel industry could trim real GDP growth by between 0.2 and 0.4 percentage point this year.

There could be some disruption to trade and transportation if business travel remains subdued. This would be the case if current supply contracts are not renewed and new deals are not signed. However, sources in the hotel industry indicate that the decline in corporate bookings has reversed, and pre-SARS levels are being approached. It may also be of some comfort to note that most of Vietnam's exports are shipped out of the HCMC area, which has so far been unaffected by SARS.

## **B. POVERTY REDUCTION**

Vietnam completed a new household living standards survey (VHLSS) in 2002, allowing a more accurate monitoring of the development indicators identified in the CPRGS. The sample of the VHLSS is much larger than that of previous household surveys, making it possible to compute poverty indicators at the regional level. In parallel, several efforts are currently under way, with support from international donors, to conduct regional poverty assessments. The availability of new household survey data, and the findings of the regional poverty assessments, will lead to a thorough update of

trends in poverty and inequality by December 2003. In the meantime, some interesting patterns are already emerging.

### *1. Trends in Poverty*

The proportion of the population with per capita expenditures under the poverty line dropped dramatically during the last decade from 58 percent in 1993 to 37 percent in 1998. Preliminary estimates based on the VHLSS, by GSO, indicate that the overall poverty rate has been reduced to around 29 percent in 2002 (see table 3). Poverty declined in most regions, and in some of them, such as the Mekong delta, it did so at a remarkably fast pace. However, the rate of decline, and the incidence of poverty, vary greatly across regions (see table 4). In one case, the Southeast, there is even a slight increase in the poverty headcount. This trend, which could reflect migration to booming regions leading to new forms of poverty, deserves careful attention. More generally, further integration with the world economy is likely to increase the gap between urban and rural areas, as well as between skilled and unskilled workers. The effective delivery of social services to the poor is key to sustain further gains in poverty reduction.

**Table 3: Poverty and Inequality**

	<b>1993</b>	<b>1998</b>	<b>2002*</b>
National poverty rate (in percent)	58	37	29
Urban poverty rate (in percent)	25	9	6
Rural poverty rate (in percent)	66	45	34
Gini inequality index (from 0 to 1)	0.33	0.35	n.a.

**Sources:** GSO. Data for 1993 and 1998 are from the Vietnam Living Standards Survey 1992/93 and 1997/98. Data for 2002 are preliminary estimates from VHLSS.

Further analytical work will be conducted in 2003, with the participation of Vietnamese experts and support from various donors, to assess the robustness of the trends in poverty reduction revealed by these tables. The analytical work will also aim at identifying the main correlates of poverty, and to understand how market opportunities, public policies and participation affect the well-being of poor households. The work is expected to include a review of the methods used to identify poor communes, and poor households within each commune, and an assessment of the links between governance at the local level and poverty. This work will be conducted in parallel with an ongoing effort by MPI to roll out CPRGS to the provinces (see box 2). Its results will be available at the Consultative Group meeting of December 2003.

**Table 4: Incidence of Poverty by Region**

	1993	1998	2002
Northern Uplands	79	59	43
Red River Delta	63	29	22
North Central	75	48	42
Central Coast	50	35	24
Central Highlands	70	52	51
South East	33	8	10
Mekong Delta	47	37	22

**Source:** GSO. Data for 1993 and 1998 are from the Vietnam Living Standards Survey 1992/93 and 1997/98. Data for 2002 are preliminary estimates from the VHLSS. In the VHLSS the Northern Uplands have been divided into two regions, Northeast Mountains and Northwest Mountains. The poverty rate reported in this table for the region as a whole is computed as the population weighted average of these two regions.

### Box 2: Rolling out CPRGS to the Provinces

The CPRGS is currently being rolled out under three main activities: i) regional workshops to discuss the approach and its implication for sector and local planning processes; ii) regional poverty assessments focusing on specific dimensions of poverty in each region; and iii) support to selected provinces and sector ministries in a pilot to integrate the CPRGS process into local and sector planning.

The objective is to help provinces and sectors develop pro-poor socio-economic development plans, with targets and policies, based on strong situation analysis, and appropriate budget allocation and management. This requires effective coordination between central, sectoral, and local levels. The Government is committed to completing the integration of the CPRGS into local and sector planning process by 2010. This year, the plan is to do pilots in a dozen provinces, to help develop plans for 2004. Several donors have committed to support this process. Regional poverty assessments will include a special part on assessment of targeting mechanisms in addition to quantitative data analysis and participatory poverty assessment. This is to address a strong demand not only at central but also from local levels for developing appropriate targeting approaches for and guideline on identifying beneficiary for anti-poverty programs.

These pilots and the underlying poverty assessments will serve to inform provincial policy makers in the preparation of their next budgets following implementation of the new Budget Law. In parallel, activities to integrate the CPRGS into sector planning will take place to improve capacity to deliver services for those sectors that play a key role in reducing poverty and keeping development inclusive. Given the trend towards increased decentralization in Vietnam, with the associated increase in local fees and out-of-pocket payments, allocation of resources at all levels will be central to the improvement of service delivery.

## 2. Poverty across localities

Since early 2003 a team of Vietnamese government officials and university researchers has worked in computing poverty estimates at the local level (e.g. districts and communes). The overall purpose of this “poverty mapping” exercise is to help strengthen the targeting of transfers to the poor. Poverty mapping can also be instrumental in monitoring and evaluating progress in CPRGS implementation.

Poverty mapping exercises combine the richness and depth of detailed household surveys with the coverage of population censuses. Surveys like the VHLSS can be used to assess the poverty status of the households interviewed, but they only cover a limited number of communes. Population censuses, on the other hand, include virtually all the households in the country, but only gather information on a few of their characteristics. The recently completed poverty map of Vietnam combines information from the 1998 household survey and the 1999 population censuses (see box 3).

### Box 3: Mapping Poverty in Vietnam

Poverty tends to have a strong spatial dimension, as poor people usually get clustered in specific areas. Aggregate (or even regional) poverty data mask this spatial variation in poverty, involving some times huge gaps across neighboring communes. Poverty mapping is a spatial representation and analysis of indicators of human well-being and poverty. It can help identify and uncover poor areas that might otherwise go undetected. That is in particular true if the maps provide poverty estimates for small areas.

Decision-makers need information tools such as poverty maps to help them identify areas where development lags and where investments in infrastructure and services have the greatest impact. The maps presented in this report were developed using a method called “small area estimation”. The method relies on a set of identical variables in both the 1999 Population Census and the 1997/98 Vietnam Living Standards Survey. Using regression techniques, the relationship between these variables and levels of consumption expenditure are estimated using the survey data. This relationship (the coefficients) were then used to predict the consumption expenditure and poverty status for each household in the census.

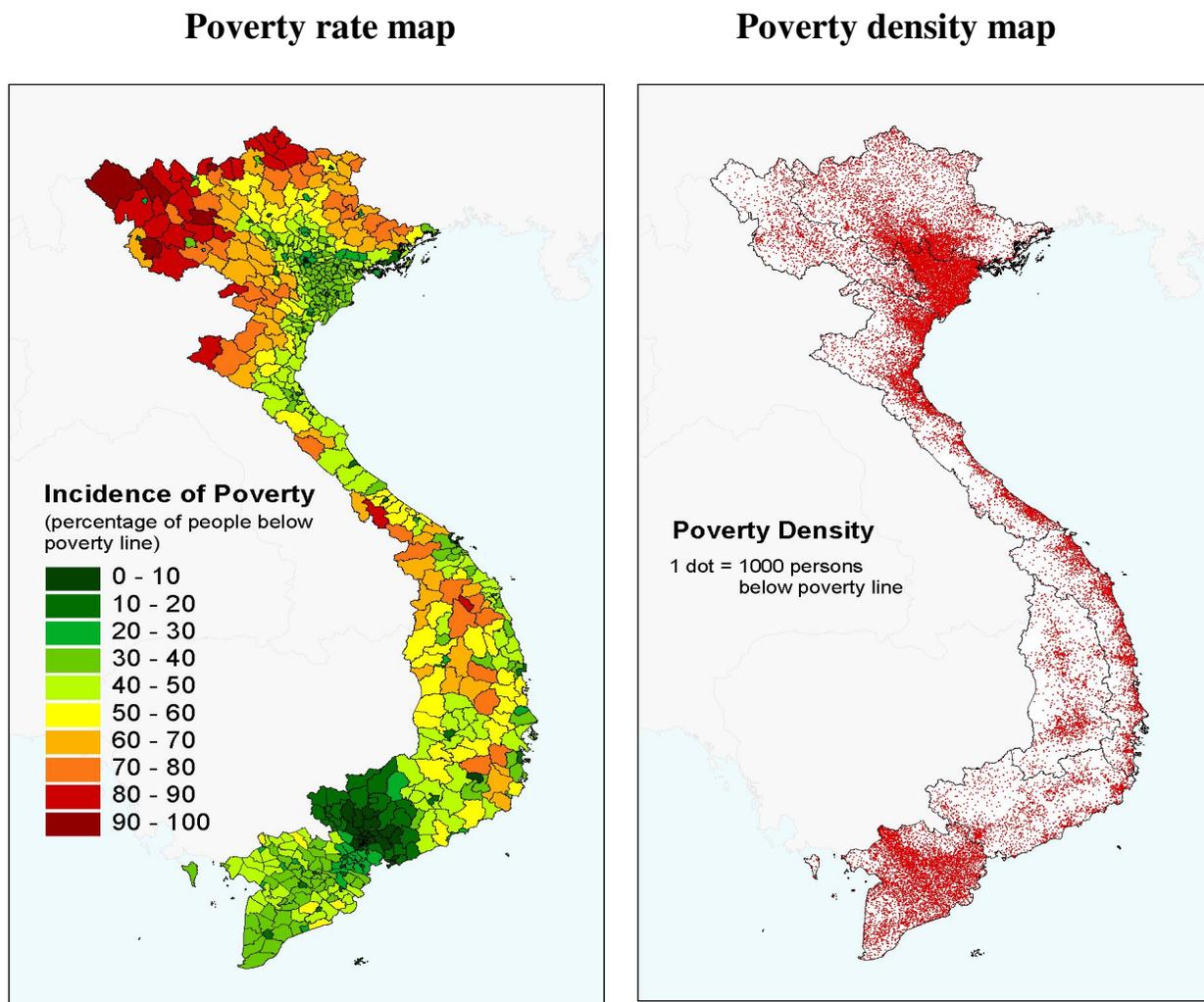
The Poverty Map of Vietnam results from a collaboration involving Vietnamese institutions and support from donors. On the Vietnamese side, the lead agency was the Information Center of the Ministry of Agriculture and Rural Development (MARD). Also participated the Ministry of Labor, Invalids, and Social Affairs (MOLISA), MPI, the Ministry of Finance (MOF), GSO, and representatives from the National Economics University, the Hanoi Agricultural University, the Institute of Economics and others. International support was provided by the International Food Policy Research Institute (IFPRI) and the Institute for Development Studies (IDS).

A poverty mapping exercise exploits data from these two sources, through a four-step process. First, household characteristics that can be found in both the population census and the household survey are identified. The size and composition of the household, by age and gender, are among those characteristics. Second, the relationship between poverty and those characteristics is studied using data from the household survey. Once a robust relationship between household characteristics and poverty has been estimated, it can be applied to all the households in the population census, to infer

their poverty status. Aggregation of the results across districts and communes serves as the basis to “map” poverty by locality.

In May 2003, preliminary results from this exercise were released under the form of maps depicting poverty rates and poverty density. The former focuses on the share of the population who live in poverty in any particular district. From this perspective, poverty is most severe in the Northern Mountains and the Central Highlands (see the left panel of figure 2). If, on the other hand, poverty is measured through the actual number of poor people, the geographical distribution of poverty is almost reversed (see the right panel). Final results from the poverty mapping exercise will be presented and disseminated in July/August 2003.

**Figure 2: Poverty Maps Based on 1998-99 Data**



*Source: GSO, based on data from the 1999 Population Census and the Vietnam Living Standards Survey 1998.*

**PART II**  
**DEVELOPMENT POLICIES**

## A) TRANSITION TO A MARKET ECONOMY

### *1. Integrating into the World Economy*

Vietnam has demonstrated firm commitment to trade liberalization in recent years. Integration with the world economy has become one of the corner stones of the reform program. So far, Vietnam has locked-in its intention to create a more competitive and open economy by committing to several comprehensive international trade agreements, including the ASEAN Free Trade Area (AFTA), and the Bilateral Trade Agreement with the US (USBTA).

#### *Government measures*

From 2000 to 2002, quantitative restrictions (QRs) were removed for paper, liquor, floor tiles, construction glass, steel, vegetable oil and passenger vehicles up to 9 seats. Tariffs were not raised on these products, except for vegetable oil. As a result of this process, the coverage of QRs fell from 20 percent of imports and 22 percent of production in 2000, to 13 percent and 4 percent respectively in 2002.

Vietnam is well on its way to full compliance with its obligations under AFTA. As of July 1<sup>st</sup>, 2003 the last tranche of tariff lines in the Temporary Exclusion List will be transferred to the Inclusion List. Tariffs on this list will be lowered to at most 20 percent. At the same time, a custom valuation based on the ASEAN Harmonized Tariff Nomenclature will be applied for ASEAN imports. The tariff level will be reduced in subsequent years with the ultimate target being a range of 0 to 5 percent in three-years time. As of today, the average (un-weighted) Common Effective Preferential Tariff rate under AFTA is about 9.3 percent, down from 10.7 percent in 2002.

Under the USBTA, which came into force on December 10<sup>th</sup> 2001, US tariffs on imports from Vietnam have been dramatically reduced, from around 40 percent to about 4 percent. In 2002, Vietnamese exports to the US increased by 128 percent compared to an increase of 10 percent in Vietnamese exports to the whole world. Many of the commitments that Vietnam has signed up under this agreement will require comprehensive changes in laws, regulations, administrative procedures and institutions. Many of these commitments will be phased in over the next two to three years. Vietnam will move much closer to international norms and standards regarding transparency of laws and regulations, intellectual property rights protection, commercial disputes settlement, market access for trade in services, foreign investment regulations, customs procedures, and business facilitation.

The Government submitted its application to join the WTO at the beginning of 1995. Vietnam made its initial offer on specific commitments in goods in November 2002, and in services in March 2003. The fifth meeting of the Working Party on accession of Vietnam, held in April 2002, reviewed the status of Vietnam's bilateral access negotiations and action plans for implementation of a number of WTO

agreements, including those related to investment and intellectual property rights. The latest meeting of the Working Party was held in May 2003. At this meeting several delegations stated that Vietnam needs to do more in terms of market access and provision of timely information, and the chairperson of the working group told members that a “quantum jump” is required if Vietnam is to join WTO by 2005.

#### **Box 4: Deepening Reforms for Rapid Export Growth**

Exports have increased by an annual average of 22 percent since 1986. Prospects for continued export growth are bright, given Vietnam’s low starting point, natural resources, dedicated and educated labor force, and the Government’s strong commitment to open trade.

The composition of exports has gradually shifted from a predominance of crude petroleum and agricultural commodities such as rice, coffee, rubber and cashews to more labor-intensive manufactured goods. The share of manufactures in exports began to increase from the mid-1990s and by the turn of the century, manufactured goods accounted for two thirds of total merchandise exports.

The export composition of Vietnam is changing in line with the experience of other East Asian countries. All successful exporters in the region have broadly shared the same development path, from resource-based exports to more labor-intensive exports with gradually higher technology content, using technology-sophisticated foreign investors as key players in this process.

Guided by differences in labor costs and skill levels, multinationals are relocating production processes and component assembly to different countries. To take a slice of this increasingly important export business and value added-chain, Vietnam must make its domestic investment climate more friendly and hospitable.

Vietnam only accounts for 0.2 percent of world non-oil exports and only 0.6 percent of developing country non-oil exports. Even a doubling of exports to US\$ 34 billion will only raise these shares to 0.4 and 1.2 percent respectively. The constraint on high export growth is unlikely to be external: it lies inside Vietnam and can be addressed by the Vietnamese themselves.

**Source:** *Vietnam: Deepening Reforms for Rapid Export Growth*, Kazi Matin, Sarath Rajapatirana and Prema-Chandra Athokorala, Hanoi: The World Bank, forthcoming.

*Support from international partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
AFD/DREE (France) <b>EUR 3,000,000</b>	Program of Enforcement of Vietnam Commercial Capacities.	2003-2005
AusAID (Australia) <b>US\$ 12,000,000</b>	Vietnam-Australia training project on International Commercial Law providing six-month training for participants from various Vietnamese institutions, including courses in chairing and negotiation skills for international fora.	1997 – 2002
AusAID (Australia)/ World Bank	Sugar industry study Petroleum price and marketing arrangement Study on the distributional consequences of trade and investment liberalization.	Completed in 2002  In progress
Belgium <b>US\$ 89,000</b>	Assess socio-economic impact of WTO accession	Ongoing
CIDA (Canada) <b>US\$ 860,000</b>	Strengthen the capacity of the MOJ in identifying and developing legislation, including amendments to existing legislation, for their conformity with WTO accession requirements.	2002-2007
CIDA (Canada) <b>US\$ 5,800,000</b>	The Economic Integration Program (EIP) in Southeast Asia will assist six selected countries (Thailand, Philippines, Indonesia, Cambodia, Vietnam and Lao PDR) to develop their capacity to meet WTO obligations and integrate their economies into the global trading system in the following areas: trade in agricultural goods, trade facilitation and customs administration, and GATS and financial services.	2003-2008
European Commission <b>EUR 3,100,000</b>	Multilateral Trade Policy Assistance Program (MUTRAP) - Training in trade policy and WTO framework/ Studies on agriculture and services trade related issues - Support to the management of the WTO accession process for the Ministry of Trade - Research on the impact of service liberalization - Fostering knowledge of the Doha Development Agenda; - Establishment of the Technical Barrier to Trade (TBT) and Sanitary/Phytosanitary (SPS) enquiry points;	Ongoing 2001-2004
European Commission <b>EUR 5,100,000</b>	Multilateral Trade Policy Assistance Program (MUTRAP-Phase II)  Strengthen the capacity of the government of Vietnam and Vietnamese stakeholders for managing WTO accession and meet their commitments and challenges from other international trade related agreements.	Planned 2004

(Activities similar to MUTRAP phase I)		
European Commission <b>US\$1,700,000</b> (Vietnamese component)	EU-ASEAN Intellectual Property Rights Co-operation Programme  the general objective of this regional EC/ASEAN program is to enhance EU/ASEAN investment and trade. The specific objective is to achieve further economic co-operation by upgrading the ASEAN intellectual property rights systems, in line with the highest international standards and practices.	1999-2006
Finida (Finland) <b>US\$ 2,200,000</b>	Capacity development for MOT, Vietnam Institute of Trade. Training of trade officials in Finland and Vietnam Funding WTO experts from Finland	First phase completed Second phase 2000 - 2002
France -- Ministry of Foreign Affairs <b>US\$ 1,850,000</b>	Training programs and technical assistance to the NCIEC and line ministries for economic integration and WTO accession	2003-2006
Italy <b>US\$ 400,000</b>	Assistance to develop subsidy and countervailing policy in relation to WTO accession.	2002 - 2003
JICA (Japan) <b>US\$ 766,000</b>	TA project on WTO issues	2001-2002
NZAID (New Zealand) <b>US\$ 185,000</b>	English language training for trade policy specialists  Scholarships for Masters level study at Hanoi National Economic University on trade liberalization topics	Current  Current
Sida (Sweden) <b>US\$ 200,000</b>	Technical assistance on rules of origin	Ongoing
Sida (Sweden) <b>US\$ 47,500</b>	Strengthening of research capacity for Vietnam Institute of Trade	Ongoing - 2005
Switzerland (seco)	Policy Advice towards Vietnam's WTO accession	Ongoing
Switzerland (seco) (ITC executed) <b>US\$ 2,000,000</b>	Support to Trade Promotion and Export Development. Assistance to the Government in trade promotion both at central and local levels	Phase II: in preparation mid-2003 – 2006
Switzerland (seco) <b>US\$ 1,800,000</b>	Technical assistance in enforcement of Intellectual Property Rights as set forth in international treaties.	Ongoing
Switzerland (seco)/ UNDP-Unctad	WTO Accession. Capacity development for WTO negotiation and trade policy formulation	Completed in 2000
UNDP <b>US\$ 3,000,000</b>	Equitable Management of Globalization	2002 – 2005
UNDP <b>US\$ 136,000</b>	Assistance for implementation of Vietnam's commitments and obligations under trade and trade-related agreements	2001 – 2002
UNDP	ASEAN Integration. Conducting a series of researches on	Completed

<b>US\$ 250,000</b>	issues of ASEAN integration Long-term vision for integration with the world Stock taking of Vietnam's Economic Integration Commitments	Ongoing  Completed in 2002
USAID (United States) <b>US\$ 8,000,000</b>	Support for Trade Acceleration (STAR) program. Assistance to the Government of Vietnam in legal and policy reforms consistent with its trade and investment commitments under the U.S -Vietnam Trade Agreement (BTA)	2001-2004
USAID (United States) <b>US\$2,000,000</b>	Trade and Law Exchange and Partnership program – a Grant to the U.S Vietnam Trade Council (U.SVTC) to provide assistance to the BTA implementation with particular focus on the BTA commitments related to WTO disciplines.	2002-2004
USAID (United States) <b>US\$1,500,000</b>	Strengthening the newly-established National Economics University/Business School to become self-sustaining to support trade and investment reforms in Vietnam, thereby improving the environment for Vietnam's integration into the global economy.	2000-2002 Completed.
USAID (United States) <b>US\$2,235,000</b>	International Commercial Law and Trade Policy Technical Assistance program conducted by USVTC. Assistance to the GVN (Ministry of Trade) to accelerate the negotiation and signing the BTA, and supporting many issues relating to the BTA implementation, WTO accession and overall issues of legal reform necessary for Vietnam's integration into the global economy.	1997-2002 Completed in 2002
World Bank	Vietnam: Deepening Reforms for Rapid Export Growth; an assessment and policy recommendations for improving Vietnam's competitiveness	Completed in 2003

## *2. Improving the Investment Climate*

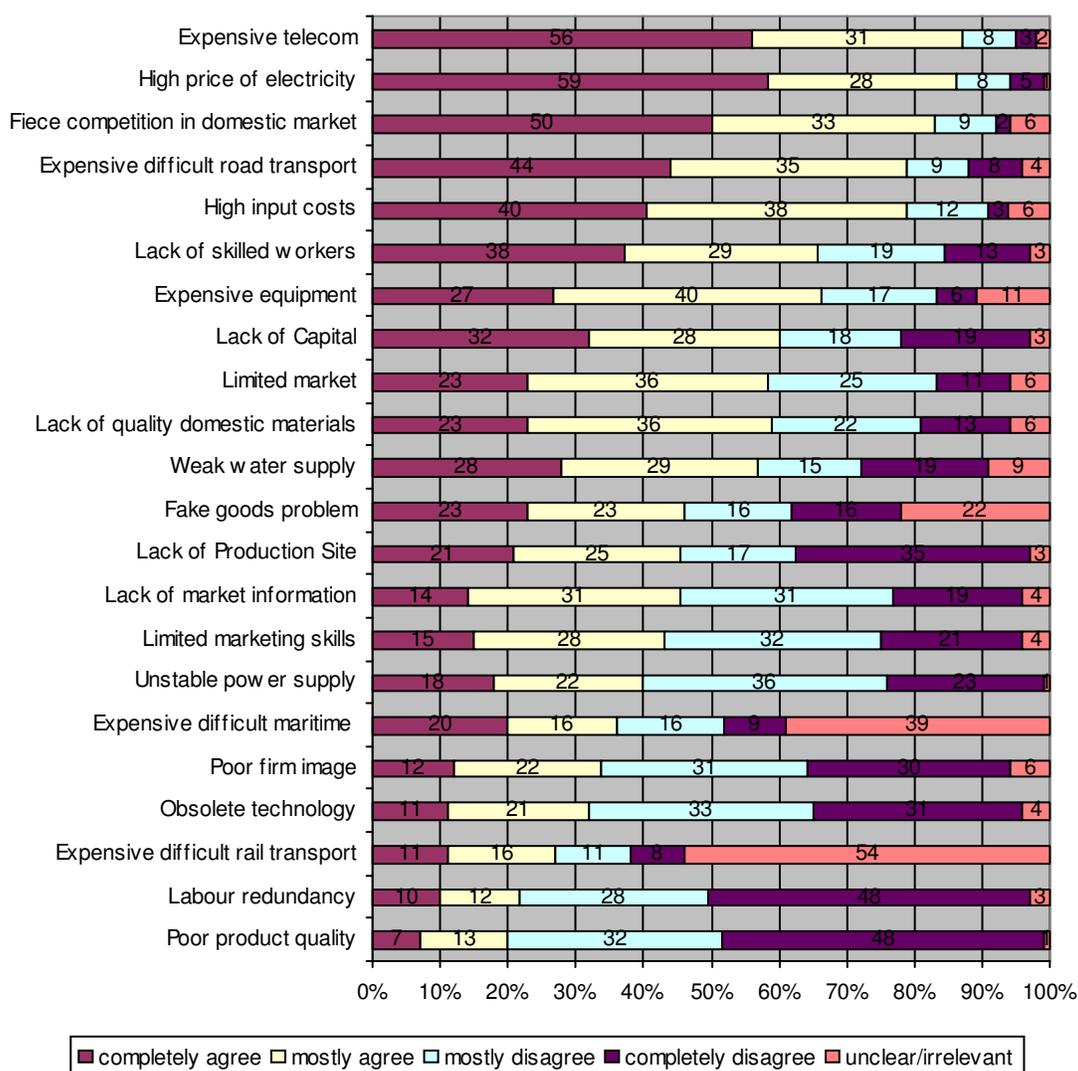
Despite its impressive growth performance, the private sector of Vietnam remains small and fragile. As of 2002, the formal portion of it accounted for less than 10 percent of GDP. New registrations of enterprises rose from 14,000 in 2000, to 19,000 in 2001 and to 21,000 in 2002. Overall, these enterprises provide 1.5 million jobs, but this is still less than 5 percent of the labor force.

### *Government measures*

In 2002, the National Assembly approved changes to the Constitution making the private sector a key pillar of the economy, and recognizing the right of enterprises and entrepreneurs to determine their form of business and to operate in sectors not prohibited. The Fifth Party Plenum, in March 2002, endorsed the private sector as an important contributor to employment creation, income generation and budget revenues. It called on

the leaders of the country to encourage it, and issued a resolution proposing policies to facilitate private sector development.

The most severe constraints faced by Vietnamese enterprises result from barriers to competition in key sectors of the economy, as well as from poor infrastructure. Figure 3 below highlights the constraints faced by Vietnamese enterprises in manufacturing. This figure is based on a survey of 185 firms selected through stratified sampling among 4,402 respondents to GSO's recently completed Enterprise Census. The sample includes private enterprises, state-owned enterprises, and foreign enterprises. The survey was conducted by the Institute of Economics at the National Center for Social Sciences and Humanities. The majority of firms indicate the high cost of telecommunication services and electricity as areas of major concern. Other noticeable constraints include expensive and difficult road transportation, and limited access to capital. Interestingly, the surveyed enterprises rank internal factors, such as poor product, over-staffing or obsolete technology, as the least important limitations to their success.

**Figure 3: Importance of Business Constraints**

**Source:** *WTO Accession and Vietnamese Manufacturing Firms: Awareness, Perception, and Possible Responses* (National Center for Social Sciences and Humanities Institute of Economics), Hanoi May 2003.

More than 50 business licenses affecting private entry and operation were removed or modified over the past two years, and a decree outlining support for the development of private small and medium enterprises (SMEs) was issued. A secured transactions registration agency was made operational in both Hanoi and Ho Chi Minh City in March 2002, to facilitate execution of mortgages permitted under the Securities regulation. Steps have also been taken to gradually phase-out dual pricing for foreign and domestic entities.

Last year, to further accelerate private sector development, the Government issued Directive No. 17, which provided specific instructions to MPI and People's Committees of the provinces and centrally-run cities on actions to improve the implementation of the

Enterprise Law and to promote firm entry more generally. Thus, provincial and municipal planning and investment services are requested to immediately leave without effect all regulations on business registration procedures which are contrary to the provisions of Enterprise Law. The Directive also mandates MPI, in coordination with others, to draft a decree announcing the list of valid permits.

In May 2003, the National Assembly passed a revision to the Corporate Tax Law to unify the tax regime. Under the new tax law all businesses in Vietnam, domestic and foreign, will pay the same tax rate of 28 percent.

On July 1<sup>st</sup> 2003, an ordinance on commercial arbitration issued by the Standing Committee of the National Assembly will take effect. This ordinance deals with the organization of proceedings to resolve disputes arising during commercial activities. The new definition of “commercial activities” extends far beyond the 14 commercial acts currently set out in the Commercial Law. It is expected that this ordinance will bring greater clarity and efficiency to arbitration in Vietnam.

Of the 21 listed enterprises on the HCM City Stock Exchange, nine have foreign ownership ratios at or near the 20 percent of shares that are allowed under current regulations. These equity holdings amount to around US\$ 14 million, or 10 percent of market capitalization. Recent legislation failed to remove the cap on foreign holdings in listed companies; the recent liberalization of the foreign investor ownership to 30 percent, only applies to unlisted firms. However, a pending Decree will, for the first time, allow foreign invested enterprises to list on the local exchange.

#### *Support from international partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB <b>US\$ 5,000,000</b>	Equity Investments in the Mekong Enterprise Fund (MEF) and Mekong Capital Ltd. (MC) Investment Fund for SMEs in Cambodia, Lao, PDR, and Vietnam.	Approved and ongoing
ADB <b>US\$ 1,000,000</b>	Rural Business Support Services, including business advice, credit facilitation service, market information and training.	2002-2003
ADB <b>US\$ 80,000,000</b>	Rural Enterprise Finance Project provides credit lines to rural small entrepreneurs and household businesses through VBARD and CCF.	Ongoing
AFD (France) <b>EUR 35,000,000</b>	Second Financial Sector Program Loan, cofinanced with ADB, to develop the non-banking financial sector. Program to support SME's through the establishing of a trading board for SME's in Hanoi, an accounting assistance center for SME's and the promotion of leasing towards SME's.	2003-2005

AusAID (Australia) <b>A\$ 650,000</b>	Project with Vietnam Women's Union for an SME development project in Tuyen Quang Province.	2003 – 2006
AusAID (Australia) <b>A\$ 10,000,000</b>	Governance capacity building at provincial level. Project applications are invited directly. Typical award of A\$ 200,000.	2003-2006
CIDA (Canada) & Oxfam Quebec <b>US\$ 1,000,000</b>	Support for Women's Economic Development Project: To assist poor women entrepreneurs in three provinces to start businesses or expand their existing businesses and to integrate them to Vietnam's newly emerging private sector.	1999-2003
Danida (Denmark) <b>US\$ 3,500,000</b>	Support to private sector development through business to business cooperation between Vietnamese and Danish SMEs.	1997 – ongoing.
Dansk Industri (Denmark)	Support to private business associations in Hanoi; planned in HCM City.	2002 – 2003
European Commission <b>EUR 1,120,000</b> (revolving fund of EUR 20,000,000)	SMEDF Phase II Provision of medium and long-term financing to SMEs through commercial banks with the financial resources retrieved from the reimbursement of loans granted under SMEDF I (approx. 20 million euro). Additional grand to cover the TA is US\$1,120,000.	2003 – 2006
European Commission <b>EUR 9,000,000</b>	Private Sector Support Program: Promotion of the private sector and modernization of the Vietnamese economy. Focusing on two specific objectives: Creating a supportive business environment for enterprise growth and overcoming market deficiencies in the provision of business support services to smaller enterprises.	Planned 2004
European Commission <b>EUR 3,000,000</b>	Small Project Facility: Support to the on-going reform process of Vietnam's economy and systems of governance through an enhanced involvement of civil society partners, in the areas of, among others, regional integration and integration in the world economy.	Planned 2003
European Commission <b>EUR 2,000,000</b> allocated for projects in Vietnam)	ASIA-INVEST Phase I: The overall objective of this regional program is to facilitate and promote business co-operation between the European Union and the countries of South and South East Asia as well as China.	Ongoing
European Commission  Allocations depend on proposals submitted throughout the duration of the program	ASIA-INVEST Phase II: Applicable to Member States or Asia developing countries. This regional Program aims to promote and support EU-Asia business co-operation, as well as to strengthen the business environment to increase trade and investment flows between the two regions.	2003-2007

European Commission (Allocation for projects in Vietnam so far amounting to <b>EUR 2,700,00</b> )	Information Technology and Communication: To promote co-operation in the IT&C field between non-profit organizations in Europe and Asia, benefiting in particular, but not exclusively, Small and Medium Enterprises (SMEs), in the following areas of activity: society, e-commerce, education, transport, health, agriculture, tourism and i-manufacturing.	1999-2004
GTZ (Germany) <b>US\$ 8,500,000</b>	Promotion of SMEs. To strengthen the functioning of the market for business development services, focusing on creating a more enabling environment for BDS (regulatory improvements, awareness creation), as well as on 3 specific business services fields: quality and environmental management, social standards; business information; management training.	1994-99 1999-2002 2002-2005
GTZ (Germany) <b>US\$1,100,000</b>	Investment and Cooperation Consulting for Small and Medium-Sized Industries. Assist in the development of the private sector in Vietnam through investment promotion, the facilitation of investment projects, and through other forms of co-operation between German/European and Vietnamese companies. Implemented by GTZ.	2000 - 2003
GTZ (Germany) <b>US\$ 1,900,000</b>	Policy Advice to Support Small and Medium Enterprise (GTZ-MPI): The project aims at supporting the SME Department, to be created under the MPI, in the implementation of the SME Decree, in particular with a view to the creation of an enabling environment for SME, and the design of a consistent SME promotion policy. This project is likely to be part of a larger program which will be prepared in 2003.	Under preparation
GTZ (Germany)	Public-Private Partnership (PPP) to support new forms of collaboration between (German) private industries, GTZ, and respective local partners with a mixture of private and public funds.	N/A
Germany <b>US\$ 750,000</b>	SEQUA/ZDH Partnership Program. German Confederation of Small Business and Skilled Crafts (ZDH) manages this project to promote chambers of commerce & industry and industry associations to improve their offer of BDS, improve internal management and organization, and strengthen their advocacy role. Funded by BMZ.	2003 - 2006
IFC <b>US\$120,000</b>	Sponsorship of the Vietnam Business Forum. Twice a year the VBF brings together high level government officials (from MPI) and representatives from local and foreign businesses to discuss the Vietnamese business environment.	1999 -- ongoing
IFC/UNDP <b>US\$200,000</b>	Improving the Business Environment in Vietnam, funding the administrative reform component.	2000-2002
KfW (Germany) <b>EUR 2,600,000</b>	Rural Credit and Savings Program and economic reform and promotion of the private sector through SME credit lines through VBARD.	2002-2004

KfW (Germany) <b>EUR 5,100,000</b>	Provide medium- and long term loans for small and medium enterprises, loans are extended through ICB.	2001 - 2003
MPDF <b>US\$28,000,000</b>	Mekong Project Development Facility (MPDF). This multi-donor funded facility provides technical assistance to SMEs and promotes SME business support services. Project is funded and managed by IFC; partners include Australia, Canada, Finland, France, Norway, Sweden, Switzerland, UK, ADB, and Japan.	1997 -- Ongoing
Mekong Enterprise Fund (MEF) <b>US\$ 18,500,000</b>	Investments in private SMEs, Investors are ADB, Nordic Development Fund, Finnfund, seco (Switzerland), Bio (Belgium) and private investors.	2002 – ongoing
JBIC (Japan) <b>US\$ 40,000,000</b>	SME Finance Project. Project to provide medium and long-term financing to Vietnamese SMEs in the form of “two-step” loans.	1999-2004
JICA (Japan)	Various policy and technical assistance projects (surveys, experts and training) to promote SME development in Vietnam. Program includes for example study on SME promotion, technical assistance and capacity building in MPI, IT training and assistance.	1997-2002
NZAID (New Zealand) <b>US\$ 1,140,000</b>	Technical support for numerous micro-projects, ranging from chestnut and banana plantations to organic tea production and commercial development of medicinal plants.	Current
PROPARCO (France)	Promotion and financing of the private sector through expertise, services and products : long-term loans, investment in equity and quasi-equity, guarantees and financial engineering.	N/A
Switzerland <b>US\$ 1,500,000</b>	Support the efforts of Vietnamese exporters to penetrate the EU and Swiss markets by providing information, contacts, and training.	1999-2003
Switzerland/UNIDO <b>US\$ 3,000,000</b>	To promote the application of cleaner production in industry in order to prepare companies for successful transfer of environmentally sound technologies to support sustainable development.	1998-2003
UNDP and AusAID <b>US\$2,382,800</b>	“Improving the Regulatory Environment for Business” provides assistance to the Central Institute for Economic Management, MPI.	Ongoing
UNDP <b>US\$546,000</b>	Entrepreneurship development program for women in food processing in Central Vietnam to train women entrepreneurs in the processing of food products at micro and small-scale levels.	2001-2004
UNIDO & Belgium <b>US\$594,700</b>	Entrepreneurship Development Program for Women in Food Processing in Central Vietnam.	2001 - 2004
USAID	Vietnam Competitiveness Initiative (VNCI I). Assistance for private sector “clusters” in development and	2002-2003

(United States) <b>US\$400,000</b>	implementation of industry-focused process strategies that make them more competitive in the global marketplace.	
USAID (United States) <b>US\$6,000,000</b>	Vietnam Competitiveness Initiative (VNCI II). Support Vietnam's indigenous private sector by improving the enabling environment, increasing private sector's capacity through providing training and information, and improving access to technology and credit.	Beginning October 2003 to 2006
World Bank <b>US\$122,000,000</b>	Rural Finance Program to increase resources available for short, medium, and long term credit to rural areas and increase competition in supply of rural financial services. Through the Rural Development Fund (RDF) and Participating Financial Institutions (PFIs).	2003 – 2009
Foundations and NGOs	Apart from bilateral and multi-lateral donors, many other organizations are active in micro- and small and medium sized business development. For example Asia Foundation (Monthly Business Forums, Research projects), Mary Knoll Foundation (Small Enterprise Development Program), etc...	Ongoing

### ***3. Reforming State-Owned Enterprises***

The Government's strategy to reform the state enterprise sector has focused on fostering competition in product markets through trade liberalization, achieving a more level playing field with the private sector, and hardening the budget constraint, through the suppression of Government subsidies and the introduction of a ceiling on the growth of banking credit. This year a new SOE reform schedule is being adopted. It is made of 104 divestiture plans by line ministries, provinces and General Corporations (GCs).

#### *Government measures*

Vietnam has been implementing an SOE reform plan which comprises specific measures to equitize, liquidate, and sell off small and medium SOEs, and general measures to promote greater transparency, competition and financial accountability for the SOEs remaining in Government hands.

Numerical targets for SOE reforms were set in 2001 for annual divestitures or liquidations. While progress on these specific measures is undeniable, a slowdown in the process was noticeable by end- 2002 (see table 5). So far, just over half of SOE transformations have taken place in industry and construction sectors. The service sector accounted for a third of transformations, followed by transportation (8 percent). Most transformed enterprises were small. Almost 90 percent of them had a chartered capital of less than VND 10 billion.

**Table 5: Number of SOE transformations by sector**

	To 1999	2000	2001	2002	2003, as of June 1
<b>Total</b>	<b>370</b>	<b>250</b>	<b>282</b>	<b>214</b>	<b>165</b>
Transportation	38	26	21	8	
Service	151	75	90	66	
Industry/Construction	165	136	150	115	
Aquaculture	6	5	6	5	
Agriculture	10	8	15	20	
<b>Size</b>					
Above VND 10 billion	43	26	43	22	
Below VND 10 billion	327	224	239	192	

**Note:** Transformations include equitizations, transfers, sales, liquidations and bankruptcies.

**Source:** *National Steering Committee for Enterprise Restructuring and Development.*

In addition to divestiture of SOEs, diagnostic audits of 17 SOEs have been conducted and 13 others are nearing completion. Pilot restructuring plans for three GCs (Seaprodex, Vinacafe and Vinatex) were completed in May 2003 and are currently being studied by the National Steering Committee for Enterprise Restructuring and Development and the respective GCs. Among other restructuring recommendations, the plans propose to transform each of these three GCs into a holding company, in line with international practice.

Over the coming three years, equitizations, liquidations and sales of SOEs will be guided by a new reform master plan, consisting of 104 SOE reform plans that have been, or soon will be, approved by the Prime Minister. The plans are based on Decision 58, which classifies all sectors of activity according to the rationale for state intervention in them, as well as on their strategic nature. SOEs in sectors where state intervention is not justified are to be divested, sold or liquidated over period 2003-2005. Unlike previous plans for SOE reform, the new master plan identifies the enterprises to be divested by name, and indicates a specific year for the ownership transformation to be carried out. The plan also indicates the relevant supervisory authority, the charter capital, number of employees and level of debt. The plan will be publicized in a medium that is accessible to all stakeholders including SOE management and potential bidders. Directive 01 establishes sanctions for SOE directors who fail to divest their enterprise as planned.

The SOE reform master plan will leave roughly 3,000 SOEs in operation. A timely monitoring system of their financial situation, leading to a correct assessment of the fiscal risks involved is essential. However, the current mechanism to monitor the financial situation of SOEs is ineffective. Few SOEs are actually compliant with the reporting obligations established by Decision 167, jointly with Circular 89 on applicable accounting standards. While fines are in principle applicable to SOEs which are not

current, they do not appear to provide the required incentive. A recently drafted Decision on SOE Performance Evaluation and Monitoring indirectly leads to administrative sanctions for lack of compliance. The draft authorizes the separation of directors of SOEs displaying consistently poor performance. The latter is assessed based on a series of indicators, including the timely reporting of financial statements to authorized financial agencies. It is expected that SOEs will be classified in three categories: A, B and C, with sanctions foreseen for the directors of enterprises falling in the third one.

*Support from International Partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB <b>US\$ 1,400,000</b>	Enhancing institutional capacity of key agencies (MOF, SAGO, SBV, SSC) in diagnostic audit of SOEs and in review and approval of SOEs seeking to equitize and obtain public listing (MOF, SAGO and SSC)	Ongoing.
AFD (France) & ADB <b>EUR 35,000,000</b>	Second Financial Sector Program Loan, cofinanced with, to develop the non-banking financial sector. Program to support measures to link the SOEs equitization program and stock trading center listing.	2003-2005
ASEM 5 European (WB administered) <b>US\$ 1,470,000</b> <b>+US\$ 400,000</b>	Support implementation of SOE reform in three line ministries (industry, agriculture, and construction) and two provinces /municipalities (Hanoi and one other). (NSCERD)	Phase I completed, extended to a Phase II – ongoing
Danida (Denmark) <b>US\$ 1,700,000</b>	Support to capacity building in NSCERD in the SOE reform process (NSCERD)	2001 – 2004
DFID (UK) (WB administered) <b>UK £ 1,800,000</b>	Pilot restructuring of three general corporations – Vinatex, Vinacafe, and the Seaprodex (NSCERD)	2001 – 2005
France -- Ministry of Foreign Affairs / ADETEF <b>US\$ 300,000</b>	Training programs implemented by the Academy of Finance (MOF) for 1000 directors of SOEs and technical assistance on SOEs management	2003-2006
GTZ (Germany) <b>US\$ 5,600,000</b>	Support to restructuring SOEs in agriculture (Quang Tri Province, Tan Lam area) by providing advise in implementing equitization plans (People’s Committee Quang Tri, CREM)	Under implementation. expected completion: 2003.
Danida (Denmark) (IFC administered) <b>US\$ 410,000</b>	Dak Lak pilot project to equitize and divest 51 SOEs, using the auction process for equitization.	2000 – 2002
Japan PHRD, AusAID, Danida and World Bank <b>US\$ 7,900,000</b>	Diagnostic audits to assess financial health and performance of selected SOEs, and recommend restructuring plans to turn around enterprises.	2000 – 2004
UNDP <b>US\$2,145,800</b>	“Strengthening the Capacity of the General Department for the Management of State Capital and Assets in Enterprises” by setting up a MIS for SOEs and valuation (GDMSCAE, Ministry of Finance)	Ongoing.

#### ***4. Strengthening the Financial System***

In early 2001, the Government began implementing a comprehensive banking reform program. Its goals are to improve the regulation and supervision of banks, to enhance their transparency and accountability, to improve the financial health of the banking system, and to create incentives for banks to operate on a more commercially-oriented basis.

##### *Government measures*

Overall, progress in implementing the banking reform program has been reasonable, even though improvements in supervision have been limited. One SOCB is slated for equitization in 2005, while remaining SOCBs are to be fully re-capitalized by 2006. The SOCBs have identified their provisioning needs based on IAS audits for the year 2000, and are expected to meet their targets for the resolution of non-performing loans (NPLs) in accordance with their respective restructuring plans.

#### **Box 5: The Banking Sector in Vietnam**

In May 2003, a review of Vietnam's banking sector was published. The intent of SBV, in launching this review, was to produce a document which would stimulate discussion on ways to strengthen the banking system. It is seen as the first of many steps designed to bring about a strengthening of the banking sector.

The review revealed that the salary structure of SOCB management and staff creates inappropriate incentives. It encourages the growth of the individual bank without consideration for the level of risk in lending and operations. Combined with very low interest margins, this results in very weak banks. The low interest margins are also surprising considering the need for re-capitalization, provisions for new lending, and for NPL resolution.

Given the relatively short history of commercially based lending and the quite substantial recent changes in the regulatory environment, the staff of the SOCBs are naturally still in the early stages of mastering sound lending policies and good credit practices.

Supervision of the system is currently weak and needs to be significantly enhanced. Vietnam is still at an early stage in this process. The inspectors' task is very much rules-based and does not involve sufficient judgment in the evaluation of policies and procedures. The relationship between SOCBs and SBV is not conducive to prudent supervision, as SBV acts as both owner and regulator of the banks.

The accuracy and reliability of data that banks submit to SBV is questionable, and reports required of the banks are not well defined and are often ad hoc. The reporting lines from the financial institutions to the various departments of the SBV are not completely clear, resulting in inefficiencies and information overlaps. This appears to limit SBV's ability to effectively supervise the banking sector.

**Source:** *Banking Sector Review, Hanoi: the World Bank, June 2002 (www.worldbank.org.vn)*

The four largest SOCBs are subject to audits of their financial statements based on International Accounting Standards (IAS). Audits for the year 2000 have been completed, and two of the SOCBs have completed such audits for 2001. Loan classification has been brought closer to international practice, with banks now required to consider the entire loan balance as overdue when there are arrears in the servicing of the debt. Previously, only the arrears were considered overdue. Large SOCBs have adopted an interim phased plan to provision fully for NPLs using the estimates from the international standard audits for the year 2000. This plan envisages full provisioning, using own resources, by end 2004 and 2005 for different banks. A series of mergers and the termination of 12 delinquent institutions in the financial sector are evidence of progress towards securing full compliance with banking regulations.

The restructuring plans of the SOCBs include targets for implementation of credit manuals to guide credit and risk analysis in lending operations, and involves the use of explicit Government guarantees for lending to SOEs.

One of the most difficult aspects of the restructuring process concerns the large stock of NPLs. Effective progress on the resolution of NPLs requires an effective approach that could be implemented on a systematic basis over the coming years. The recent establishment of a central Debts and Assets Trading Company (DATC) is a potentially important undertaking in this regard. However, in order to minimize fiscal risks and to avoid undermining efforts towards the resolution of NPLs by SOCB-based asset management companies, the scope of operation of the DATC should be primarily on inter-enterprise debts and NPLs for which the Government has assumed full responsibility. Links between the activities of the central DATC and the operational and financial restructuring of the concerned SOEs also need to be firmly established.

The Government is committed to separating policy lending from commercial lending, as reflected by the creation of the Social Policy Bank and the Development Assistance Fund (DAF). But these institutions need a transparent legal framework to function in a prudent manner. A comprehensive diagnosis of the DAF should be conducted, leading to a revision of Decree 43, which guides its operation.

#### *Support from International Partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB	Micro-finance Institutional framework	2002 – present
ADB	Loan and technical assistance to support rural enterprise finance through VBARD and People's Credit Funds	2000 – present
ADB	Anti-money laundering- assessment and assistance for drafting decree, action plan for FIU establishment	Approved for September 2003

ADB	Money Market Development – assistance for draft the negotiable instruments law	Proposed in May 2003
ADB	Assistance in development of a database for tracking money market transactions	Proposed in May 2003
ADB	Second Financial Sector Program Loan to support the development of alternative channels of market-based financial intermediation (insurance, leasing, securities, etc. market development)	2003-present
ADB	Capacity building for the National Registration Agency of Secured Transactions	2002-present
ADB	Assistance in introduction of operating leases and support for drafting regulation on repossession of leased assets	Approved in April 2003
AFD (France)	Twinning arrangement for ICB	2001 – present
AusAID (Australia)	Capacity building for the improvement of microfinance institutions	2001 – present
CIDA (Canada)	Technical advice on the State Bank and Credit Institutions Laws	Approved for June 2003
CIDA (Canada)	Studies, training and technical assistance to improve low-income household access to formal financial services	1997 – present
CIDA (Canada)	Long-term training and technical assistance to the SBV on supervisory, regulatory and banking services issues	Proposed for October 2003
Danida (Denmark)	IAS Audit 2000 for VCB	Ongoing.
Dutch Central Bank	On-site expertise	Proposed in September 2002
Dutch Embassy	Twinning arrangement for VCB	2003 – present
GTZ (Germany)	Business strategy for VCB	2002 – present
GTZ (Germany)	Pilot Training Internal Auditing for VCB	Completed in 2002
GTZ (Germany)	Reform internal auditing for VCB	2002 – present
GTZ (Germany)	SBV restructuring	2002 – present
GTZ (Germany)	Establish chair for bank auditing at Banking Institute	2000 – present
GTZ (Germany)	Strengthening banking supervision/auditing	2000 – present
GTZ (Germany)	Review of State Bank and Credit Institutions Laws	2003 – present

GTZ (Germany)	Introduction of international standards (Basel Principles)	Ongoing
GTZ (Germany)	Introduction of new monetary policy instruments	Ongoing
GTZ (Germany)	Training SBV and Commercial Bankers, Monetary Instruments	2002 – present
IMF	Workshops in Macroeconomic Policy Coordination	2002 – present
IMF / World Bank	Assistance in directing Credit Manual Preparation	2001 – present
IMF	Safeguards Assessment	2001 – present
INSEE/ADETEF/ Banque de France	Training in Macroeconomic model-building and forecasting	2002 – present
JBIC (Japan)	Pilot Study on Soft Infrastructure development for better Financial Access of SME	March 2003 – present
JBIC (Japan)	SBV Capacity Building as Executing Agency for SME Credit Policies	Dec. 2001-present
JBIC (Japan)	Pilot Study on Soft Infrastructure development for better Financial Access of SME	March 2003-present
JBIC (Japan)	Study On Rural Finance	February 2003-present
JICA (Japan)	Research / seminars on monetary statistics	Completed July 2002
JICA (Japan)	Seminars/courses on financial leasing	January 2003-present
MPDF -- to be coordinated by Bankers Training Center	Training in change management	Proposed in November 2002
Seco/ Graduate Institute for International Studies (Switzerland)	Financial market/policies Train the trainer, HR management/appraisal, empirical research skills	1997-2005
Seco (Switzerland)	Development of credit investment activities (credit assessment analysis, establishment of credit divisions at some JSBs in HCMC)	May 1998 – present
Sida/Swedish Central Bank	Reserves Management Capacity Building	Proposed for 2003
Sida/Swedish Central Bank	Staff exchange	Proposed in 2003
US Government	Training in Reserves Investment	Completed 2003
US	Training on U.S. financial system and money laundering regulations	Completed 2003
USAID-STAR Project (US)	Assessment of and technical workshops on the financial sector implications of the US-Vietnam Bilateral Trade Agreement	2002 – present

USAID-STAR Project (US)	Review and amendment of State Bank and Credit Institutions Laws in support of the US-Vietnam BTA and WTO accession	2002 – present
USAID	IAS Audit 2001 for ICB	Completed November 2002
World Bank / ASEM Trust Fund	SBV Capacity Building in Regulation, Supervision, and Development	Proposed for 2003
World Bank / ASEM Trust Fund	Review of the Banking Sector Legal and Regulatory Framework	Completed May 2000
World Bank	Development Assistance Fund (DAF) – Assess the impact on the financial sector and recommend reform actions	Proposed in 2003
World Bank	Bank for Social Policies (VBSP) – Assess the impact on the financial sector/micro-finance and recommend reform actions	Proposed in 2003
World Bank / ASEM Trust Fund	Support for implementation. of restructuring plan for BIDV	2002 – present
World Bank	Payment System and Bank Modernization Project	1996 – present
World Bank	Second Payment System and Bank Modernization Project	Proposed for 2005
World Bank / ASEM Trust Fund	IAS Audits 2003-2004 for ICB	Proposed for 2003
World Bank	Banking Sector Review	Completed 2002
World Bank	Banking Sector Review Update / Phase II	Proposed for 2003

## B) MAKING DEVELOPMENT INCLUSIVE

### *1. Education Coverage and Quality*

The coverage of basic education expanded considerably in the 1990s. Net enrollment rates for primary school increased from 86 percent for girls and 85 percent for boys in 1993 to 88 and 90 percent respectively in 1998. Gains were even more dramatic at the lower-secondary level, and especially at the upper-secondary level, where enrollment rates quadrupled (see table 6). While this expansion in coverage has not been characterized by gender bias, disparity in enrollment between the Kinh majority and ethnic minorities remains a source of concern. Regional disparities are sizeable as well, especially in terms of student performance.

At the same time, Vietnam has a big task ahead in terms of improving the quality of education. At present, the fiscal transfer norms that channel resources to provinces for education spending are crudely based on population figures. The system is also characterized by a plethora of inputs-based norms which are sometimes contradictory and

often ignored in practice. Yet they act as a shield for deflecting criticism of poor performance. In 2001, Government expenditures for education represented around 12 percent of total expenditures or 2.8 percent of GDP. The average education expenditure in all low and middle income countries in 2001 was somewhat higher at 3.7 percent.

**Table 6: Enrollment Rates**

	1993	1998
Primary enrollment		
Female	86	88
Male	85	90
Lower secondary enrollment		
Female	30	62
Male	32	62
Upper secondary enrollment		
Female	6	27
Male	9	30
Post secondary enrollment		
Female	2	9
Male	4	10

### *Government measures*

The Government's reform program aims at increasing the overall spending in education, while reducing the current dispersion in effective spending per pupil, and at improving quality standards, especially in disadvantaged areas. The program hinges on the combination of two elements: the adoption of school quality standards, and the introduction of resource allocation mechanisms geared towards the attainment of those standards, especially in disadvantaged districts. The overall approach is captured in the Education for All framework (see box 6).

A fundamental upgrade in management practices will take place with the introduction of a Medium-Term Expenditure Framework (MTEF) for the education sector. The Ministry of Education and Training has been selected as a pilot for this exercise, under improved accounting systems and control procedures by MOF. Also scheduled is the adoption of Fundamental School Quality Level (FSQL) standards, which will not only guide resource allocation, but also serve as a lever to facilitate monitoring, both at the central and the provincial level. The FSQL standards will refer to physical infrastructure, teaching staff, school organization and management, social participation in education, educational activities and quality, and expected educational outcomes.

This overall approach is to be complemented by a targeting strategy. An index of educational disadvantage has already been developed, combining net enrollment rates, the percentage of 6-year-old children having access to schooling, and completion rates.

This targeting mechanism identifies a substantial number of districts that have their indices well below the national average. Proposed investments aim at bringing a significant numbers of these districts to the FSQL standards. It is expected that by 2006, at least 40 percent of the educationally disadvantaged zones receive government support to upgrade to the FSQL level. It is also expected that schools receiving the FSQL investments will eliminate all the charges that current are burdens to families, especially the poor.

### **Box 6: The Education for All Framework**

Education For All (EFA) is an exercise in coordination and coherence across different donor-supported programs as Vietnam moves from quantity to quality in a mass education system. The government had prepared a comprehensive education strategy to cover the period up to 2010. In 2000, it asked the to assist with basic education.

Grant funds were mobilized from the Canadian International Development Agency (CIDA), from the UK's Department For International Development (DFID) and from the World Bank to lay out a national EFA framework. Resources were made available in 2001 and work was started in early 2002. Several donors were already assisting Vietnam. They included the Asian Development Bank, with a secondary education master plan, the Japan International Cooperation Agency, with a primary education plan, UNESCO with planning tools, the World Bank, with investments in basic education, UNICEF with basic education, and several international non-government organizations with early childhood care and development, and basic education for minority groups.

A simulation model was used to integrate all goals and plans into a single coherent framework and to extend the target horizon to 2015. Using general economic parameters, the model was used to identify funding gaps and to predict where resource shortfalls were likely to delay or to compromise the achievement of the Millenium Development Goals and the EFA goals.

Donors and the government will jointly review the consolidated EFA framework and explore whether there is a need for additional actions to accelerate the achievement of the EFA goals. Once adopted by the government, the EFA framework will be used by all donors to ensure coherence and coordination of external support.

#### *Support from international partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB US\$ 25,000,000	Secondary schooling teacher training.	2000 – 2006
ADB US\$ 120,000,000	Vocational and Technical Education project.	1999 – 2004
ADB, Belgium & NZAID (New	Lower secondary education project. To develop secondary education by improving quality and increasing access and	1998 – 2004

Zealand) <b>US\$ 52,000,000</b>	strengthening management.	
AusAID/ CIDA (Canada)/ DfID (UK)/ NORAD (Norway)/ World Bank <b>US\$ 243,000,000</b>	To improve access to primary school and the quality of education for disadvantaged children, including school-aged children who are not enrolled or are at risk of not completing their primary education; children with disabilities, street children, migrants or girls in certain ethnic minority areas	2003 - 2009
Belgium <b>US\$ 461,000</b>	Lower secondary education project.	1998 - 2004
DfID (UK) <b>US\$ 4,000,000</b>	English language teacher's training project.	1998 – 2003
CIDA (Canada) <b>US\$ 234,000</b>	Linking schools with industry.	1999 - 2003
CIDA (Canada) UNESCO World Bank <b>US\$ 1,000,000</b>	To provide support to basic education through (1) EFA planning process; (2) Education Forum; and (3) student performance assessments in mathematics and reading.	2001 – 2003
EU <b>US\$ 7,000,000</b>	Support to Ministry of Education and Training.	2000 – 2003
France <b>US\$ 1,340,000</b>	Support to French language training.	2001 – 2003
GTZ (Germany) <b>US\$ 2,854,000</b>	Improvement of Technical and vocational training in Ha Tinh Province	2000 – 2005
JICA (Japan) <b>US\$ 8,000,000</b>	Education and research capacity building project of Hanoi agricultural university.	1998 – 2003
JICA (Japan) <b>US\$ 576,000</b>	Support program for primary education.	2001 – 2004
JICA (Japan) <b>US\$ 7,400,000</b>	Support to improvement of Hanoi Industrial College.	1999 – 2005
Netherlands <b>US\$ 2,600,000</b>	Establishment of 6 community colleges in Vietnam.	2001 - 2005
Netherlands <b>US\$ 254,000</b>	To improve quality of learning and teaching in 19 primary schools in 16 communes in Nhu Thanh district	2000 – 2003
Netherlands <b>US\$ 888,000</b>	Establishment of 6 community colleges.	1999 – 2003
Norad (Norway) <b>US\$ 1,350,000</b>	Building elementary schools in flood-prone areas.	2000 – 2002

NZAID (New Zealand)	Masters-level study awards in New Zealand for lower secondary teacher training college lecturers, under a Vietnam Government/ADB project.	Ongoing
Spain US\$ 470,000	Integral program for education and training of hearing-impaired youth in Hanoi.	2000 – 2003
Sida (Sweden) US\$ 4,400,000	Support to National Economics University Hanoi.	1998 – 2003
SDC (Switzerland) US\$1,400,000	Improve education in environment chemistry & engineering.	1995 – 2002
SDC (Switzerland) US\$1,000,000	Manpower development and promotion of information systems, through information to and training of informatics teachers (Vietnam National University, HCM City)	1995 – 2002
Thailand US\$ 133,000	Thai language program at Vietnam National University.	1999 – 2004
UNICEF US\$ 12,000,000	To support three programs, i.e (1) Early Childhood Development; (2) Primary education “Child friendly Environment School”; and (3) Adolescent Healthy Living Skill	2001 - 2005
World Bank US\$ 83,000,000	Higher Education project to assist universities to modernize.	1998 – 2005
World Bank US\$ 70,000,000	Primary Education project to improve the quality by providing basic inputs and infrastructure.	1994 – 2003
World Bank/DFID US\$ 35,000,000	To lay the foundation for a nationwide program to upgrade primary teaching service.	2002-2005
World Bank/SCF Alliance US\$ 1,900,000	To improve the current situation for young children in rural, mountainous and/or ethnic minority areas.	2003 - 2004

## 2. Better Health

Child mortality and maternal mortality have fallen to levels typically observed in countries whose income per capita is two to three times higher. Malnutrition among children, although still high by international standards, fell considerably during the second half of the 1990s. On the other hand, there is a growing inequality in health outcomes between the poor and the better off. Reliance on out-of-pocket payments is noticeably high by international standards, putting a heavy burden on the poor. Self-treatment has become more common, potentially escalating the level of antibiotic resistance among the population. Coping with a developing HIV/AIDS epidemic is a major challenge as well.

### *Government Measures*

To redress the imbalances in health outcomes, the Government's reform program focuses on changing the financing of health. Public resource allocation by the central government will be more closely linked to health sector's goals and priorities, and the targeting of central government transfers and donor assistance will be improved. An action plan for HIV/AIDS is also part of the process.

In October 2002, the Government issued Decision 139, which makes more funding available for health services for the poor at the provincial level. The Health Care Fund for the Poor (HCFP) created by decision 139 should be used to improve access to quality health services for the poor. The HCFP is to receive funding sufficient initially to reimburse outlays of VND 70,000 per poor beneficiary per year, with 75 percent of this amount financed via publicly allocated resources and the remaining 25 percent covered through community and individual contributions. Attention is needed regarding which beneficiaries and health care services will be covered, and to what extent extra funds from the central government will be made available to pay for those services.

For the longer term, the implementation of an MTEF for the health sector is key to deal with the overall financing issues in a systematic way. Efforts to improve expenditure and financial management at the Ministry of Health are planned for 2003-2004. They will be coupled with on-going technical assistance to MOF to develop an MTEFs for the health sector.

### *Support from International Partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB <b>US\$ 87,000,000</b>	Increase utilization and improve the quality of family health and family planning services.	1997 - 2003
ADB <b>US\$ 70,000,000</b>	Primary and preventive health care project.	Approved November 2000
ADB <b>US\$ 6,170,000</b>	Support to immediate purchase of equipment and supplies to increase Vietnam's ability to detect and prevent future cases of SARS.	2003
AusAID (Australia) <b>US\$ 139,000</b>	Improve sanitation and nutrition for children and women in Yen Bai province.	2000 – 2003
AusAID (Australia) <b>US\$ 11,000,000</b>	Primary health care project. To improve knowledge, attitude and practice for health of women and children through training and provision of equipment.	1998-2002
AusAID (Australia) <b>US\$ 13,600,000</b>	To improve knowledge, attitude and practice for health of women and children through training, provision of	1998-2002

	equipment, infrastructure development, health promotion management and community development.	
AusAID (Australia) <b>US\$ 274,000</b>	Reduce prevalence of blindness in Vietnam, through improved surgical training and blindness prevention.	2000 – 2003
AusAID (Australia) <b>US\$ 340,000</b>	Expansion of HIV/AIDS prevention activities in the workplace in Quang Ninh	2000 – 2003
AusAID (Australia) <b>US\$ 456,000</b>	Reproductive health and community development in Thanh Hoa province.	2000 – 2003
Belgium <b>US\$ 633,000</b>	Develop IMPE as a regional reference center.	1998 – 2002
CIDA (Canada) <b>US\$ 3,145,000</b>	HIV/AIDS Community Clinics Network.	2001 – 2007
Czech Republic <b>US\$ 1,400,000</b>	Construction and operation of a rehabilitation center for disabled youth.	1996 – 2006
Danida & Danish Red Cross (Denmark) <b>US\$ 2,125,000</b>	Primary health care program, phase III. To build capacities and change behaviors.	2001 – 2006
EU <b>US\$ 28,800,000</b>	Health system development program. Training and research capacity building and improvement of health care services.	1998 – 2003
EU <b>US\$ 255,000</b>	Train and strengthen health education system at district level in HCM City to benefit of homeless women and children.	1999 – 2002
EU <b>US\$ 642,000</b>	Child focused HIV/Aids intervention and management.	2000 – 2003
France <b>US\$ 2,000,000</b>	Reduction in infant malnutrition in Vietnam.	2000 – 2003
GTZ (Germany) <b>US\$ 14,000,000</b>	Promotion of family health through better planning.	1995 -2004
GTZ (Germany) <b>US\$ 6,400,000</b>	Support to National Center for Orthopaedic Training and Care to provide services at socially acceptable prices.	1994 – 2006
JICA (Japan) <b>US\$ 50,000,000</b>	Support to Bach Mai hospital.	2000 - 2005
Netherlands <b>US\$ 7,800,000</b>	Support to Government o eradicate TBC.	2000 – 2004
Netherlands <b>US\$ 7,800,000</b>	Reproductive health program in two provinces.	1997 – 2003
NZAID (New Zealand) & UNFPA	Health and education interventions in Binh Dinh Province, including a major Maternal and Child Health Project.	Current

NZAID (New Zealand)	Health Trust, which provides equipment, short-term training and practical medical assignments, especially in Binh Dinh province.	Current
USAID (United States) <b>US\$ 2,400,000</b>	Rehabilitation program to improve services at provincial level and strengthen knowledge and skills of staff in medical facilities.	1998 – 2003
UNICEF <b>US\$ 6,240,000</b>	Health and nutrition policy promotion.	2001 - 2005
UNICEF <b>US\$ 8,430,000</b>	Community-based primary health and nutrition care.	2001 – 2005
UNICEF <b>US\$ 4,900,000</b>	Health, hygiene and nutrition education for behavior change.	2001 – 2005
Sida (Sweden) & Netherlands & World Bank <b>US\$ 110,000,000</b>	Improve the health status of the rural population by providing high quality reliable health care services in the poorer areas of the country.	1995 – 2003
World Bank <b>US\$ 50,000,000</b>	Population and family health project.	1996 - 2003

### *3. Land, Natural Resources and the Environment*

The Government's reform agenda in this area builds on the achievements of the 1990s, when an equitable allocation of agricultural lowland to households laid the foundation for rapid growth and poverty reduction. Current policy actions will focus on completing the classification of land, issuing the corresponding Land-use Right Certificates (LUCs) and redefining the legal basis of land administration for a more market-based economy. Efforts also point in the direction of improving land zoning and adjusting the provision of social services accordingly. At present, many among the urban poor in Vietnam live in areas with limited access to basic services such as safe water, sanitation, drainage, electricity and solid waste collection. Lack of access is common among unregistered urban migrants.

#### *Government Measures*

In the past decade, the allocation of LUCs has been slow in urban as well as upland and forest areas. More recently, however, the Government reports faster progress. The latest reliable figures indicate that 35 percent of land users in urban areas and 60 percent of the total number of households using forest land now have LUCs. Announcements by Government officials suggest that the allocation of LUCs could be even more widespread than this.

Within the next couple of years, the National Assembly is expected to adopt a substantially revised Land Law, which will provide greater land-tenure security and access to land by all sectors. The new Land Law will address customary land-use practices, leading to secure community land tenure. This revision should serve as the basis for more sustainable approaches to land and forest-use management, for example through the introduction of community forest management. Effective land classification and land-use planning are also needed to address the serious housing shortage faced at present throughout the cities of Vietnam, and to improve the sustainability of land management practices.

A crucial step in the direction of a more sustainable growth pattern is the preparation of the National Strategy for Environmental Protection (NSEP), 2001-2010. The NSEP resulted from a prolonged and comprehensive consultation process amongst Government line ministries, all 61 provinces and other stakeholder groups (see box 7). It will provide a framework for planning and the implementation of environmental protection. In particular, the strategy seeks to mainstream environmental considerations into sector planning and implementation, by defining clear tasks and responsibilities for line ministries and other Government bodies.

The new Law on Water Resources adopted in 1999 represented an important step forward, but many of its provisions have yet to be applied. The Law will now need to be revised in view of the transfer of water resource management functions to The Ministry of Natural Resources and the Environment (MONRE). This revision process will offer

an opportunity to respond to experience since 1999, to ensure consistency with MONRE's new tasks and functions, and to integrate appropriate environmental considerations.

The recent decision to phase-out leaded petrol has resulted in substantially reduced lead blood levels in urban areas. Improved investments in solid waste collection and sanitation services offer considerable potential for reducing disease transmission in both rural and urban environments. Reductions in indoor air pollution through the introduction of cleaner fuels, improved technologies and house design offers the potential to reduce acute and chronic respiratory problems, a problem prevalent in many parts of Vietnam. Further action is needed to address the health and environmental impacts of over-use of pesticides and other persistent organic pollutants.

### **Box 7: The National Environmental Protection Strategy**

The NSEP seeks to establish a comprehensive environmental management framework for the period 2001-2010. The Strategy was developed through an intensive consultative process spanning nearly three years, and involved a wide range of ministries, provincial authorities, research institutes, NGOs, bilateral and multilateral organizations, and other stakeholders. At the heart of the NSEP lies an emphasis on continued institutional development and capacity building, and the integration of environmental considerations into mainstream economic planning and decision-making.

The Strategy identifies three, over-arching objectives:

- To prevent and control pollution;
- To protect, conserve and sustainably use natural and biodiversity resources;
- To improve environmental quality in urban, industrial and rural areas.

These strategic objectives are to be achieved through the implementation of activities in 13 major program areas, and further supported by activities in eight cross-cutting themes. The minister of MONRE approved the strategy in June 2003 and approval by the Prime Minister is expected shortly. MONRE will now have responsibility for promoting implementation of the strategy through line ministries, provincial authorities, state owned enterprises, the private sector and civil society.

*Support from International Partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB <b>US\$ 70,000,000</b>	Second Red River Basin Sector Projects	2002 – 2007
AFD (France) <b>US\$ 30,000,000</b>	Second Red River Basin Sector Projects	2002 – 2007
AusAID (Australia) <b>US\$ 3,600,000</b>	Vietnam - Australia Water Resource Management Support	2001 – 2003
Danida (Denmark) <b>US\$ 80,000,000</b>	Vietnam Water Sector and Environmental Sanitation Support Programme	2002 – 2005
JICA (Japan) <b>US\$ 750,000</b>	Technical Assistance for Natural Disaster Mitigation Project	2002 – 2004
Global Environment Fund/Sida (Sweden) <b>US\$ 1,600,000</b>	Subproject No3 - water resources management in Dong Nai river basin	2002 – 2004
Royal Netherlands Embassy <b>US\$ 10,200,000</b>	Second Red River Basin Sector Projects	2002 – 2007
Royal Netherlands Embassy <b>US\$ 800,000</b>	Coastal Land Management	2000 – 2003
Royal Netherlands Embassy <b>US\$ 530,000</b>	Technical assistance for economical and effective utilization program	1999 – 2003
World Bank <b>US\$ 220,000</b>	National strategy study on clean development mechanisms	2000 – 2002
World Bank <b>US\$ 300,000</b>	Mechanisms Strengthening of Environmental Information Management	2000 – 2003

**C) BUILDING MODERN GOVERNANCE*****1. Better Statistics and Data***

More reliable statistics allow for better-quality monitoring of social and economic targets. Better statistics also lead to better analyses of plans, in order to assess what works best in terms of growth and poverty reduction.

### *Government Measures*

In May 2003, the National Assembly passed a revision to the National Statistics Law, which governs the GSO. The new law puts strong emphasis on data reliability and transparency, as well as on public access to information. A strategy for collecting high-quality household living standard data has been adopted, and GSO is designing similar strategies for enterprise surveys and other data collection efforts.

The development of specific indicators for the monitoring and evaluation of CPRGS is an important step in the direction of evidence-based policy making. At present, a framework that clearly indicates the links between policy actions and outcomes is missing. A Working Group on Monitoring and Evaluation will be set up to develop the corresponding action plan. The resulting information system is expected to include indicators at the central, local and sectoral levels. It also needs to meet high quality standards in terms of both quantitative and qualitative information. This means going beyond administrative records, to make full use of census and household survey data.

### *Support from International Partners*

<b>Donor</b>	<b>Purpose</b>	<b>Status</b>
ADB	Technical assistance to improve National Accounts	Ongoing
AusAid (Australia)	Technical assistance to Developing Economic Statistics (through Australian Bureau of Statistics) - with WB	Proposed to Capacity Building for Effective Governance (CEG) Fund
French Embassy	Strengthening Capacity in Economic Statistics (GSO and Statistical Colleges)	Ongoing
IMF	Technical Assistance for Strengthening National Accounts	Ongoing
JICA (Japan)	Strengthening Agricultural Statistics	Ongoing
Sida (Sweden)	ICT development Support to development of business register Strengthening sampling techniques, survey design, statistical methods and data processing techniques	Ending 2003
UNDP	Strengthen capacity for Household Surveys	Ongoing
	Monitoring and Evaluation of the CPRGS	Ongoing
UNFPA	TA for Population and Demographic Statistics	Ongoing

World Bank/(DFID Trust Fund)	▪ Strategic Planning for implementation of the GSO ten year Strategy (TA)	Ongoing
	▪ Technical support to household living standard surveys (TA)	Ongoing
	▪ Strengthen capacity for enterprise surveys (TA)	Ongoing
	▪ Credit for ICT development(US\$ 8-10m)	Under preparation
	▪ Support to developing an action plan for Monitoring and Evaluation of the CPRGS	Ongoing

## ***2. Managing Public Resources Better***

Over the past few years noticeable progress has been made in public expenditure management. Achieving socially inclusive development will require sustained efforts to continue to improve public expenditure management. Mechanisms to avoid overspending and misappropriation of resources exist, and the targeting of spending on public health and education has improved over time. But the planning of recurrent and capital expenditures need to be integrated within a medium-term expenditure framework focused on fiscal sustainability and pro-poor outcomes. Progress has also been made in the harmonization of procedures for the implementation of donor-supported investment projects.

### *Government Measures*

The budget plan and final accounts, disaggregated in greater sectoral detail, were published and placed on the website of MOF for the first time last year. Also in 2002, the Treasury was designated as the main agency responsible for comprehensive public accounts. Preparations to install a comprehensive budgetary management information system in the Treasury are currently underway. An inventory of the off-budget accounts has been made, including a detailed statement for the Development Assistance Fund. A review of the norms for recurrent budget allocations has been completed, and recurrent budget implications of the public investment program have been estimated. In 2001, the process for developing a medium-term sector expenditure program was initiated.

The National Assembly approved the Revised Law on the State Budget in December 2002. This law becomes effective from 2004. It includes important provisions legalizing transparency in state budget management. The Treasury's new status as the lead agency responsible for maintenance of treasury and budget management will be consolidated. Reforms will include the integration of currently disparate accounting systems, making them more consistent with international standards. The routine disclosure of detailed, reliable public financial information including budget plans and budget final accounts, and substantial progress with procurement and implementation of

an effective treasury and budget management information system are other key components of the process going forward (see box 8).

Over the coming years, the approaches to the management of public debt will be strengthened in core government agencies, including integrated processes for recording of domestic and external debt and for analysis and management of fiscal risk. A first step in this direction was the adoption of a Revised Budget Law, also making substantial progress in decentralization and transparency.

### **Box 8: Public Financial Management Reform**

Vietnam has earned a reputation for fiscal prudence, with relatively small budget deficits and low debt, both domestic and foreign. The Government of Vietnam has made steady progress in maintaining effective mechanisms to prevent over spending and misappropriation of resources. However, there is an urgent need for further, accelerated reform to strengthen and integrate core treasury and budget management information system, to strengthen the link between budget management and the Government's development goals, and to improve the management of public debts and fiscal risks.

The recently approved Public Financial Management Reform project supports the goal of promoting good governance set out in the CPRGS through strengthening budget planning, execution, reporting and accountability. The Project will ensure that budget execution and reporting at each level of the Government is accurate, timely, relevant, transparent and in compliance with international standards. It will contribute to better planning of the State Budget and Public Investment Program and greater fiscal sustainability through improved and more integrated recording of external and domestic public and publicly guaranteed debt, improved capacity to monitor SOE liabilities and improved ability to assess associated fiscal risks.

The first and largest component of the Project will involve the establishment of a new integrated Treasury and Budget Management Information System. The new system, including hardware, software, implementation services, training and change management, will replace the current fragmented and inefficient systems.

The second component of the Project will address the need for a strong central budget function through strengthening state budget and investment planning. This component will support the development of MTEFs in four pilot sectors and four pilot provinces.

The third component of the Project will support the strengthening of the Government's ability to manage Vietnam's public debt and to begin monitoring fiscal risks that originate from liabilities of SOEs. Through appropriate learning activities, the Project will facilitate the strengthening of skills of officials within the Government so as to ensure it is able to conduct day-to-day debt management operations, and advise policy makers on the implications of alternative borrowing strategies.

The Project will be implemented by the Ministry of Finance with close involvement of other agencies. The project is supported by the World Bank through a credit for US\$54 million. A grant of a further US\$10 million was provided in co-financing by DFID.

*Support from International Partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADF (France) <b>EUR 50,000</b>	Annual bilateral program of assistance with MOF to support Treasury in computerization with focus on IT training and expenditure control (State Treasury, MOF)	Ongoing
DfID (UK) and World Bank <b>US\$ 71,450,000</b>	Public Finance Management Reform Project to strengthen financial management, information and transparency to improve the quality and quantity of public services.	2003
Danida (Denmark), DfID (UK), CIDA (Canada), Netherlands, Norway, Sida (Sweden), and Switzerland <b>US\$ 1,800,000</b>	Multi-Donor Trust Fond to support Public Financial Management Modernization.	2003-2004
GTZ (Germany)	Budget Reform Project, Second phase: Assist in design and implementation of a State Budget System through: (i) expert advise on implementation and assessment of the Budget Law, (ii) support to the introduction of the new budget classification, (iii) support to establishment of procedures for budget execution, reporting and controlling, (iv) development and pilot establishment of a computerized budget information system  Third phase: Assistance is provided to support revision of budget law and development of medium-term fiscal plan (Ministry of Finance)	1997-2000  2001-onward
IMF	- Statistics (GFS) Missions - Tax Missions	2001 – 2003
Switzerland <b>US\$ 230,000</b>	Assistance to develop a database and produce computerized reports on external debt; and seminars in the areas of debt negotiation, re-scheduling and capital markets.	Ongoing
UNDP & Belgium <b>US\$ 3,000,000</b>	Strengthen the budgetary process and oversight capacity of the National Assembly and Provincial People's Councils.	2003-2008
UNDP Public Expenditure Review Capacity Building-Phase II <b>US\$ 1,700,000</b>	Strengthen Govt.' capacity for efficient and effective management of public expenditures both at central and provincial government levels (Ministry of Finance, Provinces: Bac Ninh, Quang Binh & HCM City)	Ongoing
UNDP, AusAID, Switzerland, and Sweden. External Debt Management <b>US\$ 2,400,000</b>	Support Govt. in developing comprehensive and sustainable capacity to manage external resources flowing to Vietnam with particular focus on debt (Office of Government, Ministry of Finance, Ministry of Planning and Investment, State Bank of Vietnam, Ministry of Justice)	Ongoing 2002 - 2005

### *3. Implementing the Legal Sector Strategy*

Vietnam's legal sector development has been driven by the move from a centrally planned to a market economy. The 2001 Constitution mandates a state build on the rule of law. Based on the Legal Needs Assessment (LNA) a Legal System Development Strategy (LSDS) has been prepared, and its approval is currently pending. The LSDS focuses on five sub-areas: legislative and law-making reforms; judicial reform; effective implementation of laws and regulations; legal information system and legal dissemination; and development of the legal education and judicial and legal professional training. A national steering committee for legal reform to be chaired by the State President or the Chairman of the National Assembly is currently being considered. Full implementation of the LSDS cannot begin before the strategy has been approved and the management structure is in place. In the mean time, reforms are continuing.

#### *Government Measures*

The law on promulgation of legal documents, which significantly improves legal transparency, has been passed by the National Assembly in December 2002. Until recently, legal dissemination had not been seen as an integral part of the law making and implementation process, thus hampering transparency and predictability. The Law on Amendments of and Additions to a Number of Articles of the Law on Promulgation of Legal Instruments, also know as “Law on Laws”, imposes greater legal transparency and is one of the key legal reform measures outlined in the CPRGS. This Law requires the publication in the Official Gazette of legal documents issued by the Government, Prime Minister, line ministers, head of ministerial-level agencies, Supreme People’s Court and Supreme People’s Procuracy, as a condition of their effectiveness.

The authority to manage local courts has been transferred from the Ministry of Justice to the Supreme People’s Court. Moving the responsibility on courts at the provincial and district from the executive branch of the Government to the Supreme People’s Court should enhance the independence of the judiciary system as a whole.

In terms of law-making, the National Assembly has outlined an ambitious law program for its coming sessions (see box 9), which reflects its priorities in the short term. If effectively implemented a number of these policies will have a profound impact on transparency, people’s participation and access to justice. The key policies in this regard include the planned amendment to the ordinance on Supreme People’s Court to publish decisions, the Ordinance or Law on Grassroots Democracy, the Law on Associations, an amendment of the Law on Complaints to simply complaints procedures, the launch of Government Information Portal on legal information and establishment of a public defender’s system.

### Box 9: The Legislative Program of the National Assembly 2003-2004

A wide ranging legislative program has been set for Legislature XI of the National Assembly under Resolution 12-2002-QH11. By 2007, 118 laws, ordinances and resolutions are proposed to be passed and preparations for another 19 laws are proposed to be commenced. The most important laws and ordinances to be enacted in the last part of 2003 and in 2004 include,

- Law on organization of the People's Committees and People's Councils (as amended)
- Law on Election of Representatives of People's Councils (as amended)
- Law on Criminal Prosecution (as amended)
- Law on State Owned Enterprises (as amended)
- Law on Inspection (as amended)
- Law on Business Bankruptcy (as amended)
- Law on Construction
- Law on Complaints and Denunciations (as amended)
- Ordinance on State Auditing
- Ordinance on Juridical Examination
- Ordinance on procedures for Resolution of Administrative, Economic, Civil and Labor cases
- Ordinance on Organization of Criminal Investigation (as amended)
- Ordinance on Tendering and Procurement
- Ordinance on Supreme People's Court
- Ordinance on Anti-corruption (as amended)

#### *Support from International Partners*

Donor & Grant or Loan Amount	Purpose	Status
ADB	Support for the LNA	2001 - 2002
ADB	Six courses for senior and mid-level government legal officers on international and comparative commercial law, including WTO issues, (through Ministry of Justice). The courses include training in negotiating techniques and legal analysis. Courses in English for the legal sector.	1998 – 2000
ADB	Retraining of Government Legal Officers. Training of teaching faculty of Legal Professional Training School in English, and in selected law subjects, practical legal skills, curriculum development and student-centered teaching methodologies. Delivery of 10 twelve week training courses for approximately 1,000 lawyers working in central and provincial level government agencies, bar associations and	1998 – 2000

	law firms.	
AusAID (Australia)	Support for the LNA	2001 - 2002
AusAID (Australia)	Assistance by Centre for Asian and Pacific Law (University of Sydney) to Vietnam Research Center for Human Rights (VRCHR) under Ho Chi Minh National Political Academy to strengthen the research and teaching capacity of the Ho Chi Minh National Political Academy with respect to international law and regional human rights issues, institutions, mechanisms and procedures.	Ongoing
Cida (Canada)	Support for the LNA	2001 - 2002
Cida (Canada)	Capacity building in comparative law. Implemented at Legal Research Institute of MOJ.	
Cida (Canada)	Through Policy Implementation Assistance Project, Assistance to Law Committee of National Assembly (e.g., on supervisory function of NA; preparation of Enterprise Law) and Social Affairs Committee (gender issues, training for female NA members, social security legislation).	1996 - 2000
Danida (Denmark)	Support for the LNA	2001 - 2002
Danida (Denmark)	Support to the Office of the National Assembly, supreme People's Court and Supreme People's Procuracy.	2001 - 2004
France	Support for the LNA	2001 - 2002
France	Technical assistance from resident and visiting experts to the Vietnamese Government for law drafting through the <i>Maison du Droit</i>	
France	3-year graduate program (about 6 months per year) for French-speaking Vietnamese legal officers at HLU, taught by French law professors. Grants for 25 participants.	Started 1998
GTZ (Germany)	With MOJ: training of legal staff and lawyers in commercial and civil procedures and execution procedures.	
JICA (Japan)	Support for the LNA (See above)	
JICA (Japan)	Scholarships for Government officers (MOJ/SPC/SPP) in Japan. Provision of teaching materials and Japanese legal documents	
JICA (Japan)	Technical assistance from 4 resident as well as visiting experts to MOJ, SPC, SPP including law drafting	
Netherlands	Support for Can Tho University in developing a law faculty	
Sida (Sweden)	Support for the LNA	2001 - 2002
Sida (Sweden)	Support for Hanoi Law University (HLU) and Law School at National University in HCMC. Continuous curriculum development for LLB program. Training of law teachers in improved teaching methods through scholarships in Sweden at Lund University, preceded by in-country English language training	2001 - 2005
Sida (Sweden)	Human rights training in cooperation between Raoul Wallenberg Institute of Human Rights and Humanitarian	

	Law under Lund University and VRCHR (since 1997) For 1999-2001: (i) seminars on human rights for judges, prosecutors, and members of National Assembly (focus on international human rights conventions and domestic application thereof), and (ii) three 5-day human rights training courses for police chiefs (focus on law enforcement aspects). Provision of foreign library books on human rights.	
Sida (Sweden)	Support for the Ministry of Justice in developing a national legal database and enhancing legal information.	2001 - 2004
Sida (Sweden)	Support for the Ministry of Justice to strengthen legal aid system	2002 - 2004
Sida (Sweden)	Support for the Ministry of Justice in law drafting and administrative reform	2001-2004
Sida (Sweden)	Support for the Office of the National Assembly to strengthen supervisory function, parliamentary public information and internal information service to deputies	2003 - 2005
UNDP & World Bank	Support for the LNA and implementation of the Legal System Development Strategy	Ongoing
UNDP	Support for CIEM in developing business regulations	
USAID	STAR Project to assist Vietnam with respect to implementation of the VN-US Bilateral Trade Agreement (BTA) and WTO Accession	2001 - 2004
UNODC	Support to Ministry of Justice, Ministry of Public Security and Ministry of Defense through "Strengthening of the Legal and Law Enforcement Institutions in Preventing and Combating Trafficking in Persons in Viet Nam".	2003 -

#### ***4. Reforming Public Administration***

The Government is in the process of implementing its Public Administration Reform (PAR) Master Program, 2001-2010. This program intends to establish a more responsive, transparent, accountable, and efficient public sector that is better organized, structured, resourced, and staffed to deliver services to people and businesses.

##### *Government measures*

The PAR Master Program is organized around four pillars and seven programs: legal and institutional reform, which refers to the development and issuance of normative legal documents; organization reform, including revising tasks, functions and organizational structures, as well as modernizing administrative systems; human resource reforms, from staff downsizing to quality improvement of cadres and civil servants and

salary reform; and public finance reform, comprising the improvement of financial management mechanisms for administrative and public service delivery agencies.

Accomplishments so far include the preparation of draft action programs, the review of functions and effectiveness of reform management and implementation mechanisms, improvements in public service delivery through pilot schemes such as the One-Stop-Shop model, decentralization through block grants in public expenditure management, a resolution on downsizing, and the setting up of a steering committee on salary reform. While most of these pilot initiatives have yielded promising results, the overall progress has been uneven. Only the action plan on quality improvement of cadres and civil servants has been approved by the Government. As a consequence reforms are continuing in an incremental and piecemeal fashion.

Subsequent to the amended “Law on organization of the Government” from 2001 the PAR program of the central government has been guided by the new decree 86 delineating the general functions, duties, authority and organizational structure for all central ministries. Based on this overall decree each ministry is now in the process of revising the ministerial specific decrees, which will mark out the specific mission, structure and implementation arrangement for each ministry. To date the Government has approved new decrees for 12 ministries, while the proposed decrees governing the remaining ministries are awaiting cabinet approval.

Decentralization is cutting across the PAR agenda. In many cases the new legal framework consolidates in writing the discretion that provinces already had, the amended budget law being one of these examples.

The most important decentralization policies include,

- The One-Stop-Shop model has been implemented in 28 out of 61 and 64 districts. The model has been instrumental in simplifying administrative procedures. The Government is developing the legal framework for extending the One-Stop-Shop to all provinces based on a diagnostic review of the impact.
- The pilot block budgeting and staffing policy to introduce result-oriented management modality in administrative agencies has so far been implemented in some 170 units, involving 19 provinces and 3 central agencies.
- Through Decree 12/CP/2002, provinces can now make decisions as to the organizational structures at the district level.
- Ho Chi Minh City has been delegated the authority through decree 93/CP in development planning, management of land and infrastructure, city budgeting and administration including organization and personnel.
- The amended State Budget Law from December 2002 provides the People’s Councils with the authority to apportion the budget.

The third session of the National Assembly in May discussed the amendments to the Law on People’s Committees and People’s Councils, which will be passed in the fourth session in December 2003. This law is expected to strengthen the oversight function of the People’s Councils, which will be pertinent in the light of the decentralization process laid out in the State Budget Law. The Law on Election to the

People's Councils is also to be revised. The amendment will increase the number of People's Council members at all three levels.

*Support from International Partners*

<b>Donor &amp; Grant or Loan Amount</b>	<b>Purpose</b>	<b>Status</b>
ADB	Technical Assistance for Institutional Support to OOG	2001 - 2003
ADB, New Zealand	Technical Assistance for the Preparation of the PAR Program Loan MoHA, OOG	2001 - 2003
AusAid (Australia)	Capacity building for Effective Governance Facility MPI	2002 - 2010
ADB	Program Loan to Support Implementation of PAR Master Program MoHA	2003 - 2005 Starting
ADB, France	Technical Assistance for Institutional and Capacity Building Support to Home Affairs MoHA	2003 - 2005 Starting
ADB	Technical Assistance for supporting the Office of the Government in the Implementation of Administrative Modernization including Computerization and E-Government Initiatives OOG	2003 - 2005 Starting
ADB	Program Loan to Support Implementation of PAR Master Program OOG	2003-2005 Starting
ADB, New Zealand	Technical Assistance for Policy Coordination Support to the Office of the Government OOG	2003 - 2005 Starting
Belgium	Support to Can Tho PAR Project Can Tho	2000-2005
Danida (Denmark)	Support to the National Academy of Public Administration NAPA	2000 - 2004
Danida (Denmark)	Capacity Strengthening of Office of the Government OOG	2002 - 2004
Denmark (SPS)	Support Project to the Fishery Programme (Phase 1) - Component I "Enhancing the institution of Fishery", (STOFA), 1999-2010, Ministry of Fisheries	1999 - 2004
European Commission	Support to Ministry of Education and Training Project Ministry of Education	2003 extension to April 2004

Finland	Supporting Democracy Regulations implementation at Grassroots of Quang Tri Province Quang Tri	2002 - 2003
France	Training Programs in France NAPA	Ongoing - annual
France	Technical Support to Administrative Bodies in the Areas of Economics and Finance	
France	Enhancing training capacity in public finance management and economic statistics in the program of administrative reform with the purpose to modernize the economic management of the Government of Vietnam	
GTZ (Germany)	Support to the Public Administration Reform in Vietnam (Phase I) MoHA	1999 - 2002 Extension to March 2003
GTZ (Germany)	Support to the Reform of the Forestry Administration System (Phase 2) MARD	2000 - 2003
GTZ (REFAS)	MARD's Forestry Sector (Phase 2) MARD	2000 - 2003
GTZ (Germany)	Development of State Audit in Vietnam MoF	2001 - 2003
Konrad Adenauer Stiftung (Germany)	Decentralisation and Re-allocation of Responsibilities MoHA (ISOS)	Ongoing
Konrad Adenauer Stiftung (Germany)	Socialisation of Public Services MoHA (ISOS)	2000 - 2003
SDC (Switzerland)	Dong Hoi Urban Development Project (Phase 2) People's Committee of Dong Hoi	2000 - 2003
SDC (Switzerland)	Nam Dinh Urban Development Project (Phase 2) Nam Dinh	2000 - 2003
SDC (Switzerland)	Capacity Building for Public Management Training in Vietnam (Phase 2) NAPA	2002 - 2004
Sida (Sweden)	Strengthening Personnel Management in the Public Service (Extension Period) MoHA	2002-2003 bridging to 3rd phase
UNDP and Netherlands	Project Support to PAR Program at the Ministry of Agriculture and Rural Development - VIE/98/004//01/99 MARD	2000 - 2002 Extension to June 2003, preparing for phase 2

UNDP, Netherlands, Norway, Sweden, Swiss and Canada	Support to the Implementation of the PAR 2001 – 2010 Master Programme (VIE 01024) MoHA	2003-2006
UNDP	Support to PAR in HCM city VIE/02/010 (Phase 2) HCMC	2003 - 2005
World Bank	Public Financial management Reform Project MoF	2003 - 2009 Starting