



## Asian Development Bank & Viet Nam

### FACT SHEET

**Table 1. Viet Nam: Development Indicators**

<b>Non-MDG</b>	
Population in millions	87.71 (2009)
Annual population growth rate (%)	1.5 (2007–2009)
Adult literacy rate (%)	90.3 (1999)
Percent of population in urban areas	27.8 (2008)
<b>MDG</b>	
Percent of population living on less than \$1.25 a day	21.5 (2006)
Percent of population living below the national poverty line	13.5 (2008)
Under-5 mortality rate per 1,000 live births	14 (2008)
Percent of population using an improved drinking water source	92 (2006)

MDG = Millennium Development Goal.

Sources: ADB, 2010. *Basic Statistics 2010*. Manila.  
UNESCO, 2010. Institute for Statistics Data Centre.  
World Bank, 2010. World Development Indicators Online.

Over the last 20 years, Viet Nam has been one of the fastest-growing economies in Asia, with annual growth of real gross domestic product (GDP) averaging 7.1% between 1990 and 2009. A long period of rapid economic growth, combined with various policies targeting the poor, has enabled Viet Nam to reduce poverty dramatically. The poverty rate, based on household survey data, dropped from 58.1% in 1993 to 16.0% in 2006. The proportion of people living below the official poverty line fell from 20.2% in 2005 to 12.3% in 2009. The current Socio-Economic Development Plan of Viet Nam (SEDP) 2006–2010 sets Viet Nam's goal of becoming a middle-income country by 2010 and an industrialized nation by 2020.

The Government of Viet Nam has reduced poverty by carrying out a broad range of economic and institutional reforms, which have fostered sustainable and inclusive economic growth, and by making poverty reduction programs and projects more targeted. In particular, Viet Nam has been in gradual transition from a centrally planned to a market economy, and from a poverty reduction program that relied heavily on price subsidies to a system based on targeted programs. Market-oriented reforms included full or partial privatization of state-owned enterprises, liberalization of markets, and recognition of private property rights, which has resulted in the emergence of a vibrant, albeit young, private sector.

With increasing integration into the global economy, Viet Nam is attracting foreign investment and joined the Association of Southeast Asian Nations in 1995 and the World Trade Organization in 2007. The ratio of merchandise exports and imports to GDP exceeded 152% in 2008. Net inflows of foreign direct investment (FDI), which ranged between \$1.3 billion and \$1.8 billion in 2002–2006, soared to \$6.6 billion in 2007 and \$9.3 billion in 2008.

The global economic crisis hit Viet Nam hard in 2008–2009, slowing the growth of exports and inflows of foreign portfolio investment in 2008, as well as reducing exports, tourism revenues, and remittance and FDI inflows in 2009. Growth slowed sharply in the last quarter of 2008 and the first quarter of 2009.

To mitigate the adverse impact of the crisis on growth, the State Bank of Viet Nam, the country's central bank, loosened monetary policy significantly in late 2008 and early 2009, and the government approved a number of fiscal stimulus measures in the first half of 2009. The fiscal stimulus measures included tax reductions and deferrals, additional financial assistance to poor households, subsidization of interest rates on bank loans, and a substantial increase in capital expenditure.

Owing largely to the government's swift action, Viet Nam has weathered the crisis relatively well. Economic recovery began in the second quarter of 2009, with growth accelerating considerably in the last three quarters. GDP for 2009 grew by 5.3%—the slowest annual GDP growth rate for Viet Nam since 1999—but still higher than the growth rates of many other Asian economies.

However, inflationary pressure, as well as pressure on the dong, climbed during 2009 due, in part, to the rapid expansion of credit. The State Bank of Viet Nam devalued its reference exchange rate by 5.4% in November 2009, and by another 3.3% in February 2010. Year-on-year inflation rose from 2.0% in August 2009 to 8.5% in February 2010.

A major economic challenge for Viet Nam is to ratchet up growth while keeping inflation in check to ensure macroeconomic stability. The government confirmed the policy of making stability the first priority in macroeconomic management.

## Relationship with ADB

Viet Nam was among the founding members of the Asian Development Bank (ADB) in 1966, but operations were suspended between 1979 and 1992, before resuming again in 1993. Cumulative assistance since ADB resumed its operations in Viet Nam includes 99 sovereign loans totaling \$8.00 billion, 245 technical assistance grant projects amounting to \$188.4 million, and 24 other grant projects totaling \$139.1 million. ADB has also approved eight nonsovereign loans, two political risk guarantees, and one B-loan totaling \$280.0 million. Viet Nam is involved in a number of regional technical assistance projects for the Greater Mekong Subregion (GMS) and is currently one of the largest recipients of resources from the Asian Development Fund (ADF). The country is also an important borrower of ordinary capital resources (OCR).

## Impact of Assistance

ADB's operations initially focused on rehabilitation and support to economic reforms. From 2002, ADB supported the government's targeted efforts to reduce poverty, focusing on sustainable growth, inclusive social development, good governance, and a geographic focus on the central region. ADB's Country Strategy and Program (CSP) 2007–2010 was fully aligned with the government's SEDP 2006–2010 and was aimed at supporting pro-poor, business-led growth, as well as social inclusiveness, environmental sustainability, good governance, and regional cooperation. Given that a major constraint to pro-poor, business-led growth is inadequate infrastructure, the use of OCR

Table 2. Viet Nam: Economic Indicators, 2005–2009

Economic Indicator	2005	2006	2007	2008	2009
Per capita GNI, Atlas method (\$)	620	690	770	890	...
GDP growth (% change per year)	8.4	8.2	8.5	6.2	5.3
CPI (% change per year)	8.3	7.5	8.3	23.0	6.9
Unemployment rate (%)	5.3	4.8	4.6	4.7	2.9
Fiscal balance (% of GDP)	-3.6	-1.2	-5.5	-4.1	-11.8
Export growth (% change per year)	22.5	22.7	21.9	29.1	-8.9
Import growth (% change per year)	21.3	22.1	38.5	27.9	-13.3
Current account balance (% of GDP)	-1.1	-0.3	-9.8	-11.8	-7.4
External debt (% of GNI)	33.5	32.7	34.6	28.6	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2010. *Asian Development Outlook 2010*. Manila. ADB staff estimates.

World Bank. 2010. World Development Indicators Online.

Table 3. Viet Nam: 2009 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
1,925.85	–	10.64	3.50	1,939.99

– = nil.

Cumulative Lending (as of 31 Dec 2009) : \$8,194.97 million  
Cumulative Disbursements (as of 31 Dec 2009) : \$3,752.02 million

was mainstreamed, and ADB became one of the largest development partners in Viet Nam.

The Country Assistance Program Evaluation for Viet Nam, released in 2009, concluded that the overall performance of the country assistance strategies and programs of ADB in Viet Nam in 1999–2008 was “successful,” taking into consideration the assessment of its strategies and the performance of its programs and projects. Overall, ADB is considered a good development partner by the government, and there is general satisfaction with ADB assistance. Although ADB assistance has been a small share of the government's overall capital expenditure, ADB is considered to have contributed substantially in terms of providing concessional funds over the years as a trusted development partner for infrastructure financing gaps and strengthening capacities, safeguarding procedures and processes to move Viet Nam along the transition path. ADB has contributed to Viet Nam's high economic growth and improved living standards by providing assistance for inclusive social development, sustainable and renewable natural resources, and management for protection of the environment.

In the area of infrastructure, the importance of ADB's support is borne out by the country's economic transformation and the rapid increase in foreign and domestic investment in manufacturing. In particular, economic activities that have developed along key transport corridors following upgrading of the Ha Noi–Lang Son Highway, GMS East–West Economic Corridor, and Ho Chi Minh City–Phnom Penh Highway have helped generate employment and significantly reduce poverty in those areas. ADB is also helping to address inadequate power supply—a critical constraint to continued economic growth—with investments in hydropower and thermal power generation and transmission networks. Other projects include renewable energy (mini-hydropower) and biogas.

ADB support for private sector development through policy-based lending and the development of nonbank financial institutions has helped the government's own efforts and led to rapid growth in the number and registered capital of private companies. ADB assistance in rural development and irrigation has helped raise agricultural productivity and farmers' incomes through improved access to markets and inputs, diversification of high-value crops, and improved water resources management practices. Assistance also has had an impact in social areas, such as in preventive health care, cross-border disease control, and in secondary and professional education, since the 1990s. ADB has helped the government upgrade the quality of public officials through training and the modernization of public administration, and it

Table 4. Viet Nam: Cumulative ADB Lending as of 31 December 2009

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	23	1,071.06	13.07
Education	10	390.50	4.77
Energy	11	2,033.99	24.82
Finance	9	442.00	5.39
Health and Social Protection	7	241.20	2.94
Industry and Trade	5	128.50	1.57
Public Sector Management	7	776.40	9.47
Transport and ICT	18	2,378.90	29.03
Water Supply and Other Municipal Infrastructure and Services	13	582.42	7.11
Multisector	4	150.00	1.83
<b>Total</b>	<b>107</b>	<b>8,194.97</b>	<b>100.00</b>

– = nil, ICT = information and communication technology.

<sup>a</sup> Totals may not add up because of rounding.

has supported the government's fight against corruption and efforts to improve gender equality. ADB is helping to change the basic framework of civil service administration from "input-based control" to "output/outcome-based management."

## Future Directions

In 2009, the midterm review of ADB's CSP for the period 2007–2010 was conducted. The study concluded that while the major thrust of the CSP still remains valid, there is a need to improve implementation of ongoing assistance, and also to incorporate in ADB's operations key emerging issues facing Viet Nam, particularly those relating to the response to overheating of the economy in 2008 and efforts to mitigate the adverse impact of the global economic crisis in 2009. As Viet Nam is among the countries most vulnerable to the effects of climate change, ADB is preparing to support implementation of the government's national program to address its impacts jointly with other development partners, and it is envisaged that assistance relating to climate change will be mainstreamed.

For ADB to pursue the CSP primary focus to help remove key constraints to pro-poor, business-led development of Viet Nam, the CSP envisages ADB assistance in infrastructure development through both public and private sector operations. To facilitate faster development of infrastructure as a prerequisite for private sector development, there is a need for ADB to be more aggressive and proactive in promoting public-private partnerships (PPPs). This, in turn, requires ADB to enhance cooperation among its operating departments to support PPP

Table 5. Viet Nam: Project Success Rates

By Sector	Percentage <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	60.0	10
Education	100.0	3
Energy	66.7	3
Finance	100.0	3
Health and Social Protection	100.0	1
Industry and Trade	100.0	2
Multisector	100.0	3
Public Sector Management	100.0	3
Transport and ICT	100.0	6
Water Supply and Other Municipal Infrastructure and Services	60.0	5
<b>Total</b>	<b>82.1</b>	<b>39</b>
<b>By Year of Approval</b>		
1970s	0.0	5
1990s	92.0	25
2000s	100.0	9

ICT = information and communication technology.

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2009.

Table 6. Viet Nam: Portfolio Performance Quality Indicators for Sovereign Lending, 2008–2009

	2008 (\$ million)	2009 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2009)		43
Contract Awards/Commitments	390.5	1,782.0
Disbursements	264.6	1,093.4
Loans at Risk (%)	10.3	2.3

Note: Totals may not add up because of rounding.

transactions and programming of ADB's private sector operations in a more integrated manner. Viet Nam needs to place greater emphasis on improving efficiency of the economy in order for it to be an integral part of the regional and global value chain, and these considerations are to form the basis of the formulation of the next country partnership strategy for Viet Nam for 2011–2015, which will be fully aligned with the government's new Socio-Economic Development Plan for the same period, as well as with ADB's long-term strategic framework, Strategy 2020.

With regard to resources, Viet Nam is one of the largest ADF recipients, with an indicative ADF allocation of \$713.8 million for 2009–2010. OCR are also provided as an additional source of funding

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2009<sup>a,b</sup>

Country	No. of Projects	Total ADB Approvals (\$ million)
China, People's Republic of	24	2,188
India	35	2,129
Indonesia	15	919
Philippines	26	768
Pakistan	24	721
Thailand	10	395
Kazakhstan	4	375
Sri Lanka	12	280
Viet Nam	7	280
Bangladesh	8	242
Afghanistan	6	198
Lao People's Democratic Republic	1	100
Azerbaijan	4	66
Nepal	4	59
Georgia	1	25
Papua New Guinea	1	25
Other DMCs	12	62
Regional	38	1,895

DMCs = developing member countries.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 8. Viet Nam: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Contractor/Supplier	Sector	Contract Amount (\$ million)
Viet Nam Construction and Import/Export Joint Stock Corporation	Multisector	91.36
LS Vina Cable Joint Stock Company	Multisector	35.31
Power Construction JSC No. 1	Energy	32.78
Hyundai-Donganh Steel Tower Manufacturing Company	Energy	27.23
Power Construction Installation Company Ltd. No. 4	Energy	26.75
Construction Joint Stock Company No. 47	Multisector	15.38
Construction Joint Stock Company No. 5	Water Supply and Other Municipal Infrastructure and Services	14.62
Viet Nam Electricity Construction JSC	Energy	14.14
LICOGI 9 – LHC	Agriculture and Natural Resources	13.65
Infrastructure Development Construction Corporation-LICOGI	Energy	13.40

for projects with higher rates of return, such as infrastructure, with an allocation of about \$1 billion in 2010. The demand for OCR, however, is much larger and expected to remain high in the medium term. Efforts toward larger resource mobilization, including cofinancing and use of guarantee or other instruments, will be intensified.

## Operational Challenges

Project implementation delays—a persistent problem in Viet Nam's portfolio—are attributable to several factors, including delays in recruitment of consultants, lengthy and cumbersome decision-making, weak capacity of project management units, problems in procurement and contract management, and inappropriate or insufficient project preparation.

To improve the situation, ADB and the government work jointly in reviewing and harmonizing loan and technical assistance grant processing procedures to ensure that proper consultation and decision-making will be undertaken in a coordinated manner to help speed up approvals. Guidelines for financial management and procedures have been prepared to serve as a reference for project execution. With ADB's adoption of streamlined business processes in 2010, efforts to further improve and harmonize the operational processes are being made. ADB's project implementation administration capacity has been strengthened with out-posting of many sector specialists to the Viet Nam Resident Mission, as well as with the establishment of procurement and disbursement units in the resident mission.

ADB continues to work with five other international financial institutions under the "Six Banks Initiative"—Agence Française de Développement, German development bank KfW, Japan International Cooperation Agency, Korea Export-Import Bank, and the World Bank—as well as with other development partners, under the Government–Donor Partnership Group on Aid Effectiveness, which was transformed into the Aid Effectiveness Forum in 2010. A major achievement in 2009 was the Sixth Government–Six Banks Joint Portfolio Performance Review (JPPR). The JPPR VI assessed the overall performance of the Six Banks' portfolio and followed up on the findings and recommendations of the JPPR V. The JPPR VI produced a set of actions that should be implemented by the government and Six Banks toward the next JPPR scheduled in 2011. ADB led the organization of the JPPR VI with government counterpart staff.

## Partnership

As part of its regular operations, ADB maintains close coordination with Viet Nam's development partners to improve the effectiveness, efficiency, and impact of its lending and nonlending programs. ADB also holds dialogue and works closely with civil society organizations and the private sector in Viet Nam to mobilize both financial resources and expertise from other partners. ADB is cofinancing the World Bank-led and multi-ODA partner-supported poverty reduction support credit program, and related policy reforms. In preparing its CSP for 2007–2010 and in conducting its midterm review, ADB has coordinated with development partners to align strategies with Viet Nam's own SEDP and to adopt a set of common indicators at the national level for monitoring purposes. ADB has also worked closely with other development partners in helping the government to prepare the National Targeted Program (NTP) for the Water Sector, and to prepare and implement action plans under the NTP for Climate Change. ADB also plays a lead role in the Health Partnership Group as the largest donor in the sector.

## Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2009, cumulative direct value-added cofinancing for Viet Nam amounted to \$841.4 million for 15 investment projects and \$52.5 million for 64 technical assistance projects.

In 2009, the Thanh Hoa City Comprehensive Socioeconomic Development Project was provided with a \$32.7 million loan cofinancing from the Republic of Korea and \$2.0 million grant cofinancing from the Netherlands and the Multidonor Trust Fund under the Water Financing Partnership Facility.

A summary of projects with cofinancing from 1 January 2005 to 31 December 2009 is available at [www.adb.org/Documents/Fact\\_Sheets/VietNam/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/VietNam/cofinancing.asp).

From 1 January 1968 to 31 December 2009, contractors and suppliers were involved in 186,281 contracts for ADB loan projects

**Table 9. Viet Nam: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2005–31 December 2009**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Vica Consultants International, Ltd.	4	1.17
SMEC International Pty., Ltd./SMEC Holding, Ltd. (VIE)	2	1.08
HEC-2	2	1.07
Mediconsult Planning and Consulting Services	1	0.90
Southern Institute for Water Resources	4	0.67
Construction and Technology Transfer Co.	2	0.49
Southern Institute of WRS Science	1	0.47
Institute of Irrigation Science, Southern VN	1	0.45
Auditing and Accounting Financial Consultancy	9	0.32
Deloitte Viet Nam Company Ltd.	2	0.31
Individual Consultants	37	0.31

**Table 10. Viet Nam: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2005–31 December 2009**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
VICA Consultants, Ltd.	3	0.95
Centre d'Etude et de Cooperation Internationale	1	0.83
GRET-VIE	1	0.77
SNV-VIE	1	0.77
Catholic Relief Services (CRS)-VIE	1	0.77
Center for Rural Development (CRD)	1	0.71
Ernst and Young (Ho Chi Minh)	1	0.61
PricewaterhouseCoopers Viet Nam, Ltd.	1	0.24
Central Institute for Economic Management	1	0.22
CHF-VIE	1	0.22
Individual Consultants	242	3.73

worth \$96.29 billion. During the same period, contractors and suppliers from Viet Nam were involved in 6,663 contracts for ADB loan projects worth \$2.11 billion.

From 1 January 1968 to 31 December 2009, consultants were involved in 10,945 contracts for ADB loan projects worth \$4.38 billion. During the same period, consultants from Viet Nam were involved in 335 contracts for ADB loan projects worth \$31.30 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 20,087 contracts for ADB technical assistance projects worth \$2.52 billion. During the same period, consultants from Viet Nam were involved in 478 contracts for ADB technical assistance projects worth \$15.78 million.

A summary of procurement contracts awarded to companies and consultants from Viet Nam for goods and works, and consulting services can be found at [www.adb.org/Documents/procurement.asp](http://www.adb.org/Documents/procurement.asp).

## About Viet Nam and ADB

### ADB Membership

Joined 1966

### Shareholding and Voting Power

Viet Nam is the 21<sup>st</sup> largest shareholder among regional members and the 29<sup>th</sup> largest overall.

Figures are as of 31 December 2008, before the fifth general capital increase process began. The process is ongoing, and the final figures are expected to be available by 31 December 2010. Current subscription levels are available from the Office of the Secretary.

Shares held	12,076 (0.34%)
Votes	25,308 (0.57%)

**Jaejung Song** is the Executive Director and **Wilson Leonard F. Kamit** is the Alternate Executive Director representing Viet Nam on the ADB Board of Directors.

**Ayumi Konishi** is the ADB Country Director for Viet Nam. The Viet Nam Resident Mission (VRM) was opened in 1997 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. VRM engages in policy dialogue and acts as a knowledge base on development issues in Viet Nam.

The Viet Nam government agency handling ADB affairs is the State Bank of Viet Nam.

## About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2009, lending volume was \$13.23 billion (93 projects), with TA at \$267.2 million (313 projects) and grant-financed projects at \$1.11 billion (64 projects). In addition, \$3.16 billion in direct value-added loan cofinancing was generated. Over the last 5 years (2005–2009), ADB's annual lending volume averaged \$9.18 billion, with TA averaging \$245.7 million and grant-financed projects \$855.4 million. As of 31 December 2009, the cumulative totals were \$155.94 billion in loans for 2,206 projects in 41 countries, \$5.19 billion for 315 grant projects, and \$3.81 billion for 6,863 TA projects.

## Contacts

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[www.sbv.gov.vn](http://www.sbv.gov.vn)

### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/vietnam](http://www.adb.org/vietnam)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2010/VIE.pdf](http://www.adb.org/Documents/Books/ADO/2010/VIE.pdf)

Annual Report  
[www.adb.org/Documents/reports/annual\\_report/2009/](http://www.adb.org/Documents/reports/annual_report/2009/)

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