

WORLD BANK REVIEWS PROGRESS OF COUNTRY ASSISTANCE STRATEGY FOR VIETNAM

Hanoi, February 20, 2004--The World Bank's Executive Board yesterday discussed the new Progress Report on the Country Assistance Strategy (CAS) for Vietnam, which is based on Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS). Directors also reviewed the joint World Bank/International Monetary Fund staffs' assessment of the Government's first annual CPRGS Progress Report.

World Bank strategy in Vietnam remains largely unchanged, but mode of delivery adjusted

The World Bank's Executive Board noted progress so far in implementing the strategy laid out in the 2002 CAS. The Executive Directors supported a continuation of this strategy for the remaining CAS period as well as an adjusted program of assistance laid out in the new CAS Progress Report. Under the adjusted IDA lending program, the World Bank is expected to provide Vietnam with concessional finance of up to USD 1.6 billion in 2004 and 2005.

The strategy organizes the Bank Group's support around the three themes of the CPRGS:

- Completing the transition to a market economy;
- Enhancing equitable, socially inclusive, and sustainable development; and
- Adopting a modern public administration, legal and governance system.

There has been good progress in using various Bank Group instruments to support the Government's initiatives on the three themes. Future lending volumes will reflect Vietnam's IDA allocation and the expected high-case performance in fiscal year 2006.

Compared to the CAS of 2002, the modes of delivery have been adjusted to incorporate the lessons from past experience and to respond to the Government's evolving priorities. New projects will increase the support for various objectives of the country's Comprehensive Poverty Reduction and Growth Strategy, and focus more strongly on infrastructure in response to the Government's own priorities.

Implementation of the CPRGS has led to significant success, but important structural challenges remain.

The Government of Vietnam has made substantial progress in promoting economic growth and poverty reduction over the last year. The reduction in poverty over the past decade has been one of Vietnam's most striking achievements. The latest data, from the 2002 household surveys, show that between 1993 and 2002, the proportion of the population living in poverty declined from 58 percent to 29 percent. Progress has been consistent across a broad range of indicators. GDP grew at 7 percent over the last year;

exports expanded by 22 percent; and the actual inflow of foreign direct investment (FDI) increased by 10 percent.

A number of challenges will be important to address in future years. There is a need to align integration with the world economy and restructuring of the state enterprise sector. Slow progress in the twin areas of reforming state-owned enterprises and the financial sector are a matter of concern, as well as weak integration of the Public Investment Program into broader medium-term expenditure frameworks linking capital and recurrent expenditures.

The second challenge is the need to tackle growing inequality in living standards and social outcomes through the use of improved targeting instruments and redistributive mechanisms. Related to this is the need for concerted efforts to address ethnic minority poverty and to include unregistered migrants in development activities.

Thirdly, it will be critical to continue improve the public administration. Cross-sectoral interaction, especially through the Inter-Ministerial Working Group, and enhanced coordination between the central Government and the provinces, will become increasingly important. More work will also be needed in defining a range of indicators for tracking progress in governance issues.

"The CPRGS continues to articulate a sound set of policies and programs," said **Klaus Rohland, Director of the World Bank in Vietnam**, who is currently in Washington, DC to present the progress reports to the Board. "Vietnam's efforts towards the implementation of the CPRGS underlines Government's continued commitment to economic growth and poverty reduction. Looking at the challenges ahead, the World Bank is committing continued assistance to Vietnam in terms of concessional finance and analytical activities."

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