



# Country Partnership Strategy

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## Viet Nam, 2023–2026 —Fostering Inclusive, Green, and Private Sector-Led Growth

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 8 August 2022)

Currency unit	–	dong (D)
D1.00	=	\$0.0000427551
\$1.00	=	D23,389.00

## ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
CKP	–	country knowledge plan
CO <sub>2</sub>	–	carbon dioxide
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
ETM	–	Energy Transition Mechanism
GDP	–	gross domestic product
ICOR	–	incremental capital output ratio
MTIP	–	Medium-Term Investment Plan
OCR	–	ordinary capital resources
ODA	–	official development assistance
OECD	–	Organisation for Economic Co-operation and Development
PPP	–	public–private partnership
Q	–	quarter
RCI	–	regional cooperation and integration
SDG	–	Sustainable Development Goal
SEDP	–	Socio-Economic Development Plan
SEDS	–	Socio-Economic Development Strategy
SOE	–	state-owned enterprise
TA	–	technical assistance
UMIC	–	upper middle-income country
UN	–	United Nations

## NOTE

In this report, “\$” refers to United States dollars.

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## COUNTRY AT A GLANCE

<b>Economic</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020<sup>a</sup></b>	<b>2021<sup>a</sup></b>
GDP (\$ billion, current) (year-end rate)	223.3	242.5	260.7	344.4	362.9
GDP per capita (\$, current)	2,383.3	2,560.8	2,702.5	3,529.3	3,683.6
GDP growth (% , in constant prices)	6.8	7.1	7.0	2.9	2.6
Consumption (annual % change)	7.3	7.2	7.2	1.1	2.1
Investment (annual % change)	9.8	8.2	7.9	4.1	4.0
Consumer price index (annual % change)	3.5	3.5	2.8	3.2	1.8
Overall fiscal surplus (deficit) (% of GDP) <sup>b</sup>	(1.2)	(0.1)	0.4	(3.5)	(3.8)
Total revenue (% of GDP) <sup>b</sup>	25.8	25.9	25.7	18.9	18.1
Tax revenue (% of GDP) <sup>b</sup>	18.3	18.5	18.6	13.3	12.6
Merchandise export (\$) growth (annual % change)	21.2	13.9	8.4	7.0	19.0
Merchandise import (\$) growth (annual % change)	22.3	12.2	7.0	3.7	26.5
Current account balance (% of GDP)	3.0	2.4	4.7	4.4	(2.0)
External debt (% of GDP)	48.9	46.0	47.1	37.8	38.4
General government gross debt (% of GDP)	51.7	50.0	48.0	39.4	39.1
Reserves (\$ billion)	49.2	55.3	78.5	95.2	109.4
Average exchange rate (D/\$)	22,370.0	22,603.0	23,050.0	23,209.0	23,160.0
<b>Poverty and Social</b>	<b>2016</b>				<b>2021</b>
Population (million)	93.64				98.5
Population growth (annual % change)	1.0				0.8
Unemployment rate	1.9				2.4
Maternal mortality ratio (per 100,000 live births)	44.0				43.0 [2017]
Infant mortality rate (below 1 year/per 1,000 live births)	17.3				16.7 [2020]
Life expectancy at birth (years)	75.2				75.5 [2020]
Number of years of schooling	...				...
Completion rate for primary education	105.9				110.0 [2018]
Child malnutrition (% below 5 years old)	...				11.7
Population below poverty line (%)	9.8				6.7 [2018]
Proportion of population using safely managed drinking water services (%)	...				...
Proportion of population using (a) safely managed sanitation services, and (b) a handwashing facility with soap and water (%)	85.8				86.1 [2020]
<b>Environment</b>			<b>2019</b>		
Carbon dioxide emissions (kt)			336,490.0		
Carbon dioxide emissions per capita (tons)			3.5		
Forest area (km <sup>2</sup> )			146,430.0 [2020]		
Urban population (% of total population)			38.1 [2021]		
Renewable energy share in total final energy consumption			18.7		
<b>ADB Portfolio (active loans and ADF grants)</b>			<b>As of 31 December 2021</b>		
Total number of loans and ADF grants					
Sovereign			51		
Nonsovereign			14		
Total loan and ADF grant amount (\$ million)					
Sovereign			3,902.7		
Nonsovereign			1,263.6		
Disbursements (sovereign)					
Disbursed amount, total (\$ million, 2021)			277.5		
Disbursed amount, excluding PBL (\$ million, 2021)			277.5		
Disbursement ratio, excluding PBL (%)			9.8		

... = not available, ( ) = negative; [ ] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, D = dong, GDP = gross domestic product, kt = kiloton, PBL = policy-based lending.  
<sup>a</sup> GDP data for 2020 and 2021 are newly adjusted figures provided by the General Statistics Office of Viet Nam.

<sup>b</sup> These are on-budget figures. Data for 2019–2021 are preliminary estimates.

Sources: Asian Development Bank; General Statistics Office of Viet Nam; Government of Viet Nam, Ministry of Finance, State Bank of Vietnam, Ministry of Health; and World Bank. *World Development Indicators*. <https://databank.worldbank.org/source/world-development-indicators> (accessed 19 July 2022).

## I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Success and aspiration.** Within one generation, Viet Nam has undergone a triple transformation from (i) a centrally planned to a market-oriented economy, (ii) an import substitution and closed economy to an export-driven and open economy, and (iii) one of the world's poorest countries to a lower middle-income country. To build on this progress, the Government of Viet Nam has set a goal of reaching upper middle-income country (UMIC) status by 2030 and becoming a high-income country by 2045.

2. **Challenges and opportunities.** Despite significant achievements, labor productivity and growth efficiency have trended downward, raising concerns about sustaining growth, while pockets of poverty remain. The country weathered the coronavirus disease (COVID-19) pandemic impact relatively well and registered real gross domestic product (GDP) growth of 2.9% in 2020. However, the Delta variant waves in 2021 had severe impacts on people's lives, employment, and income. The global economic fallout from the Russian invasion of Ukraine now impedes Viet Nam's fast economic recovery. Viet Nam is also highly vulnerable to the impacts of climate change and natural hazards. Notwithstanding these challenges, Viet Nam's economic prospects remain highly promising and positive in the country partnership strategy (CPS) period of 2023–2026. Comprehensive digital transformation and the enormous energy transition and green investment needs can create new jobs and improve the economy's productivity and efficiency.

3. **Strategic priorities and value addition.** The Asian Development Bank (ADB) CPS for Viet Nam, 2023–2026 will respond to the country's rapidly evolving priorities for the post-pandemic economic recovery, socioeconomic development, and climate change. The CPS will focus on fostering inclusive, green, and private sector-led growth; and building the foundation for achieving the goal of becoming a UMIC by 2030. The strategy has two main pillars. The first pillar focuses on supporting Viet Nam's transition to a green economy. The second pillar concentrates on harnessing the country's private sector and promoting social equity. The strategy is supported by four crosscutting priorities: gender equality, governance, digital transformation, and regional cooperation and integration (RCI). ADB will add value by (i) deploying a One ADB approach;<sup>1</sup> (ii) generating and sharing knowledge solutions; (iii) mobilizing partnerships and cofinancing; (iv) allowing sectoral and strategic selectivity and flexibility; and (v) ensuring project readiness, quality-at-entry, and efficient implementation. The CPS supports the government's Socio-Economic Development Strategy (SEDS), 2021–2030;<sup>2</sup> Socio-Economic Development Plan (SEDP), 2021–2025;<sup>3</sup> and the post-pandemic Economic Recovery and Development Programme, 2022–2023.<sup>4</sup> It is aligned with the Sustainable Development Goals (SDG), and ADB's Strategy 2030 and its operational priorities.<sup>5</sup>

4. **Reorienting ADB's approach.** Viet Nam's far-reaching changes in 2016–2020 and its aspirations for 2021–2030 have altered its development financing needs and resulted in additional policy reforms, including official development assistance (ODA) regulatory reforms. The CPS is therefore designed to reposition ADB to respond effectively to Viet Nam's changing context and

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<sup>1</sup> The One ADB approach encourages collaboration between ADB's sovereign and nonsovereign operations, synergy in knowledge activities between operations and non-operations departments, and integrated solutions through collaboration across sector and thematic groups.

<sup>2</sup> Central Committee of Communist Party. 2021. *Socio-Economic Development Strategy 2021–2030*. Ha Noi.

<sup>3</sup> Ministry of Planning and Investment. 2021. *Socio-Economic Development Plan 2021–2025*. Ha Noi.

<sup>4</sup> Office of Government. 2022. *Resolution 11NQ-CP Economic Recovery and Development Programme, 2022–2023*. Ha Noi.

<sup>5</sup> ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.



emerging challenges by leveraging the full suite of its finance and knowledge instruments. ADB's new operational approach in Viet Nam will rest on three underpinning reorientations: (i) adopting a provincial approach while retaining the national focus in response to the decentralized ODA management, (ii) strengthening the role of the Viet Nam Resident Mission in line with ADB's resident mission empowerment agenda, and (iii) promoting greater synergies among sovereign operations, nonsovereign operations, and knowledge work.

## II. COUNTRY DEVELOPMENT CONTEXT

5. **Country background.** Viet Nam has been on a sustained path of transformation from a low-income to a middle-income country since the launching of its *Doi Moi* (renovation) process in 1986. Rapid growth (averaging more than 6.8% annually during 1990–2019) has transformed the country from one of the poorest nations in Asia into one of the most dynamic economies in the world. Viet Nam achieved lower middle-income status in 2010, and GDP per capita reached \$3,684 in 2021.

6. Viet Nam's strong growth has been propelled by structural transformations and the “open door” policy that liberalized the economy and aimed to benefit from its comparative advantages. Initial structural reforms focused on strengthening the efficiency of the economy through a gradual application of market principles and transformation of state ownership. In the agriculture sector, since 1986, cooperative ownership of land and other means of production were relaxed, and land use was contracted directly to farmers—transforming Viet Nam from a net rice importer to a net food exporter. In industry and services, state-owned enterprise (SOE) reform reduced the number of SOEs from 12,000 in 1986 to about 500 in 2017.<sup>6</sup> Private enterprises were almost nonexistent in 1986 but grew rapidly to 758,610 in 2019.<sup>7</sup> Over this period, the business environment improved significantly. Doing business was made easier, and many restrictions on foreign investment were abolished. As a result, Viet Nam was ranked 67th (out of 141 economies) in 2019—an improvement from the rank of 77th in 2018—in creating an enabling business environment in 2019.<sup>8</sup>

7. Viet Nam has made strong progress across all 17 SDGs. Its SDG rank in 2020 was 49 out of 166 ranked economies. Poverty reduction has also been impressive, and the population below the poverty line decreased to 6.7% in 2018 from 9.8% in 2016.<sup>9</sup> Viet Nam has made remarkable progress in gender equality. During 2016–2021, 16 out of 63 provinces had more than 30% women's representation in the provincial Peoples' Councils, and more than 27% in the National Assembly, which was higher than the average level in Asia and the world. In 2019, 89% of the population in rural areas had clean water supply compared with 83% in 2016. The population with improved sanitation facilities increased to 90% in 2018 from 83% in 2016, while 100% of the urban population and 98% of the rural population had access to electricity in 2018.<sup>10</sup>

8. **Current situation.** The COVID-19 pandemic caused a sharp decline in economic growth and severe social impacts. Growth slowed to 2.9% in 2020, and the COVID-19 resurgence through the Delta variant dragged growth further down to 2.6% in 2021 compared with 7.0% in

<sup>6</sup> State Audit of Viet Nam. 2018. *Report of the Committee for Enterprise Innovation and Reform (Báo cáo của Ban chỉ đạo đổi mới và phát triển doanh nghiệp, Kiểm toán Nhà nước)*. 5 February. Ha Noi.

<sup>7</sup> Ministry of Planning and Investment. 2020. *Vietnamese Enterprises Whitebook (Sách trắng Doanh nghiệp Việt Nam 2020)*. Ha Noi.

<sup>8</sup> Schwab, K., ed. 2019. *Global Competitiveness Report*. Geneva: World Economic Forum.

<sup>9</sup> This follows the international poverty line of \$1.9 per day (in purchasing power parity) as of 2018.

<sup>10</sup> United Nations Development Programme. 2021. *National Report 2020: Progress Report of Five-year Implementation of the Sustainable Development Goals*. Ha Noi.

2019. At the peak of COVID-19 in the third quarter (Q3) of 2021, the unemployment rate increased to 3.98% of the labor force compared with 1.16% in 2017. People in the services sector had their income reduced by 14.3% in Q3 2021 compared with Q2 2021, with those in dining services (a subsector of the services sector) losing 21.2% of their income in Q3 2021 compared with the previous quarter. Workers in the transport and logistics sectors suffered income loss of 20.3% over the same period.<sup>11</sup> The labor market has not fully recovered. About 16.9 million people aged 15 and above were still adversely affected in Q1 2022, of which 0.9 million lost their jobs, 5.1 million suspended their businesses, and 5.7 million had to reduce working hours.<sup>12</sup>

9. Despite pandemic impacts, trade, investment, and digital transformation are thriving. Viet Nam benefits from its open economy and participation in multiple free trade agreements. Export expansion averaged 10.5% annually during 2016–2020, shifting the trade balance from a chronic deficit to a surplus. During the time of the COVID-19 pandemic, Viet Nam registered a trade surplus of more than \$20 billion in 2020 and \$4 billion in 2021. Foreign direct investment was \$25 billion in 2020 after hitting a record level of \$39 billion in 2019. The Regional Comprehensive Economic Partnership, effective from 1 January 2022, will support the post-pandemic economic recovery by forging a long-term and firm foundation for trade expansion.<sup>13</sup> The value of Viet Nam's digital economy was estimated at \$21 billion in 2021, making Viet Nam one of the fastest digitalizing economies in Southeast Asia, with a compound annual growth rate of 29% in 2016–2021. The digital economy is expected to add 1.20%–1.95% to Viet Nam's GDP and increase productivity by 8.5%–10.0% by 2030.<sup>14</sup>

10. Notwithstanding impressive achievements in poverty reduction, poverty remains significant in remote areas and among ethnic minorities, and gender inequality persists across several domains. Women-owned businesses account for about one-third of the total enterprises; they have poorer access to bank loans; only 73% of women participate in the total workforce compared with 83% of men; and a gender gap remains in terms of salaries. Women and ethnic minority groups are particularly disadvantaged by more limited earnings and weaker worker protection in agriculture production because of their higher representation in the sector. In water and other urban infrastructure and services, despite gender-differentiated needs, women have limited forums to articulate their needs regarding the quality, affordability, accessibility, design, and safety of urban services.

11. Viet Nam has gradually decentralized the management of ODA to provinces. Since Viet Nam's graduation to a regular ordinary capital resources (OCR)-only country in January 2019, central line ministries no longer have leading roles in the coordination and implementation of ODA projects. The government shifted some of the responsibility to the provinces for ODA project design and implementation in line with its new ODA regulations, which favor projects that originate in and are implemented by the provinces. This creates an opportunity for holistic, integrated, multisector approaches to local development challenges—moving away from line ministry-driven and sector-focused projects across multiple provinces.

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<sup>11</sup> General Statistics Office. 2021. *Report on the COVID-19 impacts on Labor and Employment Situation in the Third Quarter of 2021*. Ha Noi.

<sup>12</sup> General Statistics Office. 2022. *Press Release Socio-economic Situation in the First Quarter of 2022*.

<sup>13</sup> C.Y. Park, P. A. Petri, and M. G. Plummer. 2021. Economic Implications of the Regional Comprehensive Economic Partnership for Asia and the Pacific. *ADB Economics Working Paper Series*. No. 639. Manila: Asian Development Bank. (The Regional Comprehensive Economic Partnership includes Australia, Brunei Darussalam, Cambodia, Indonesia, Japan, the Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, the People's Republic of China, the Philippines, the Republic of Korea, Singapore, Thailand, and Viet Nam).

<sup>14</sup> ADB. 2022. *Southeast Asia Rising from the Pandemic*. Manila.

12. Demand for nonsovereign financing is increasing. Cautious public debt management practices shifted the preference toward nonsovereign financing, a demand made stronger by the increasing private sector orientation in the economy despite numerous challenges (para. 14) and the shifting of some SOEs from sovereign to nonsovereign borrowing. ADB's nonsovereign operations, support for public-private partnerships (PPPs), and sovereign lending that incorporates private sector elements are increasing and will be an integral component of ADB's overall support to Viet Nam.

13. Sovereign lending is returning after 4 years of limited demand including 2 years of no borrowing, but regulatory constraints impede uptake. ADB's sovereign lending to Viet Nam reached a historic high in 2009–2012, peaking at \$2.1 billion in 2011. However, concern over the public debt approaching the statutory limit of 65% of GDP in 2016 prompted a tightening of ODA utilization and triggered a shift to domestic resource mobilization.<sup>15</sup> Viet Nam's graduation to a regular OCR-only country further reduced the appetite for sovereign borrowing. Since 2021, though, ODA demand has been gradually returning. Rising financing demand from the provinces has introduced a new pipeline of sovereign projects. Further, significantly more funding, including ODA, is needed to finance large and high-priority infrastructure projects as part of the post-COVID-19 economic recovery and Viet Nam's net zero emissions commitment by 2050 at the 26th United Nations (UN) Climate Change Conference of the Parties in 2021. However, a multistep public investment approval process and its frequent changes considerably prolong ODA project processing.

14. **Critical development constraints.** The lack of a competitive private sector lowers Viet Nam's productivity and efficiency. Sustaining high growth rates to achieve UMIC status requires a competitive private sector. However, Viet Nam's private sector is predominantly represented by household businesses, and micro and small enterprises. The country has a shortage of medium-sized and large domestic corporations to support and sustain economic growth. Regulatory barriers; slow SOE reform; absence of research and development capacity; and lack of access to finance, land, and skilled labor have all hampered private sector development. Viet Nam's labor productivity in 2019 was about one-fourth of Malaysia's, one-third of Thailand's, half of Indonesia's, and even lower than that of the Lao People's Democratic Republic's.<sup>16</sup> Viet Nam's incremental capital output ratio (ICOR), which measures the efficiency of an economy (the lesser the ICOR, the more efficient the economy), was higher than the ICOR of other economies in Asia. The country's ICOR was 6.25 on average in 2011–2015 and improved to 6.13 in 2018,<sup>17</sup> but was still higher than that of Cambodia (3.30)<sup>18</sup> and Thailand (1.87) in 2018.<sup>19</sup>

15. Infrastructure deficits are undermining competitiveness. Rapid economic growth has put stress on Viet Nam's infrastructure. Despite significant investment, the road network consists predominantly of unpaved, narrow, and local road sections. Only 65% of Viet Nam's total road network are paved in 2018, compared to over 77% in Thailand or Malaysia.<sup>20</sup> The Directorate for Roads of Viet Nam estimates that the current expenditure for road maintenance works meets only 44% of the minimum annual requirements. As a result, more than 65% of the national roads are

<sup>15</sup> Resolution 23/2021/QH15 of the National Assembly reduced the statutory level of public debt to 60% in 2021.

<sup>16</sup> Asian Productivity Organization. [Asian Economy and Productivity Map](#) (accessed 24 May 2022).

<sup>17</sup> General Statistics Office. 2020. [Statistical Summary Book of Viet Nam 2020](#). Ha Noi.

<sup>18</sup> World Bank. 2018. *Cambodia Economic Update*.

<sup>19</sup> National Economic and Social Development Board. 2019. *Capital Stock of Thailand in 2018*.

<sup>20</sup> Organisation for Economic Cooperation and Development (OECD). 2021. *OECD Competition Assessment Reviews: Logistics Sector in Viet Nam*.

not regularly maintained.<sup>21</sup> Underdeveloped infrastructure and weak multimodal links have increased Viet Nam's logistics costs, which are 18.0% of GDP in 2017. This is much higher than logistics costs of Thailand (8.5% of GDP), undermining the country's economic competitiveness (footnote 20). The development of wastewater and sanitation infrastructure is a key measure of improving livability in urban areas. However, only about 15% of wastewater generated in urban areas is collected by centralized systems. Municipal solid waste generation is increasing rapidly. The total volume of household waste was 31.2 million tons in 2018, with about 49,600 tons per day from urban households and 35,800 tons per day from rural households.<sup>22</sup>

16. Viet Nam is facing twin challenges of meeting rapid energy demand growth with simultaneous decarbonization. Viet Nam's energy demand has been continuously growing at a higher rate than economic growth. According to Vietnam Electricity Corporation, the national utility, power demand growth was 10.3%–11.3% per year in 2016–2020 and is projected to grow by 8.0%–8.5% per year in 2021–2030. To meet its fast-rising energy demand, Viet Nam has relied on fossil fuels. Carbon dioxide (CO<sub>2</sub>) emissions have therefore increased at a rapid rate of 7.9% annually, faster than the real GDP rate (6.5%–7.0% annually).<sup>23</sup> As a result, Viet Nam's carbon intensity, which measures CO<sub>2</sub> emissions per unit of GDP, is higher than that of other countries in the Association of Southeast Asian Nations (ASEAN) and fossil CO<sub>2</sub> emissions in Viet Nam in 2019 was also highest in the ASEAN.<sup>24</sup> Viet Nam's net zero carbon emissions commitment therefore requires redesigning the strategy for power sector development, including a transition from coal-fired power generation to more environmentally friendly sources of energy.

17. Climate change, natural hazards, and environmental degradation are impeding growth. Viet Nam was the sixth country in the world most affected by climate variability and extreme weather events in 1999–2018.<sup>25</sup> It is also one of the world's economies that is most vulnerable to sea level rise. A 1-meter sea level rise could damage more than 4% of the rail system, 9% of the national highway system, and 12% of the provincial road system.<sup>26</sup> Parts of the Mekong Delta subregion of Viet Nam are projected to be submerged by 2050. Climate change is exacerbating the frequency and intensity of natural hazards, including storms, floods, and droughts. Climate vulnerability affects more than 74% of the population, especially the poor who lack resilience to shocks.

18. Financial markets have not fully developed, hampering growth potential. Financial markets—comprising the banking sector, bond market, stock market, and the insurance market—establish critical foundations for a market economy and assume a vital role in allocating resources and creating liquidity for businesses. In Viet Nam, the banking sector is dominant, with the ratio of credit to GDP reaching 140%—one of the highest in the world. The bond market is growing quickly, albeit from a low base. However, the rapid growth of the corporate bond segment is heightening risks. Domestic credit rating agencies are nascent, which is a significant constraint on the development of the corporate bond market. Microfinance is underdeveloped compared with countries at a similar level of development. Despite impressive achievements from 2000 to 2020, Viet Nam's stock market remains a frontier market because of limited openness to foreign

<sup>21</sup> Government of Viet Nam, Directorate for Roads of Viet Nam. 2020. *Inception Report, Viet Nam Road Network Master Plan to 2030 and Vision to 2050*. Ha Noi.

<sup>22</sup> K. Van Den Berg and T. C. Duong. 2018. [Solid and Industrial Hazardous Waste Management Assessment: Options and Action Areas](#). Washington, DC: World Bank.

<sup>23</sup> OECD. 2022. Forthcoming. *OECD Economic Surveys: Viet Nam*. Paris: OECD.

<sup>24</sup> OECD. 2019. *Green Growth Indicators database*. Paris (accessed 26 April 2022)

<sup>25</sup> Intergovernmental Panel on Climate Change. 2022. [Climate Change 2022: Impacts, Adaptation, and Vulnerability](#). Cambridge (Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change).

<sup>26</sup> International Monetary Fund. 2018. *For Vietnam, Greener Growth Can Reduce Climate Change Risks*. Ha Noi.

investors. The insurance market is present in both life and nonlife segments but remains small (less than 1.5% of GDP). Private pensions (dominated by the state) and mutual funds are both at early development stages.

19. Inadequate social protection and healthcare hinder the social inclusiveness of growth. Although the social protection has made some progress, its coverage remains limited. Compulsory social insurance covers about 33% of the formal sector. A high level of informality in the economy has resulted in a significant number of the workforce with unsecured social benefits. As a result, the voluntary social insurance covers only 1% of the informal sector. Further, Viet Nam will become an aged economy by 2035, which is placing an additional burden on social protection, especially pension funds.<sup>27</sup> These factors lower Viet Nam's productivity and impede its competitiveness, as well as diminish the social inclusiveness of growth. Moreover, the COVID-19 pandemic revealed weaknesses in the local health systems, and thus the need for further capacity development and modernized equipment and facilities in the provincial centers for disease control. Expanding social protection coverage and healthcare are therefore critical for Viet Nam to achieve sustainable and inclusive growth.

20. Governance has been significantly improved but further reforms are needed. Public service delivery and the “doing business” environment have become more efficient, but important constraints to private business activity and foreign investment remain.<sup>28</sup> The acquisition of publicly listed firms by foreign investors is still subject to an equity ownership limit of 49% in many sectors, and the SOE reform process has been slow. According to the Ministry of Finance, as many as 183 enterprises were approved for equitization from 2016 to June 2021 but only 39 of them were equitized. Provincial public administration procedures, accountability, and transparency indicators declined in 2019–2021, partially because of the COVID-19 pandemic.<sup>29</sup> In addition, complex land acquisition, public finance, and public procurement procedures remain major constraints to increasing investment in infrastructure and business development.

### III. COUNTRY STRATEGY FRAMEWORK

#### A. Lessons from Previous Strategy

21. ADB's CPS for Viet Nam, 2016–2020 focused on achieving inclusive and environmentally sustainable growth and developing a competitive market economy.<sup>30</sup> The CPS final review report<sup>31</sup> and the validation report by the Independent Evaluation Department<sup>32</sup> assessed the relevance of the CPS to Viet Nam's development priorities, challenges, and needs. In terms of efficiency, the performance of the country portfolio declined over the CPS period given the extraordinary changes in Viet Nam's ODA priorities. Despite challenging circumstances, the validation report found the CPS to be efficient. As a result, the validation report rated the CPS

<sup>27</sup> World Bank and Ministry of Planning and Investment of Viet Nam. 2016. [Viet Nam 2035: Toward Prosperity, Creativity, Equity, and Democracy](#). Ha Noi. (The share of the population older than 65 years will rise from 6.7% in 2015 to 14.4% in 2035, transforming Viet Nam from a young to an aged society).

<sup>28</sup> ADB. 2021. *Viet Nam's Governance Assessment Report*. (An internal assessment for the preparation of the CPS 2023–2026).

<sup>29</sup> Centre for Community Support and Development Studies, Centre for Research and Training of the Viet Nam Fatherland Front, Real-Time Analytics, and United Nations Development Programme. 2021. [The Viet Nam Provincial Governance and Public Administration Performance Index \(PAPI 2021\): Measuring Citizens' Experiences](#). Ha Noi.

<sup>30</sup> ADB. 2016. [Country Partnership Strategy: Viet Nam, 2016–2020—Fostering More Inclusive and Environmentally Sustainable Growth](#). Manila.

<sup>31</sup> ADB. 2020. *Country Partnership Strategy 2016–2020 Final Review*. Ha Noi.

<sup>32</sup> Independent Evaluation Department. 2021. [Viet Nam: Validation of the Country Partnership Strategy Final Review, 2016–2020](#). September. Manila: ADB.

2016–2020 *generally successful*. However, the report assessed ADB was not able to update its strategy and country operations business plan in a timely manner in response to the changing development context.

22. The validation report also highlighted the need for (i) a more flexible programming approach in the context of the constantly changing ODA regulatory environment, (ii) further support to improve the business environment and private sector participation, and (iii) capacity development. Further recommendations included (i) adjusting ADB’s approach to changing ODA regulations and needs in Viet Nam; (ii) addressing remaining poverty and inequality, deficits in infrastructure, impacts of the COVID-19 pandemic, and vulnerability to natural hazards and climate change; and (iii) maximizing impacts for environmental sustainability, through a combination of sovereign and nonsovereign operations and knowledge assistance. The lessons and recommendations helped shape the framing and design of the CPS, 2023–2026.

## B. National Development Strategy

23. **Viet Nam’s aspiration to become an upper middle-income country by 2030 is embedded in the Socio-Economic Development Strategy, 2021–2030.** The SEDP, 2021–2025 provides a five-year plan for achieving Viet Nam’s 2030 vision by ensuring rapid, inclusive, and sustainable economic growth, facilitated by macroeconomic stability and driven by the development of science, technology, and innovation. The government aims to develop a supportive environment to increase the private sector’s contribution to GDP from 43% in 2020 to 60%–65% by 2030. The government also endorsed a National Target Program for Ethnic Minorities for 2021–2025 with a Vision to 2045 to promote economic development for ethnic minority groups, and a national strategy for gender equality for 2021–2030 to reduce gender gaps in all aspects of social life and the economy. The SEDS, 2021–2030 also prioritizes the development of a circular economy as an important measure to achieve greener growth.

24. **Government’s response to the COVID-19 pandemic.** From April 2020 to July 2021, the government launched two fiscal and monetary support programs.<sup>33</sup> In response to the acute impacts of the fourth wave of the pandemic in 2021, the government approved the Economic Recovery and Development Program in January 2022, totaling \$15 billion for 2022–2023—about 3% of GDP (footnote 4).

25. **Viet Nam’s investment priorities.** Strategic directions for Viet Nam’s investment and borrowing are specified in the Medium-Term Investment Plan (MTIP), 2021–2025, and the National Plan for Public Borrowing and Debt Management, 2021–2025. The MTIP aims to prioritize investment to improve the efficiency of the economy, and support a science-, technology-, and innovation-based economy. The National Plan for Public Borrowing and Debt Management targets mobilizing loans at appropriate costs and risks to meet the country’s socioeconomic development needs and to balance the state budget.<sup>34</sup>

26. **Government’s climate commitments.** Viet Nam is committed to climate change mitigation and adaptation. In its updated nationally determined contributions in September 2020, Viet Nam committed to reducing greenhouse gas emissions by 9% compared to business-as-

<sup>33</sup> Government of Viet Nam. 2020. [Government Resolution No. 42/NQ-CP dated 9 April 2020 on Measures to Support People Affected by the COVID-19 Pandemic](#). Ha Noi; Government of Viet Nam. 2021. [Government Resolution No. 68/NQ-CP dated 1 July 2021 on Policies to Support COVID-19-Hit Employees and Employers](#). Ha Noi.

<sup>34</sup> Through the country programming mission and other consultative meetings, ADB has confirmed the consistency of the ADB lending 2023–2026 with the Medium-Term Investment Plan and the National Plan for Public Borrowing and Debt Management with the Ministry of Planning and Investment and the Ministry of Finance.

usual by 2030 with domestic resources, and 27% with international support. At the UN Climate Change Conference in Glasgow in 2021, Viet Nam pledged to achieve net zero carbon emissions by 2050.<sup>35</sup> In line with its mitigation goals, the government is considering the use of carbon pricing instruments and an emissions trading system.<sup>36</sup> Viet Nam also aims to make the energy transition just and affordable.

### C. Role of Development Partners

27. **Coordination and knowledge partnerships.** ADB is an active partner in Viet Nam's development community, coordinating closely with all relevant development partners, including UN agencies, the World Bank, the International Monetary Fund, and bilateral agencies. The development partners group facilitates coordination and includes technical working groups to support in-depth review and policy dialogue with relevant government agencies.<sup>37</sup> The Six Bank Group<sup>38</sup> includes all multilateral and bilateral development banks with lending operations in Viet Nam and focuses on strategic and operational issues by maintaining regular communication with the Ministry of Planning and Investment and other relevant ministries. Together with the Ministry of Agriculture and Rural Development, ADB cochairs the Disaster Risk Reduction Partnership, which consists of relevant government agencies and development partners, and aims to support capacity building on disaster risk management, share good practices, and improve disaster risk management coordination.

28. **Cofinancing.** ADB has established cofinancing partnerships both for investment projects and knowledge work. Grant cofinancing has become increasingly important, as the government prefers a grant element above 25% for sovereign borrowing in the social sector. ADB has forged a close working relationship with bilateral development partners to mobilize grant cofinancing resources to meet the government's grant element requirement.

### D. ADB's Strategic Objectives and Operational Priorities

29. **The country partnership strategy.** The CPS supports Viet Nam in fostering inclusive, green, and private sector-led growth and building the foundation for achieving the goal of becoming a UMIC by 2030. The strategy has two main pillars. The first pillar focuses on supporting Viet Nam's transition to a green economy, and the second pillar concentrates on harnessing the private sector and helping to promote social equity. The strategy is supported by four crosscutting priorities: gender equality, governance, digital transformation, and RCI (Figure).

30. **Alignment with ADB Strategy 2030 operational priorities.** The CPS will reinforce the achievement of the operational priorities under ADB's Strategy 2030 (footnote 5). Around 80%–90% of the new sovereign operations projects under the CPS will focus on reducing poverty and inequality. Nearly all firm sovereign projects in the 2023–2026 pipeline will involve accelerating gender equality and climate change adaptation and/or mitigation. All urban development and infrastructure projects will contribute to making cities livable, while agriculture projects will support rural development and food security. About 50% of the sovereign lending pipeline and 90% of the nonlending pipeline will support strengthening governance and institutional capacity, and 20%–

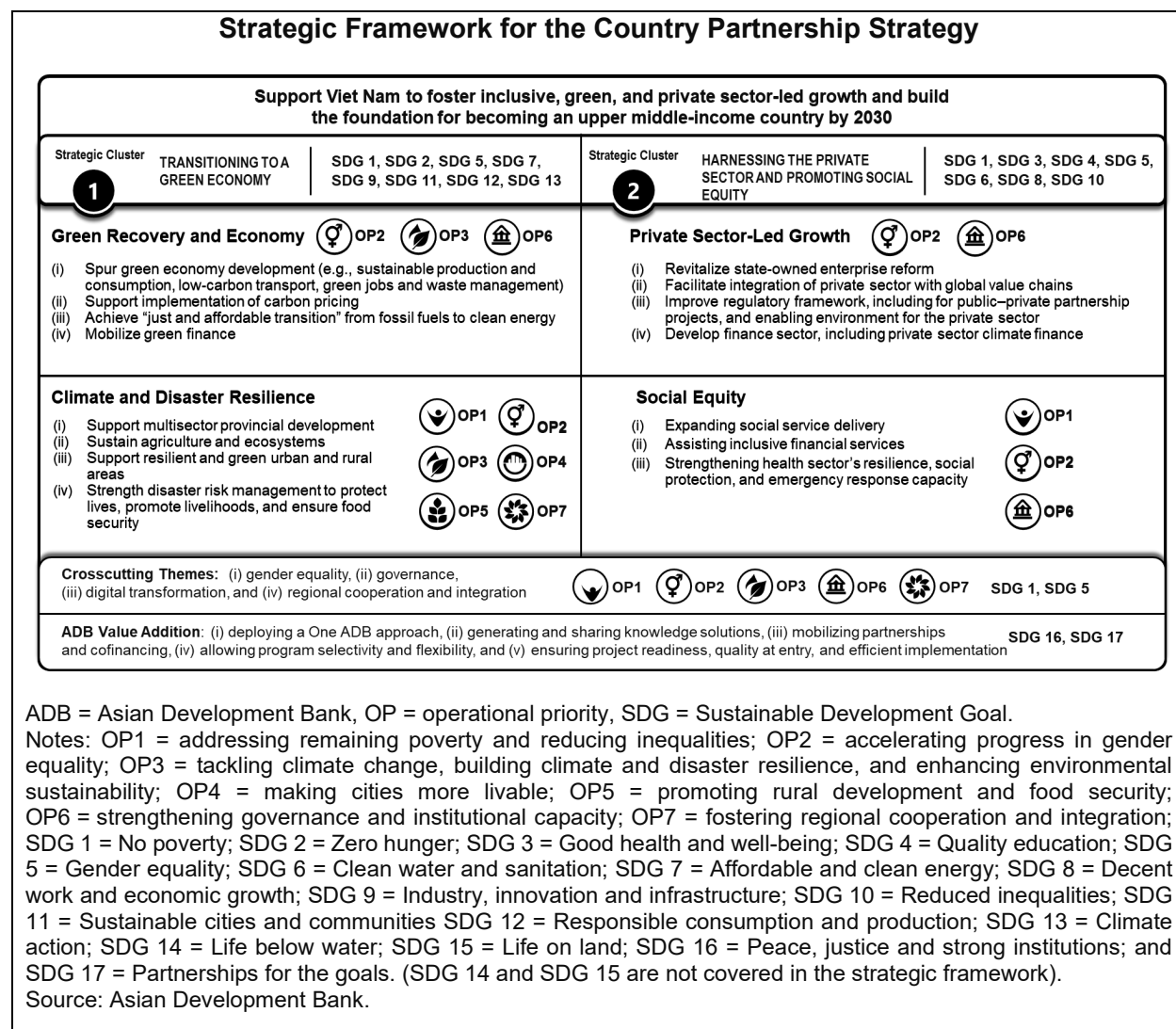
<sup>35</sup> Government of Viet Nam. 2020. [Updated Nationally Determined Contribution \(NDC\)](#). Ha Noi.

<sup>36</sup> International Carbon Action Partnership. 2020. [New Law in Vietnam Creates Mandate for ETS](#). 23 November.

<sup>37</sup> ADB led the working groups in preparing two policy papers on private sector development and capital market development for the SEDS, 2021–2030 and the SEDP, 2021–2025.

<sup>38</sup> The Six Bank Group comprises ADB, the Agence Française de Développement, the Japan International Cooperation Agency, the Export–Import Bank of Korea, German development cooperation through KfW, and the World Bank.

25% of the sovereign lending pipeline will help foster RCI. The country results framework specifies the link between each CPS outcome and specific operational priorities.



31. **Focus on selectivity.** The proposed CPS will be selective with a clear thematic focus. ADB's sovereign lending will prioritize investments that support the key thematic outcomes of the CPS in the Results Framework (Appendix 1). As a result, compared with the previous CPS 2016–2020 which had covered seven sectors, ADB sovereign operations will primarily focus on five sectors (agriculture and rural development, water and urban services, transport, health and social protection, and education) during the new CPS period. Energy and finance are two sectors with technical assistance and nonsovereign support, but with uncertain ADB involvement through sovereign lending. ADB will continue working with the authorities on the Energy Transition Mechanism (ETM) for which technical assistance, knowledge support and nonsovereign support may be provided.<sup>39</sup> Given Viet Nam's large energy transition funding needs, ADB will continue to engage with the government on its willingness to receive sovereign lending, where appropriate.

<sup>39</sup> The Energy Transition Mechanism (ETM), initiated by ADB, supports the early retirement of coal-based generation assets and the transition to cleaner forms of energy in ADB's developing member countries to reduce greenhouse



## 1. Strategic Cluster (Objective 1): Transitioning to a Green Economy

32. This pillar aims to support Viet Nam in adopting a holistic approach to transitioning to a green economy, aligned with the goals of the Paris Agreement, while expanding its response in addressing climate change risks and impacts.

33. **Green (low-carbon) recovery and economy.** ADB will support Viet Nam in transforming the economy (production and consumption) toward more energy-efficient and greener growth. Through policy and knowledge support, ADB will assist Viet Nam to review its policy framework to operationalize the zero carbon emissions commitment by 2050 and develop a national action plan for implementing a circular economy. Nonsovereign financing will support renewable energy; with nonsovereign and sovereign financing supporting the application of energy saving technologies in power consumption, transmission, and distribution, urban waste treatment, wastewater treatment, and drainage. ADB will explore sovereign and nonsovereign financing in the development of low-carbon transport such as metro lines and electric vehicles. ADB's advisory services will help prepare sustainable and bankable green economy projects, including for infrastructure development. Sovereign lending for sustainable tourism development projects will promote green jobs that are environmentally sustainable, resource-saving, and high value-added.

34. ADB technical assistance (TA) and capacity building will support Viet Nam's use of carbon pricing instruments to develop and take advantage of domestic, bilateral, and international carbon markets, and where applicable, integrated markets in achieving the country's nationally determined contributions and net zero emissions commitments. ADB will expand its TA, policy, and financing support to explore potential measures for the implementation of the ETM, building on current work underway in Indonesia and the Philippines and, more generally, energy transition pathways.

35. **Climate and disaster resilience.** ADB will develop a series of provincial and multisector projects to support agriculture, rural connectivity, and poverty reduction for ethnic minorities. Sovereign support will be prioritized for climate-resilient infrastructure, irrigation systems, and sustainable ecosystems in the Mekong River and Red River regions. ADB will seek opportunities in coastal protection and climate adaptation transport connectivity projects outlined in the government's Mekong Delta regional master plan in coordination with other development partners. Nonsovereign opportunities will be sought to support sustainable aquaculture and livestock, food retail, horticulture, food safety and quality, and environmentally friendly food processing, subject to the identification of bankable transactions. Investment opportunities will be explored by ADB with foreign and domestic sponsors in export-oriented agribusinesses. ADB will also expand its sovereign operations to assist Viet Nam to strengthen food security when food supply and production are disrupted by natural hazards, health pandemics, and geopolitical instability.

36. Sovereign financing will focus on strengthening climate resilience of rural and urban infrastructure, including anti-erosion embankments, climate-sensitive water supply, and flood management in the northern midland and mountainous region, the central region, and the central highlands. It will also cover risk-informed urban planning and smart city development, structural

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gas emissions. The ETM can assist Viet Nam to carry out a thorough feasibility study on energy transition pathways and prepare projects together with relevant ministries to bring forth a significant volume of climate finance, both sovereign and nonsovereign.

and ecosystem-based adaptation methods, and early storm warning systems. Sovereign and nonsovereign operations will be explored in strengthening multimodal linkages such as airports, expressway links, highways, intercity railways, and railway lines.

37. Given the vulnerability of Viet Nam to natural hazards, ADB will provide knowledge support to strengthen national and provincial capacity to plan, implement, monitor, and evaluate disaster risk management activities effectively and efficiently—to strengthen Viet Nam’s capacity in minimizing human losses and protecting livelihoods from natural hazards. ADB’s contingent disaster financing can be used to support post-disaster recovery and reconstruction and to enhance financial preparedness for disasters.

38. ADB will support Viet Nam in exploring innovative modalities for green finance, including the potential issuance of green bonds, and the possible establishment of a green finance facility to catalyze investments in green infrastructure projects. ADB will continue to work with relevant ministries to strengthen Viet Nam’s access to available global and regional green financing facilities, including the Green Climate Fund, the ADB-managed ASEAN Catalytic Green Finance Facility, and the ASEAN Green Recovery Platform, which aims to mobilize \$7 billion in green infrastructure projects in Southeast Asia for 2019–2030. ADB will also work to develop sovereign and nonsovereign projects to help mobilize climate finance for Viet Nam.

## **2. Strategic Cluster (Objective 2): Harnessing the Private Sector and Promoting Social Equity**

39. **Private sector-led growth.** ADB will support SOE reforms via combined nonsovereign loans and targeted TA support for SOE-led infrastructure, which will include reform measures through loan covenants. ADB will also address (i) SOE reform via a strategic partnership solidified through a memorandum of understanding to support Vietnam Oil and Gas Group’s green energy transition strategy with knowledge support, transaction advisory, and nonsovereign lending as applicable; and (ii) the small and medium-sized enterprise reform process through knowledge and policy support for the Ministry of Planning and Investment in piloting green production and business. ADB’s extensive Trade Finance Program supports private sector integration with global value chains, and supply chain finance products will be introduced via local partner banks by TA. ADB will also provide TA to help operationalize the new PPP Law by (i) helping prepare relevant decrees and circulars for the PPP Law; (ii) identifying champions and improving the capacity of relevant ministries in PPP transactions; and (iii) supporting priority sectors and provinces to develop PPP pipelines in urban and water, health care and education, and low-carbon infrastructure. ADB will support financial market development in Viet Nam, particularly the corporate bond market, by strengthening credit rating agencies and exploring innovative modalities for green finance. ADB will continue to partner with experienced fund managers with proven track records who are investing in sectors aligned with ADB’s priorities such as healthcare, education, and financial services. ADB will also provide TA to Viet Nam to help with the implementation of the Law on Support for Small- and Medium-sized Enterprises and implementing regulatory reforms that will facilitate the formalization of the informal sector to increase the number of medium-sized enterprises.

40. **Social equity.** In addition to support for poverty reduction and gender equality, ADB’s support for social equity will center on expanding public service delivery such as access to finance, social protection, higher education, skills development, and healthcare. It will provide knowledge support for financial technology for greater financial inclusion. Nonsovereign financial intermediary loans, coupled with grant and TA from the ADB Women Entrepreneurs Finance Initiative, will be provided to increase access to finance for women-owned businesses. ADB will

prioritize knowledge support to strengthen public financial management, including tax reforms, to help sustain government spending and investment for social protection. ADB will assist Viet Nam in responding to future pandemics in areas such as worker training, developing risk communication materials, enhancing regional platforms for data sharing, and improving emergency response mechanisms. Sovereign, nonsovereign, and knowledge solutions will be explored to support skills development, tertiary education, and national health system improvement, including improved services for older persons and disadvantaged groups. ADB will explore nonsovereign lending and equity investment opportunities, both directly and indirectly, to support companies in the health care sector.

### 3. Crosscutting Themes

41. **Gender equality.** ADB projects will aim to contribute to increased incomes and reducing the time burden of unpaid work for women. In its support for the national target programs, ADB will ensure that capacity development programs for district and commune staff include gender mainstreaming components and promote human resources policies to encourage female staff participation in decision-making and technical roles.<sup>40</sup> Sovereign and nonsovereign investments in water and urban development will help ensure women's greater access to water supply in small and medium-sized cities. ADB will commit to increasing the access to, participation in, and benefits from sanitation projects for poor and vulnerable households and disadvantaged groups. ADB will strengthen the capacity of provincial, city, and local officials in universal urban design to ensure better integration of gender-responsive and socially inclusive design features in infrastructure investments. Gender equality will also be promoted in green financing, disaster risk management, tourism, the digital transformation, and water and urban development.

42. **Governance.** ADB will support Viet Nam in the following areas across two key governance themes:

- (i) **Public financial management.** ADB will (a) strengthen the revenue forecasting capacity and the revenue budgeting of provinces, (b) help identify relevant revisions to the framework for expenditure assignments across government agencies, (c) support tax reform to strengthen domestic resource mobilization, (d) improve operation and maintenance expenditure budgeting for capital projects, (e) support the implementation of public investment management activities on policies and procedures, and (f) strengthen the capacity of the State Audit Office of Viet Nam as the leading agency to monitor the quality of audit undertaken by external auditors for public sector projects.
- (ii) **Procurement.** ADB will (a) collaborate with the Public Procurement Agency and the World Bank to conduct a comprehensive assessment of Viet Nam's public procurement system using the Methodology for Assessing Procurement Systems, which will provide support to ongoing government initiatives in public procurement reform and a road map for developing a dependable public procurement system; (b) help strengthen the capacity of executing and implementing agencies in the execution of project procurement with ADB's New Procurement Framework; and (c) support the development of a new e-procurement system for contracts under ADB-financed projects.

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<sup>40</sup> Viet Nam has national target programs covering poverty reduction, rural development, and support for ethnic minorities.

43. **Digital transformation initiatives.** ADB will provide knowledge support to relevant ministries to develop a digital technology industry framework and indicators for digital economy progress, and to introduce a digital agricultural data platform and best-of-class mapping software for monitoring crop areas and tracing agricultural products. ADB will also explore using mobile phones to collect health statistics and establishing a digital platform for upskilling and reskilling the workforce. The ADB Ventures TA will help the Vietnam National Innovation Center to identify technology-enabled SDG impact solutions from innovative early-stage enterprises, and will increase the availability of early-stage financing for the private sector to mitigate market risks of technology-enabled climate and/or gender impact solutions.<sup>41</sup>

44. **Regional cooperation and integration.** Through TA support, ADB will explore cross-border connectivity opportunities between Viet Nam and the Lao People's Democratic Republic, Cambodia, and the People's Republic of China via the Greater Mekong Subregion economic corridors. ADB will also continue its sovereign lending to support the ongoing transformation of the provinces along sections of Greater Mekong Subregion economic corridors in Viet Nam (e.g., east–west, north–south, and southern economic corridors) by investing in interprovincial connectivity and ecosystem-friendly tourism projects that sequentially build on the increased connectivity from past and ongoing ADB assistance to these border areas.

## **E. Priorities for Knowledge Support**

45. As Viet Nam's economy is growing in size and complexity, the demand for more sophisticated knowledge support from ADB is increasing. More effective integration of knowledge solutions into operations is therefore critical for ADB to deliver impactful results. ADB's country knowledge plan (CKP) for Viet Nam consolidates knowledge demands from central line ministries and maps ADB's ongoing and planned knowledge support. This enables ADB to identify the government's needs, prioritize knowledge activities, and solicit relevant support from various departments across ADB (Appendix 2). The One ADB approach, including collaboration with the ADB Institute, will be applied in the implementation, monitoring, and updating of the CKP.

46. The CKP aligns with the CPS by supporting (i) innovative design solutions for ADB-financed projects, (ii) policy advice for developing and implementing more inclusive service delivery; (iii) enhanced capacity of government agencies to develop and implement inclusive policies, programs, and projects; (iv) improved capability of the private sector to deliver services to people, including disadvantaged groups; and (v) increased awareness and understanding of best practices in green, inclusive, and private sector-led economic growth.

## **IV. STRATEGY IMPLEMENTATION**

### **A. Cost-Sharing Arrangements**

47. Viet Nam, a group C developing member country, is eligible for regular OCR lending. The annual resources to be committed will depend on, among others, Viet Nam's needs, project quality-at-entry, project readiness, sector performance, and absorptive capacity. Cofinancing and funding from other sources will be explored. Cost-sharing arrangements (in terms of share) for

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<sup>41</sup> The Vietnam National Innovation Center is a unit under the Ministry of Planning and Investment, established by the Prime Minister in Decision No. 1269/QĐ-TTg dated 2 October 2019, with the function of supporting and developing Viet Nam's start-up and innovation ecosystem, contributing to renewing the growth model based on science and technology.

Viet Nam will allow for maximum ADB financing of 65% for loans and 70% for TA and other grants, on a portfolio-wide basis.

## B. Implementation Priorities

48. **Reorienting ADB’s approach to respond to Viet Nam’s rapidly changing context.** Viet Nam’s far-reaching socioeconomic development changes in 2016–2020 and its aspirations in 2021–2030 have altered demands for development financing, and resulted in additional policy reforms, including ODA regulatory reforms. To respond to Viet Nam’s profound and rapid changes, ADB will initiate three important operational reorientations:

- (i) **Adopting a provincial approach while retaining national strategic engagement.** ADB will diversify its sovereign operations from the central to the provincial level to respond to increasing development demands from provinces. The new approach will be supported by integrated lending and knowledge solutions and will be aligned with the decentralized ODA management structure.
- (ii) **Promoting greater synergy between sovereign and nonsovereign operations.** The CPS will integrate the financing support modalities—sovereign, nonsovereign, and PPP transaction advisory services—that best address the country’s complex needs. The Private Sector Development Unit at the resident mission leads and facilitates this integrated approach. The team focuses on upstream work to support an enabling environment for private investment, with a view to lead to downstream nonsovereign financing opportunities and transaction advisory support.
- (iii) **Strengthening the role of the resident mission.** The long lead times and multilayered government approval process require more ADB upstream involvement at an early stage of project conceptualization, in close coordination with government counterparts, to maximize impact and reduce uncertainty in project processing timelines. The shift to a provincial, multisector approach needs to be complemented by repositioning the resident mission in line with ADB’s resident mission empowerment agenda<sup>42</sup> and the government’s interest in greater delegation of responsibility over operational and staffing resources to the resident mission.

49. **Strengthening capacity for safeguard compliance implementation and better financial management.** ADB will provide targeted capacity development assistance on land acquisition, resettlement, and indigenous peoples related issues; and provide more practical solutions and support measures, where necessary, working closely with local authorities. The capacity to implement gender equality actions in operations will also be strengthened. In addition, ADB will support strengthening the capacity of provinces for better local resource mobilization, capital investment planning, and monitoring.

## C. Monitoring of Results

50. **Results framework.** ADB will use the results framework in Appendix 1 to monitor the CPS implementation progress. The key outcomes and outcome indicators have been selected to measure the main results that ADB-financed operations are expected to focus on or achieve in

<sup>42</sup> ADB. 2020. [Review of ADB's Resident Mission Operations](#). Manila.

support of the CPS's strategic objectives. ADB will report progress, including on the knowledge results achieved, and adjust the results framework as needed during the CPS midterm update.

#### **D. Risks**

51. **Regulatory complexity.** Despite improvements in ODA regulations, complex ODA regulations still present risks to timely ODA project delivery. Periodic changes to the regulations and lengthy review and clearance processes may delay project preparation and implementation. Together with development partners, ADB will continue to engage with the government to simplify and improve ODA regulations. Under the CPS, a shift in the government's focus toward multisector provincial interventions that target local development constraints in a more holistic manner, and the shift toward more decentralized decision-making, appear to be making a difference in timely government consideration and approval processes.

52. **Implementation delays.** Three outstanding risks that have often delayed disbursements include (i) slow investment policy adjustment decisions,<sup>43</sup> (ii) delayed land clearance, and (iii) counterpart fund shortages. ADB, together with other development partners, will work with the government, as appropriate, to simplify the ODA regulations and ensure high quality of projects at entry by better aligning its project appraisal processes with the government's ODA procedures.

53. **Prolonged execution of large infrastructure projects.** Although the government has reiterated high-level political commitment to accelerating the delivery of large infrastructure projects, implementation delays remain the norm, including in government-financed projects. A large part of the problems underlying the execution of mega projects, such as urban transport systems, involve regulatory issues (e.g., insufficient autonomy of the executing and implementing agencies, the requirement for multiple high-level approvals, and coordination with multiple government agencies relevant to the large infrastructure projects) and inconsistent requirements for detailed engineering design and bidding. ADB and other development partners have learned considerable lessons since 2010. Building on these, and in collaboration with other development partners, ADB will continue its dialogue and engagement across all government levels and promote regional knowledge exchange between Viet Nam and other developing member countries.

54. **Climate change, natural hazards, and health risks.** Viet Nam's vulnerability to natural hazards, such as floods, storms, and drought, presents major risks to the country's economy and infrastructure. Future COVID-19 waves or new variants could jeopardize the achievement of the objectives of the SEDP, 2021–2025 and the CPS. ADB will continue to play a proactive role in disaster risk reduction efforts in Viet Nam as well as provide support for health system resilience.

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<sup>43</sup> In Viet Nam, "investment policy" is the detailed project approval document. Changes during implementation require revision and re-approval of the project's investment policy (paper).


## COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK









### Alignment with Government Objectives

<p><b>Country Goals<sup>a</sup></b></p> <ol style="list-style-type: none"> <li>1. Gross domestic product growth by 6.5%–7.0% on average in 2023–2026 (baseline: 6.0% on average in 2016–2020) [SDG 8*]</li> <li>2. Multidimensional poverty reduced by 1.00%–1.50% per year in 2023–2026 (baseline: 1.43% per year in 2016–2020) [SDG 1*]</li> <li>3. Greenhouse gas emissions reduced by at least 27% compared to business-as-usual by 2030 with international support (baseline: 278,659.70 ktCO<sub>2</sub>e in 2014) [SDG 7, SDG 9, and SDG 13**]</li> </ol>
<p><b>National Development Impacts</b></p> <ol style="list-style-type: none"> <li>1. Citizens' lives and livelihoods improved following COVID-19 pandemic (SDG 1, SDG 2, and SDG 5)</li> <li>2. Gender equality and social protection increased (SDG 1 and SDG 5)</li> <li>3. Renewable energy capacity increased (SDG 7, SDG 12, and SDG 13)</li> <li>4. Resilience and adaptive capacity to climate-related and geophysical hazards strengthened (SDG 1, SDG 11, and SDG 13)</li> <li>5. Infrastructure deficits, particularly in sectors such as agriculture, transport, and urban services, reduced (SDG 8, SDG 9, and SDG 17)</li> </ol>

### ADB-Supported Program Results and Performance

<b>CPS Objective 1: Transitioning to a Green Economy</b>	
<b>Key Outcomes</b>	<b>Indicators</b> (target: 80% achievement; baseline: established at project level) <sup>b</sup>
1. Green economy supported	 Total annual greenhouse gas emissions reduction (expected: 4,835,184 tCO <sub>2</sub> e/year) (OP3.1) (SDG 13)
	 Low-carbon infrastructure assets established or improved (expected: 16) (OP3.1.3) (SDG 7 and SDG 13)
	 Low-carbon solutions promoted and implemented (expected: 1 to 2) (OP3.1.3) (SDG 7 and SDG 13)
	 Government officials with increased capacity to design, implement, monitor, and evaluate relevant measures to support green economy (expected: at least 20 to 40) (OP6.1.1) (SDG 13 and SDG 17)
2. Environmental sustainability strengthened	 People benefiting from strengthened environmental sustainability (expected: 500,000) (OP3.3) (SDG 12)
	 Solutions to enhance urban environment implemented (expected: 0) <sup>c</sup> (OP4.3.1) (SDG 11 and SDG 12)
3. Climate- and disaster-resilient infrastructure systems and services improved	 Poor and vulnerable people with improved standards of living from improved infrastructure service (expected: 1,573,771) (OP1.3) (SDG 1 and SDG 10)
	 Women and girls with increased resilience to climate change, disasters, and other external shocks (expected: 250,000) (OP2.5) (SDG 1 and SDG 13)
	 People with strengthened climate and disaster resilience, (expected: 83,620) (OP3.2) (SDG 1 and SDG 13)
	 Zones with improved urban environment, climate resilience, and disaster risk management (expected: 0) <sup>c</sup> (OP4.3) (SDG 11 and SDG 13)
	 People benefiting from increased rural investment (expected: 4,998,300) (OP5.1) (SDG 2)

		Land with higher productivity (expected: 46,500 hectares) (OP5.3) (SDG 2)	
<b>Resources</b>			
Ongoing portfolio <sup>d</sup>	Sovereign Operations	Nonsovereign Operations	TA
	\$4,123.0 million (34 projects)	\$224.0 million (7 projects)	\$123.0 million (29 TA projects)

<b>CPS Objective 2: Harnessing Private Sector and Promoting Social Equity</b>			
<b>Key Outcomes</b>	<b>Indicators</b> (target: 80% achievement; baseline: established at project level) <sup>b</sup>		
1. Competitiveness of the private sector strengthened		Models for business development and financing established or improved, including for PPP (expected: 5) (OP1.2.2) (SDG 8 and SDG 9)	
		Women-owned or -led SME loan accounts opened or women-owned or -led SME end borrowers reached (expected: 2,614) (OP2.1.3) (SDG 5 and SDG 8)	
		Farmers with improved market access (expected: 3,500) (OP5.2) (SDG 2)	
		Measures supported in implementation to improve the capacity of public organizations to promote the private and finance sector (expected: 2) (OP6.1.2) (SDG 17)	
		Trade and investment facilitated (expected: 0) <sup>c</sup> (OP7.2) (SDG 17)	
2. Resilience in health systems and services strengthened; access to inclusive financial services and social protection improved		People benefiting from improved health services and social protection (expected: 150) (OP1.1) (SDG 1 and SDG 3)	
		Poor and vulnerable people with improved standards of living from improved financial services (expected: 0) <sup>c</sup> (SDG 1 and SDG 10)	
		Entities with improved service delivery (expected: 875) (OP6.2) (SDG 16)	
<b>Resources</b>			
Ongoing portfolio <sup>d</sup>	Sovereign Operations	Nonsovereign Operations	TA
	\$3,437.0 million (30 projects)	\$390.0 million (8 projects)	\$100.0 million (26 TA projects)

ADB = Asian Development Bank, COVID-19 = coronavirus disease, CPS = country partnership strategy, GDP = gross domestic product, ktCO<sub>2e</sub> = kiloton of carbon dioxide equivalent, OP = operational priority, PPP = public-private partnership, SDG = Sustainable Development Goal, SMEs = small and medium-sized enterprises, TA = technical assistance.

Notes: OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4 = making cities more livable; OP5 = promoting rural development and food security; OP6 = strengthening governance and institutional capacity; OP7 = fostering regional cooperation and integration. SDG 1 = no poverty; SDG 2 = Zero hunger; SDG 3 = Good health and well-being; SDG 4 = Quality education; SDG 5 = Gender equality; SDG 6 = Clean water and sanitation; SDG 7 = Affordable and clean energy; SDG 8 = Decent work and economic growth; SDG 9 = Industry, innovation and infrastructure; SDG 10 = Reduced inequalities SDG 11 = Sustainable cities and communities SDG 12 = Responsible consumption and production; SDG 13 = Climate action; SDG 14 = Life below water; SDG 15 = Life on land; SDG 16 = Peace, justice and strong institutions; and SDG 17 = Partnerships for the goals. (SDG 14 and SDG 15 are not covered in the Results Framework).

<sup>a</sup> Targets for the country goals are based on the *Government of Viet Nam's Socio-Economic Development Plan, 2021–2025*; the *Progress Report of Implementation of Sustainable Development Goals*; and the *National Green Growth*



*Strategy for 2021–2030, and Vision toward 2050.* SDG alignment: \* = official SDG indicator, \*\* = SDG-aligned indicator.

- <sup>b</sup> All outcome indicators target an 80% achievement rate, meaning that aggregate results achieved by a completed operation should be at or exceed 80% of aggregate expected results for this intervention, as set out in advance in the project documents. Indicative expected results are the aggregate results planned to be achieved by projects for which a project completion report (i.e., project completion report, TA completion report, and extended annual review report) is expected to be circulated during the CPS reporting period which spans 2022 to 2025. The expected results are indicative values only; the specific target values that will be used to evaluate the effectiveness of ADB country programming in the country assistance program review will be established based on the project completion reports circulated during the CPS period.
- <sup>c</sup> This result is a focus of operations under implementation, but these projects are not expected to be completed during the CPS reporting period.
- <sup>d</sup> Resources for the ongoing portfolio refer to the total committed amounts. Resources for an operation or TA are included under every CPS objective the operation or TA is aligned with, so the same resources may be included under more than one CPS objective.

Source: Asian Development Bank.

## COUNTRY KNOWLEDGE PLAN

### A. Operational Knowledge Needs

1. Viet Nam, in its Socio-Economic Development Plan (SEDP), 2021–2025,<sup>1</sup> establishes the goal of becoming an upper middle-income country by 2030. In full alignment with the country's five-year SEDP and Strategy 2030<sup>2</sup> of the Asian Development Bank (ADB), the country partnership strategy (CPS) for Viet Nam, 2023–2026 focuses on (i) supporting Viet Nam's transition to a green economy, and (ii) harnessing the private sector and promoting social equity. It also embraces four crosscutting themes: gender equality, governance, digital transformation, and regional cooperation and integration. The country knowledge plan (CKP) is designed to support these two CPS strategic pillars and crosscutting themes, following an intensive knowledge needs assessment with the government agencies.

2. **Knowledge needs for promoting a green and resilient economy.** The Government of Viet Nam has requested for ADB's support to strengthen the regulatory framework and institutional capabilities for production of renewable energy and green consumption that requires solid urban infrastructure systems for waste treatment, pollution management, sanitation improvement, and circular economy development. The government seeks ADB's continued support to (i) implement Article 6 of the Paris Agreement,<sup>3</sup> (ii) develop and implement national policies for climate change mitigation and adaptation, (iii) support the transition to clean energy, and (iv) meet Viet Nam's commitment to net zero carbon emission by 2050. Climate-resilient recovery and growth also require innovative knowledge solutions for designing climate-resilient infrastructure projects and enhancing climate-resilient system development in transport, water and other urban infrastructure and services, energy, and agriculture, natural resources, and rural development.

3. **Knowledge needs for promoting private sector-led growth and social equity.** The government seeks ADB's support to build its institutional capacity to extend services to underserved segments of the population. Support is particularly needed for the implementation of the Master Plan on Socioeconomic Development of the Ethnic Minorities and Mountainous Areas, 2021–2030, which aims to produce concerted efforts and resources to end poverty among ethnic minorities by 2030. Access to and the quality of education, vocational training, health care, social protection, and financing for growth in Viet Nam continue to lag, especially for disadvantaged groups, which requires innovative knowledge solutions to strengthen the country's systems. ADB support will also be needed to implement the government's national strategy for gender equality.

4. **Strengthening the domestic private sector and market institutions is a priority in the Socio-Economic Development Plan, 2021–2025.** ADB support to harness the effectiveness of public–private partnerships (PPPs), private sector development, state-owned enterprise (SOE) reform and to ensure fair treatment for all market players is important for the country's economic growth. The government is also seeking support to strengthen the finance and banking sector, including developing credit rating services and green bond markets, and issuing bonds for PPPs and international bonds by the government. Priority areas for improving public sector governance include post-pandemic macroeconomic analyses and policy advisory, public finance policy

<sup>1</sup> Ministry of Planning and Investment. 2021. *Socio-Economic Development Plan 2021–2025*. Ha Noi.

<sup>2</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>3</sup> [Article 6 of the Paris Agreement](#) pertains to the establishment of international compliance carbon markets governed by the rules of the Paris Agreement where countries can trade carbon credits.

support, public procurement system improvement, anticorruption measures strengthening, and official development assistance (ODA) management.

## **B. Map ADB's Response to Knowledge Needs**

5. ADB's Strategy 2030 underlines the need to strengthen knowledge services to respond to the rapidly changing and increasingly complex needs of ADB's developing member countries. ADB's continued relevance increasingly depends on its role as a knowledge institution. The momentous changes in Viet Nam toward becoming an upper middle-income country by 2030 make it essential for ADB to engage with the country's socioeconomic development and shift the focus of its development assistance from supplying predictable long-term financing to also engaging in knowledge support and policy influence in a more strategic and impactful way.

6. ADB knowledge support will align with the country's knowledge needs and strategically complement ADB lending operations in supporting the government to achieve its development targets. The CKP, 2023–2026 will contribute to the achievement of the following knowledge outcomes: (i) national policies and institutional capacities to promote reform in critical infrastructure sectors improved for green and climate change resilient economy; (ii) policy frameworks and institutional capacities to create an enabling environment for private sector development and make service delivery more inclusive enhanced; and (iii) gender and social equalities, governance, digital transformation, and regional cooperation and integration promoted through knowledge solutions that support inclusive and sustainable economic recovery and growth. Details are in the Country Knowledge Plan Table.

## **C. Areas of Collaboration with Partners**

7. Knowledge partnerships will be leveraged with development partners for possible collaboration that enables efficient and coherent policy dialogue with the government, enhances the effectiveness and impact of the knowledge support, and minimizes duplication of efforts. ADB participates in the development partners' group and the Six Bank Group,<sup>4</sup> which support policy dialogue with relevant government agencies. ADB has led the development partner coordination for water supply and sanitation and has been requested to take the lead in supporting government efforts to implement the Law on Public–Private Partnership Investment. Close collaboration with domestic think tanks, research institutes, universities, civil organizations, and private service providers is essential in the implementation of the CKP.

## **D. Resource Allocation**

8. Knowledge work under the CKP, 2023–2026 for Viet Nam will be undertaken by ADB staff, staff consultants, and/or consultants under technical assistance (TA) projects. As the government only borrows for development investment (mainly infrastructure), and not for current expenditures, ADB relies on TA funding for knowledge work for Viet Nam to a large extent. ADB knowledge support will be delivered by country-specific TA projects and regional TA projects that are administered by relevant ADB departments and the ADB Institute. In addition, ADB aims to leverage contributions from global and regional programs, bilateral partners, and private sector donations; and through government cost sharing.

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<sup>4</sup> The Six Bank Group comprises ADB, the Agence Française de Développement, the Japan International Cooperation Agency, the Export–Import Bank of Korea, German development cooperation through KfW, and the World Bank.

## E. Country Knowledge Plan Table

<b>CPS Objective 1: Transitioning to a Green Economy</b>		
<b>Knowledge Outcome:</b> National policies and institutional capacities to promote reform in critical infrastructure sectors improved for green and climate change resilient economy		
<b>Knowledge Results Categories and Outputs</b>		
<b>Improved Program or Project Delivery</b>	<b>Enhanced Capacities and Skills</b>	<b>Increased Awareness and Evidence-Based Information</b>
<p>Output 1.1. Innovative design solutions delivered for ADB-financed loans that promote green and climate-resilient recovery</p> <p>Output 1.2. Policy advice to implement Article 6 of the Paris Agreement and develop and implement national climate change-related policies and standards delivered</p> <p>Output 1.3. Policy advice to promote reform in critical infrastructure sectors for green and climate change resilient recovery delivered, e.g., agriculture, energy, transport, and water and urban development sectors</p> <p>Output 1.4. Policy support to formulate and operationalize national action plan for circular economy provided</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Power Sector Reform Program (TA 9012)</li> <li>2. Developing Private Sector Next-Generation Renewable Energy Opportunities in Southeast Asia (TA 6751)</li> <li>3. Ho Chi Minh City Wastewater and Drainage System Improvement (TA 9205)</li> </ol>	<p>Output 1.5. National capacity to implement Article 6 of the Paris Agreement, disaster resilience, and climate-resilient practices enhanced</p> <p>Output 1.6. Stakeholder capacity to promote infrastructure sector reforms for green and climate-resilient recovery enhanced, e.g., improved institutional capabilities for urban infrastructure systems for waste treatment, pollution management, sanitation improvement, and circular economy development</p> <p>Output 1.7. Government, public, and private sector institutional capacity to transition from a linear to a circular economic model enhanced</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Mainstreaming Climate Resilience and Environmental Protection for Secondary Green Cities Development (TA 9417)</li> <li>2. Creditworthiness and Institutional Capacity Enhancement for Binh Duong Water Environment Joint Stock Company (TA 6575)</li> </ol>	<p>Output 1.8. Awareness and understanding of the best practices of promoting sector reforms for green and climate-resilient recovery increased, e.g., best practices and investment opportunities for green and resilient port development, green transport infrastructure, and multimodal transport documented for replication</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Power Sector Reform Program (TA 9012)</li> <li>2. Mainstreaming Climate Resilience and Environmental Protection for Secondary Green Cities Development (TA 9417)</li> <li>3. Ho Chi Minh City Wastewater and Drainage System Improvement (TA 9205)</li> <li>4. Creditworthiness and Institutional Capacity Enhancement for Binh Duong Water Environment Joint Stock Company (TA 6575)</li> </ol>
<b>CPS Objective 2: Harnessing Private Sector and Promoting Social Equity</b>		
<b>Knowledge outcome:</b> Policy frameworks and institutional capacities to create an enabling environment for private sector development and make service delivery more inclusive enhanced		

<b>Knowledge Results Categories and Outputs</b>		
<b>Improved Program or Project Delivery</b>	<b>Enhanced Capacities and Skills</b>	<b>Increased Awareness and Evidence-Based Information</b>
<p><u>Harnessing Private Sector</u></p> <p>Output 2.1. Innovative solutions provided to develop and strengthen private sector development and PPP policies and projects</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Women-Led Small and Medium-Sized Enterprises (TA 6723)</li> <li>2. Joint Stock Commercial Bank for Investment and Development of Viet Nam: Mainstreaming Small and Medium-Sized Enterprises (TA 9910)</li> <li>3. ADB Ventures Technical Assistance (TA 9948)</li> </ol>	<p>Output 2.2. Government, public, and private sector stakeholders' capacity to promote private sector development strengthened</p> <p>Output 2.3. Role and responsibility of business for the environment and climate change enhanced</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Enhancing Agricultural Competitiveness in Viet Nam (TA 9355)</li> <li>2. Inclusive, Sustainable, and Connected Coffee Value Chain (subproject 3) (TA 9930)</li> <li>3. Preparation of the ADB Ventures Investment Fund 2 (TA 6673)</li> </ol>	<p>Output 2.4. Awareness and understanding of the best practices in PPP and private sector development increased</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Women-Led Small and Medium-Sized Enterprises (TA 6723)</li> <li>2. Joint Stock Commercial Bank for Investment and Development of Viet Nam: Mainstreaming Small and Medium-Sized Enterprises (TA 9910)</li> <li>3. Inclusive, Sustainable, and Connected Coffee Value Chain (subproject 3) (TA 9930)</li> <li>4. Preparation of the ADB Ventures Investment Fund 2 (TA 6673)</li> <li>5. ADB Ventures Technical Assistance (TA 9948)</li> <li>6. Enhancing Agricultural Competitiveness in Viet Nam (TA 9355)</li> </ol>
<p><u>Promoting Social Equity</u></p> <p>Output 2.5. Innovative design solutions delivered for ADB-financed projects that promote socially inclusive growth</p> <p>Output 2.6. Policy advice provided to support the government in developing and implementing policies for more inclusive service delivery, e.g., in education, health and finance, and for tax reform, better domestic resource mobilization, and improving social spending</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Basic Infrastructure for Inclusive Growth Facility (TA 8957)</li> </ol>	<p>Output 2.7. Government agencies' capacity to develop and implement government's policies, programs, and projects in a more inclusive way enhanced</p> <p>Output 2.8. Private sector's capability to deliver services for disadvantaged groups of population improved</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Strengthening Institutional Capacity for the Implementation of the Master Plan on Socio-Economic Development of the Ethnic Minorities and Mountainous Areas, 2021–2030 (TA 6776)</li> </ol>	<p>Output 2.9. Awareness and understanding of inclusive growth best practices increased</p> <p><u>Knowledge Solution:</u></p> <ol style="list-style-type: none"> <li>1. Basic Infrastructure for Inclusive Growth Facility (TA 8957)</li> <li>2. Strengthening Institutional Capacity for the Implementation of the Master Plan on Socio-Economic Development of the Ethnic Minorities and Mountainous Areas, 2021–2030 (TA 6776)</li> </ol>

<b>Crosscutting Themes</b>		
<b>Knowledge outcome:</b> Gender and social equalities, governance, digital transformation, and regional cooperation and integration promoted through knowledge solutions that support inclusive and sustainable economic recovery and growth		
<b>Knowledge Results Categories and Outputs</b>		
<b>Improved Program or Project Delivery</b>	<b>Enhanced Capacities and Skills</b>	<b>Increased Awareness and Evidence-Based Information</b>
Output 3.1. Policy advice to promote gender and social equalities delivered	Output 3.2. Government agencies and stakeholders' capacity to promote gender and social equalities strengthened	Output 3.3. Awareness and understanding of gender and social equalities increased
Output 4.1. Policy advice delivered to promote RCI delivered	Output 4.2. Government agencies' capacity to promote RCI strengthened	Output 4.3. Government agencies and stakeholders' awareness on RCI enhanced
Output 5.1. Policy and advisory support on digitization of the economy and development of the ICT infrastructure delivered	Output 5.2. Government agencies' capacity to implement digital transformation for the economy enhanced	Output 5.3. Awareness and understanding of digital transformation increased
Output 6.1. Policy support to improving good governance and public financial management provided	Output 6.2. Public governance capacity enhanced	Output 6.3. Awareness and understanding of good governance and better public financial management improved
<u>Knowledge Solution:</u> 1. Improving Public Expenditure Quality Program, Subprogram 1 (TA 9272)	<u>Knowledge Solution:</u> 1. Improving Public Expenditure Quality Program, Subprogram 1 (TA 9272)	<u>Knowledge Solution:</u> 1. Improving Public Expenditure Quality Program, Subprogram 1 (TA 9272)

ADB = Asian Development Bank, CPS = country partnership strategy, ICT = information and communication technology, PPP = public-private partnership, RCI = regional cooperation and integration, TA = technical assistance.

Note: Regional TA projects are not included in the list of Knowledge Solutions.

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/CPS/?id=VIE-2023>

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix