

Leveraging ODA loans for socio-economic infrastructure development in Vietnam

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TABLE 1
ODA LOANS SIGNED BY SECTORS IN THE PERIOD OF 2011-2015
 UNIT: MILLION USD
 SOURCE: MINISTRY OF PLANNING AND INVESTMENT

	Total ODA	Ratio (%)
Transportation	9.913,73	35,68
2. Environment and urban development	5.181,26	18,65
3. Energy	4.762,50	17,14
4. Agri and Rural Development – Poverty alleviation	2.632,23	9,47
5. Health – Society	1.292,30	4,65
6. Education and training	930,13	3,35
7. Other	3.070,14	11,05
Total	27.782,29	100,00
<i>Source: Ministry of Planning and Investment</i>		

TABLE 2
PROJECT COMPLETION REPORT (PCR) AND PROJECT COMPLETION AUDIT
REPORT (PPAR) BY THE GROUP OF SIX DEVELOPMENT BANKS
(As of December 31, 2014)

	ADB	AFD	JICA	KfW	KEXIM	WB
PCR completed (No.)	56	–	17	–	5	69
Success (No.)	55	–	17	–	5	67
Unsuccessfull (No.)	1	–	0	–	–	2
PCR is in progress (No.)	0	–	–	–	2	0
PPAR completed (No.)	16	6	–	26	16	69
Success (No.)	11	–	–	20	16	63
Unsuccessfull (No.)	5	–	–	6	–	6
PPAR is in progress(No.)	0	3	–	–	1	0
<i>Source: JPPR Report 9</i>	<i>of the</i>	<i>Group</i>	<i>of Six</i>	<i>Develo</i>	<i>pment</i>	<i>Banks</i>

Table 3
ODA loans to GDP, total social investment and investment from the state budget 2011 – 2015.

	2011	2012	2013	2014	2015
1. GDP (trillion VNĐ) at current prices	2.535	2.953	3.589	3.937	4.230
2. ODA disbursed (trillion VNĐ)	75,93	87,12	108,0 6	120,15	80,53
3. ODA disbursed / GDP (%)	3.00	2.95	3.01	3.05	1.90
4. ODA / Total social investment (%)	8.65	8.81	9.90	9.84	5.99
5. ODA disbursed /State Budget (%)	42.66	42.50	52.53	57.85	41.30
<i>Source: Annual Socio- Economic Report of the Government 2015</i>	<i>Economic</i>	<i>Report</i>	<i>of the</i>	<i>Govern</i>	<i>ment</i>

The shortcomings and limitations of the use of ODA loans

- ▶ a) Regarding mechanisms, policies, processes and procedures:
 - ▶ - The legal system of Vietnam relating to using ODA and preferential loans, especially for infrastructural construction projects, is lack of synchronous and inconsistent with international practices and regulations of foreign donors.
 - ▶ - Due to the differences in procedures between Vietnam and donors that made increasing costs and reduce investment efficiency for projects.
 - ▶ - ODA loans are often accompanied by donors' binding conditions which indirectly lead to higher borrowing cost and less opportunity for job creation of domestic contractors.

- ▶ b) Regarding implementation:
- ▶ - The absorption of ODA loans was still limited, leading to the fact that the total un-disbursed ODA of the signed programs and projects by the end of 2015 was quite big, approximately 22 billion USD.
- ▶ - Social organizations, professional associations, beneficiaries or project affected groups have not been widely involved in implementation, monitoring and evaluation of projects. Therefore, projects were prolonged construction time, increased borrowing costs and reduced investment efficiency.

Orientation for the use of ODA loans 2016-2020

- ▶ -When Vietnam became a low-middle-income country in 2010, ODA donors gradually phased out or planned to end the official aid programs for Vietnam while some other donors gradually switched over from providing preferential loans to loans with less favorable conditions. This situation, which will lead to higher borrowing costs, requires Vietnamese Government to fully consider when and how to use the capital of developed banks to achieve investment efficiency and safety public debt management.

- ▶ -Vietnam's need of the total social investment capital is **about \$ 480 billion**, of which total development investment from the state budget of nearly **180 billion** dollars. According to calculations, the capital structure for this period is estimated **about 75% of domestic resources and about 25% of foreign funds**. Total demand for mobilization and use of ODA loans in the period **2016-2020** is about **\$ 39.5 billion**
- ▶ -It is forecasted that the funding capacity of donors in the period **2016 - 2020** will be about **\$ 20-25 billion (64% of demand for ODA)**.

Major measures by the government

- ▶ + ODA loans used mainly for the implementation of infrastructure programs and projects which have broadly impacts to socio-economic development of the country.
- ▶ + ODA loans with binding conditions such as appointed suppliers or contractors by donors only applies in the case of a loan for emergency response to natural disasters and energy security.
- ▶ + Increasing re-lending mode (on lending) to oda funded projects in order to share financial risks between the state and the users.
- ▶ + Using oda as the state's contribution to infrastructure development projects in the form of ppp.
- ▶ + Strengthening anti-corruption, waste and lost in using of oda and strictly punishing these crimes by law./.

▶ **THANK YOU**