

AFD AND VIETNAM

A strategic partnership





Urban growth requires basic service provision and environmental impact management.

VIETNAM, A NEW ECONOMIC DRAGON

Vietnam is undergoing rapid transformation. Its growth rate has stood at around 7% for the past twenty years and the country has been through a number of social, economic and institutional changes. Between 2000 and 2007 its GDP doubled and its exports tripled in dollars. Vietnam is one of the world's leading exporters of rice, coffee, rubber and manufactured products such as clothing. A number of reforms are underway in the financial and public sectors. Vietnam is

pursuing its economic modernization with the aim of becoming a major regional player. This ambition goes hand in hand with an increasingly active presence in international authorities such as the UN, ASEAN and APEC. Vietnam joined the World Trade Organization (WTO) in January 2007. In addition to its political stability and social cohesion Vietnam enjoys a whole host of factors which make it attractive to foreign investors.

Such progress has already reduced poverty considerably, but the country has yet to face further changes. A quarter of the population lives below the poverty line. Three out of four Vietnamese live in the countryside. Around a million young people arrive on the job market every year. By 2025 Vietnam's population will have reached 125 million putting it in fourth place in Asia. Vietnam must therefore solve major challenges such as job creation, qualifications for young people, absorbing the urban demographic tide, raising energy capacities with lower carbon costs and, finally, enhancing the sustainability of its natural resources (water, soil, renewable energies).

Vietnam is a strategic partner for France and among the biggest recipients of financing allocated by AFD with almost 900 million euros granted since 1994.

AFD AID IS DEFINED BY THE PARTNERSHIP AGREEMENT BETWEEN FRANCE AND VIETNAM

AFD's actions are defined in the Framework Partnership Document (FPD) signed between France and Vietnam in 2006. They aim to support Vietnam's Economic and Social Development Plan (2006-2010) and are in line with the Millennium Development Goals. Their implementation is periodically reviewed with the Vietnamese government. AFD financed activities support:

- Small private enterprises and the financial sector. AFD provides financing either to banks and financial institutions or via sectoral budget support (financial sector reform, SME development). The aim is to scale up financing for small and medium enterprises. Financing also helps banks and financial institutions – including microfinance institutions – modernize their management and adapt to international norms (compliance with prudential rules, social and environmental protection, anti-money laundering and combating the financing of terrorism).
- Basic infrastructure in environment sectors (drinking water and sanitation, urban waste), energy and transportation. AFD financing focuses on access to basic services for the poorest (rural electrification and drinking water) and heavy structuring infrastructure (energy transportation, Hanoi's first urban metro line, railway rehabilitation). It also targets municipal investment funds for the construction of small-scale public equipment.
- Agriculture and food security. Several financings aim to improve quality and competitiveness in agricultural sectors (coffee, tea, sugar, cotton and rubber sectors in particular). AFD supports the implementation of new public policies made necessary by the liberalization of production and commercialization. Programs also include infrastructure for poor rural communities (tracks and rural markets, access to drinking water, flood protection, water impoundment and irrigation networks).



The aim of rural basic infrastructure financing is to reduce poverty, particularly for ethnic minorities.

DEVELOPING THE RED RIVER BASIN

AFD is cofinancing the second Red River Basin development project up to 35 million euros. The project includes the construction of irrigation and flood protection infrastructure, institutional support to the creation of a Basin Agency and environmental actions for water quality monitoring. A rural development Fund also provides a response to the needs expressed by local populations within the framework of a participative and decentralized process.

The Fund contributes to:

- Improving water resource management and increasing agricultural productivity in the Red River Basin; over 500 000 people will benefit from new irrigation areas covering some 47 000 hectares.
- Reducing the vulnerability of farms to floods; over 70 000 hectares, home to some 750 000 people, will be better protected.



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- Promoting water management at watershed level (use of the resource, reducing pollution and containing erosion).

The project will mean the best use is made of available water and will contribute to reducing poverty.

BROAD-BASED AND INCLUSIVE SUPPORT

AFD provides support in coordination with all actors in French cooperation. Several projects benefit from actions implemented through decentralized cooperation (Aquitaine Region with Lao Cai Province, Ile-de-France Region with Hanoi, Rhône-Alpes Region with Ho Chi Minh City Region).

AFD is an active player in aid harmonization targets and, since 2003, has been a member of the Group of Six Banks (G6B) which gathers the Asian Development Bank (ADB), World Bank, JBIC, Korea Eximbank and KfW. The Group, in consultation with the government, has made a series of proposals for aid harmonization and enhancing disbursement

procedures. Two-thirds of AFD financings are provided within cofinanced programs.

In order to provide a response to major public policy issues it organizes workshops with Vietnamese authorities for leaders from Ministries and public institutions (Energy efficiency, Trade capacity building etc). Innovative practices are, in particular, presented during the workshops.

AFD has financed 46 projects since 1994 and today targets annual commitments totalling 100 million euros. Its financings are for "untied aid" and are open to international bid invitations. It also operates in Vietnam via PROPARCO, its private sector financing arm. In addition, AFD's Center for Financial, Economic and Banking Studies (CEFEB) makes proposals in terms of higher training. AFD also manages actions by the Fond Français pour l'Environnement Mondial (French Global Environment Facility – FFEM).



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AFD finances small and medium enterprises.

MODERNIZING THE VOCATIONAL TRAINING SYSTEM

AFD is cofinancing a program to strengthen the national vocational training system which includes:

- Support to current institutional reform,
- An overhaul in training supply in a number of industrial sectors thanks to enhanced integration of enterprise demand,
- Creating and rehabilitating some fifteen Vocational Training Centers by constructing premises, purchasing pedagogical equipment, producing teaching materials and tailoring them to the relevant context.

AFD allocated a 12.8 million euros loan in 1999 within the framework of the program. This financing provides targeted support for four Vocational Training Centers in Viet-Xo (near Hanoi), Hai Phong, Ho Chi Minh City and Dong Nai.



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Vietnam must integrate 1 million additional young people into the job market every year.

THE FOND FRANÇAIS POUR L'ENVIRONNEMENT MONDIAL (FRENCH GLOBAL ENVIRONMENT FACILITY – FFEM): BIODIVA PROJECT, DEVELOPING ANIMAL BIODIVERSITY IN VIETNAM

Mountainous areas in Vietnam have preserved an exceptional diversity of animal species. Such diversity presents a genetic reservoir of major interest in terms of both heritage and the economy. The Vietnamese



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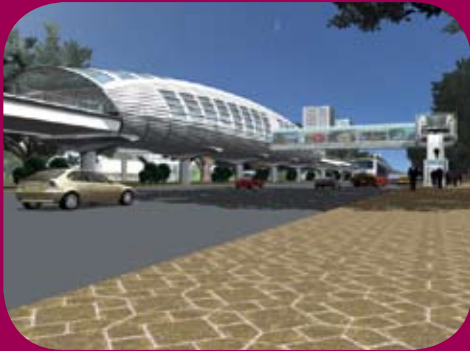
Government is aware of this wealth and has decided to focus its efforts on characterizing, conserving and developing these resources within the framework of an Action Plan.

The Biodiva project, cofinanced by the French Ministry of Foreign and European Affairs and FFEM up to 2.7 million euros, is jointly implemented by Cirad and Inra on the French side. The project will strengthen knowledge and scientific and technical methods. It includes institutional strengthening for Vietnamese public institutions and will increase the country's capacity to manage ecological, social and economic issues relative to biodiversity.

Pilot actions are being carried out in the field in partnership with local authorities and village communities in four provinces in the Center and North. These in situ genetic resource conservation actions also contribute to the development of local populations which are among Vietnam's poorest.



Tea picking



Future Hanoi metro

SUPPORTING PUBLIC POLICIES: ENERGY EFFICIENCY SEMINAR

The global energy crisis poses three challenges: a) the rise in oil prices, b) the fight against climate change and c) security of supply for economic growth and access to energy for all. Against this backdrop urgent action is required to develop low and sustainable energy use. This involves changing behaviour and public regulations, creating new services as well as providing incentives for enterprises, administrations and citizens alike.

The international forum on energy efficiency held in Ho Chi Minh City in April 2008 gathered international and Vietnamese experts and public authorities and, through concrete examples, focused on issues concerning housing, urban programming and mobility, municipal service management, investment in energy saving, the use of renewable energies etc.



Access to energy for all is one aspect of energy efficiency.

SPOTLIGHT ON PROGRAMS AND THEIR IMPACTS

- **Tea growing for Phu Tho province**, 8.5 million euro loan for the creation of 3 000 hectares and the intensification of 2 500 existing hectares. The project includes the rehabilitation of 115 Km of tracks, training and popularization actions for sector players, as well as improving quality for export. 15 000 families will benefit.
- **Integrated rural development in 13 rural provinces in the Center**, a 40 million euro loan and a 1 million euro grant for infrastructure construction: access to drinking water and sanitation, construction or rehabilitation of tracks and rural markets, small irrigation networks, stabilization of dunes and coastal areas. The program directly contributes to reducing poverty in rural provinces, particularly for ethnic minorities, and is managed on a decentralized basis by Provincial People's Committees.
- **Sectorial program for drinking water supply in the Mekong Basin**, a 30 million euro loan and 2 million euro grant to the Vietnam Development Bank (VDB) for provincial water utility investment programs. The program will finance access to water for 750 000 people and will strengthen VDB's capacities in terms of assessing and monitoring its finances.
- **"Nhon – Hanoi Station" metro line**, 80 million euro loan and 0.5 million euro grant, cofinanced with the French Ministry of Finance's "Emerging Country Facility" for the construction of Hanoi's first metro line which will include 12.5 Km of tracks. The line will eventually transport 100 000 passengers a day and will reduce carbon emissions by 200 000 tons over a twenty-year operating period. The project also benefits from a 0.7 million euro FFEM grant.
- **Ho Chi Minh City Investment Fund for Urban Development (HIFU)**, 30 million euro credit line to finance public and social equipment in Greater Ho Chi Minh City: vocational training, treatment of water from urban waste centers, neighbourhood health centers, social housing etc. A 1.5 million euro grant aims to strengthen the management capacities of HIFU Fund, in particular to upgrade the environmental and social assessment procedures for its projects.
- **Financing the Mekong Housing Bank (MHB)**, 23 million euro credit line to finance small enterprises and develop housing meeting the requirements of the Mekong region environmental safeguard plan. A highly concessional 2 million euro loan will enable the bank to modernize its management systems specifically in view of increasing its capital.



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Agence Française de Développement is a public establishment with a mission of general interest: to finance development. As a specialized financial institution, AFD supports projects with economic or social impacts in both public and private sectors: infrastructure and financial systems, urban and rural development, education and health.

AFD today operates in over sixty developing countries and in all France's Overseas Local Authorities via a wide range of financial instruments from grants to market condition loans. It also contributes, in collaboration with its supervisory authorities, to public policy design and France's influence in the development world.

AFD commits, in all its activities, to promote the Millennium Development Goals, at the crossroads of imperatives such as economic growth, poverty reduction and sustainable development which are priorities for France's official development assistance. AFD commitments in 2007 totalled 3.5 billion euros.

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