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Evaluation of European Commission's Cooperation with Vietnam

Country Level Evaluation

Final Report

The report consists of two volumes:

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Volume II: ANNEXES

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Annex 2: Overview of Evaluation Questions

EQ#	EVALUATION QUESTION	JUDGEMENT CRITERIA
1	Health: To what extent has EC support in the area of health contributed to sustainable improvements in the health of the poor?	JC 1.1: EC actions increased access to and quality of primary health services nationally and in provinces targeted.
		JC 1.2: Improvement in health indicators nationally and in the provinces targeted (if available, by gender and ethnic group)
		JC 1.3: EC actions contributed to improved health sector policy making capacity, government ownership at central and Provincial levels.
		JC 1.4: EC actions contributed to putting in place a financially sound and equitable system of health care financing.
		JC 1.5: Synergies between health and other areas of support (education, rural development, governance, etc.) taken into account in EC health interventions.
2	Education: To what extent has EC support in the area of education addressed Vietnam's needs at the national and Provincial levels?	JC 2.1. EC actions increased availability, quality, and suitability of education data / statistics
		JC 2.2. EC actions reduced supply gaps in infrastructure, teaching materials, and human resources
		JC 2.3. EC provided support to development of the professional and technological skills needed for expansion of the SME sector and promotion of Foreign Direct Investment
		JC 2.4. EC actions contributed to progress towards implementing a sector approach and / or the financing of education support via budget support
		JC 2.5. EC actions increased capacity of Ministry of Education and Training to set sector policy
		JC 2.6 Vietnam benefits from EC links in research and higher education
3	Rural development and environment: To what extent did EC support for rural development, including support to the poverty reduction strategy through	JC 3.1 Rural household income and food security increased as a result of EC-supported actions.
		JC 3.2 Environmentally, socially, and economically sustainable forestry practices adopted due to EC-supported actions
		JC 3.3 Non-farm employment and non-traditional forestry products developed by EC-supported actions.

EQ#	EVALUATION QUESTION	JUDGEMENT CRITERIA
	General Budget Support, help households escape poverty traps, including environmentally destructive farming and forestry practices?	JC 3.4 Rural development and environment components of Poverty Reduction Strategy effectively dealt with through General Budget Support
4	Trade and economy: To what extent has the EC's cooperation programme, trade-related technical assistance, and trade dialogue, strengthened Vietnam's economic reform process and accelerated the country's integration into the regional and global economies?	JC 4.1. EC-supported projects, technical assistance, capacity-building, and EC funded support for policy dialogue strengthened Vietnam's economic reform programme
		JC 4.2. EC-funded projects, technical assistance, capacity-building, and support for policy dialogue accelerated Vietnam's entry into WTO.
		JC 4.3. EC-supported projects, technical assistance, capacity building, and support for policy dialogue enhanced Vietnam's integration into the regional (ASEAN) economy.
		JC 4.4. EC-supported initiatives achieved complementarities and linkages between poverty reduction and progress in Vietnam's integration into the world economy
		JC 4.5. EC-Vietnam trade and investment relations improved in both quantity and quality.
5	Governance: To what extent has the EC integrated governance broadly considered (e.g. public sector accountability and transparency, civil society, Rule of Law, human rights, corporate social responsibility, gender) into its cooperation programme both in terms of strategy and implementation?	JC 5.1. Partnerships formed with NGOs, private firms, and decentralised government agencies
		JC 5.2 Lessons learned from cooperation inform policy dialogue on governance issues
		JC 5.3 Cooperation projects incorporate components explicitly focused on relevant governance issues
		JC 5.4 Strategic documents identify and analyse relevant governance issues
		JC 5.5 Institution building and public administration reform undertaken
6	Poverty: To what extent has the design and implementation of EC interventions adequately privileged the needs of the poor?	JC 6.1 Needs of the poor emphasised in strategic planning
		JC 6.2 Needs of the poor take precedence in programming and implementation
		JC 6.3. EC policy dialogue with government regarding needs for most vulnerable groups.
7	To what extent was the EC mix of	JC 7.1 Approaches responded to needs and capacities of the partner.

EQ#	EVALUATION QUESTION	JUDGEMENT CRITERIA
	approaches, in the form of projects, Sector (SWAPs) and macro/global (General Budget Support) appropriate to the national context and EC-cooperation objectives?	JC 7.2. Approaches assisted in the achievement of EC-cooperation objectives JC 7.3. Mix of approaches shifted flexibly over time in response to changing conditions and lessons learned.
8	To what extent has the EC coordinated and cooperated with EU member states' cooperation agencies, international financial institutions, and non-member state bilateral donor cooperation agencies to achieve improved aid effectiveness in line with the Paris Declaration and Vietnam's status as a pilot country?	JC 8.1. EC contributed to establishing and participated in coordination mechanisms with member states, international financial institutions, and non-member state bilateral donors. JC 8.2. EC participated in joint donor initiatives including trust funds. JC 8.3. EC took steps to harmonise project/programme formulation, monitoring, and evaluation with other donors.
9	To what extent, in its cooperation programme, has the EC effectively used its unique position as a supranational European institution? (EC value added, EC/EU visibility)	JC 9.1 EC focuses on areas in which it has a comparative advantage (e.g., regional integration, politically controversial subjects) JC 9.2 EC/EU regarded as invaluable source of experience by Vietnam policy makers JC 9.3 EC coordinates MS cooperation strategies

Annex 3: Development Cooperation Context

In this section, we describe the general political, economic and socio-economic situation in Vietnam during the assessment period 1997-2008. This is not meant to be a detailed analysis but a brief overview of the main issues affecting Vietnam and its relations with international donors. It reflects information available as of early summer, 2009.

Overall Context

Vietnam – a country of 86.1 million people - is a one-party state, with power vested in the Communist Party of Vietnam (CPV) with some openings to a dialogue with the National Assembly (the legislature). The main institutional structures of political power and governance have evolved since 1976. Government policy is set by the Politburo, the executive of the CPV, but the National Assembly has had a growing role in this. The Politburo is elected by the CPV Central Committee, which is elected by Party Congresses that are held, more or less, in five yearly intervals. The Central Committee party secretariat issues directives to party members and overseas government policy on a day-to-day basis. There is considerable overlap between party and Government. Sectional interests in Vietnamese society are channelled through mass organisations which are grouped under the umbrella of the Vietnam Fatherland Front, a united front organisation with strong links to the party. While decisions made by the politburo still have the power of law to a great extent, a more assertive National Assembly is emerging, and the pressure on the party and ministers to be more accountable is growing.

Unlike the personality-based communist regimes of North Korea and Cuba, the Vietnamese regime is characterised by a long commitment to collective leadership. For almost three decades (from independence in the north in 1954 to the Sixth Party Congress in 1986) the top leadership of the party remained virtually unchanged: a stability and continuity, which distinguishes Vietnam from most other former and surviving communist states. In the 50 years since independence the position of party secretary general has been held by just six people.¹

Overall Economic Situation

Since the introduction of the *Doi Moi* (reformation) programme in 1986², Vietnam has been slowly transforming into a market economy and experienced continual improvement in its economic basis. Vietnam enjoyed a first surge in economic prosperity between 1989 and 1995, following the initiation of reform. In 1994 the National Assembly approved legislation on state enterprises and a labour law, which gave workers some rights to strike. After 1997, a combination of the regional financial crisis, which severely depressed foreign investment, and long-standing constraints within the economy led to a deceleration in growth until 2000. The introduction of a new, deregulating Enterprise Law in 2000 was an important point in Vietnam's development towards a market-based economy. The private sector was subsequently constitutionally granted the same status as the public sector, and party members were permitted to engage in private business, all of which precipitated a rapid expansion in the number of new businesses. In June

¹ Dosch, Jörn and Alexander L. Vuving, "The impact of China on governance structures in Vietnam", Bonn: German Development Institute, 2008.

² After failed attempts at reform from 1979 to 1985, the CPV sixth party congress in 1986 initiated the *doi moi* economic reform programme. In doing so, the party conceded the failure of the centrally planned economy and paved the way for a market economy. In a matter of a few years, Vietnam abolished the neo-Stalinist centrally planned economy introduced in North Vietnam in 1954 and imposed on former South Vietnam following reunification in 1975. Although state-owned enterprises continue to dominate key economic sectors, these sectors also operate on capitalist principles and compete with a growing number of private enterprises.

2006, the National Assembly appointed Nguyen Tan Dung as Prime Minister and Nguyen Minh Triet as President. The two new leaders were from the more commercialised South of Vietnam, reflecting the party's shift towards economic reform and global integration.³

Overall, since 1986 the country has gone through various growth stages, with GDP more than doubling in the last decade, to attain an average capita income of US\$1,024 in 2008. The annual growth rate since 2000 has averaged 7.4%, second only to China in the Asia-Pacific region. International trade and inflows of foreign direct investment – mainly into export-oriented manufacturing – have been the main drivers of growth. Foreign direct investment (FDI) has been increasing by an average of 16.6% annually since 2001. FDI committed for Vietnam in the first seven months of 2008 amounted to a record US\$ 4.53 billion, representing an increase of 373% from the same period a year previously and surpassing the previous high of US\$ 2.13 billion for the entire year of 2007. Growth has equally been driven by strong domestic investment and private consumption. Agriculture's share of economic output has continued to shrink, from about 25% in 2000 to less than 20% in 2007.⁴

The economic reform process is spearheaded by Prime Minister Dung who relies on a heterogeneous group of progressive members among the political elite, tied together by ideological affinity and interest convergence. Dung has established strong progressive and pro-globalisation credentials since taking office in 2006 by masterminding several trade and investment liberalisation policies. In 2008 Vietnam concluded a free trade agreement (FTA) with Japan, is currently acting as the coordinator for EU-ASEAN FTA negotiations, expressed interest in joining a trans-Pacific free trade deal and started bilateral investment treaty negotiations with the US and Canada.⁵

However, the current economic turbulences have strengthened the reform-critical voices – centred on VCP secretary general Nong Duc Manh – who favour economic stability over growth. Inflation reached a 17-year high of 28.3% in August 2008 before slightly easing for three consecutive months.⁶ High inflation has been among the main causes for a proliferation of labour strikes. Industrial action reflects the concerns of the tens of thousands of Vietnamese who have left rural farming communities to seek work in at foreign-invested factories in the new industrial zones around Hanoi and Ho Chi Minh City, only to see the buying power of their wage decrease amid rising food and fuel costs. By mid-year 2008 food costs had risen by an estimated 44%, while transport and housing had increased by around 25%. According to government statistics, about 300 strikes took place in the first quarter alone, a three-fold increase compared to the first quarter of 2007 when 103 strikes were recorded. The sharp rise in industrial action happened despite new labour rules that make workers liable to compensate their employers if they walk off the job illegally.⁷ The economic downturn appears to have triggered “a growing discontent about the country's economy, leading to private discussions about the effectiveness of government solutions and its leaders' ability.”⁸ According to the *Far Eastern Economic Review*, in a closed meeting in September 2008 experts from semi-independent economic think tanks “raised

³ Koh, David, “Leadership Changes at the 10th Congress of the Vietnamese Communist Party”, *Asian Survey*, Vol. 48, Issue 4 (2008), pp. 650–672.

⁴ CSP 2007-2013, p. 6; CIA, World Factbook Vietnam, last updated 18 December 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>

⁵ See www.bilaterals.org

⁶ Innes, Claire, “Inflation Moderates in Vietnam”, World Markets Research Center, Global Insight, 25 November 2008.

⁷ Hookway, James, “World News: Inflation Fuels Vietnam Strikes; Workers Demand Hefty Pay Increases From Foreign Firms”, Wall Street Journal (Eastern Edition), New York, 3 June 2008, p. A 12.

⁸ Long S Le, “Vietnam in Denial Over Economic Woes”, *Far Eastern Economic Review*, Vol 171, Iss. 8 (Oct 2008), p. 45

fundamental questions about the issues underlying the troubled economy, including inadequate measures to ensure quality of economic growth, the lack of good governance, and the shortage of skilled workers”.⁹

Foreign Economic Relations

Vietnam's membership in the ASEAN Free Trade Area (AFTA), entry into force of the US-Vietnam Bilateral Trade Agreement in December 2001 and WTO accession in January 2007 have led to rapid changes in Vietnam's trade and economic regime. As summarised in the GSP 2007-2013, the EU and the US are Vietnam's biggest export destinations, accounting in 2005 for 17-18% of total exports each. While the EU's share has been relatively stable over the last decade, exports to the US increased six-fold since 2001 when a bilateral trade agreement was signed. ASEAN, Japan (both with a declining share) and China (growing strongly) follow. The integration of Vietnam into the global economy has accelerated sharply in recent years. Exports now represent 64% of GDP, compared to 34% in 1994. They are concentrated in six product groups – crude oil, textiles and garments, footwear, seafood (mostly from aquaculture), wood products and electronic goods – which together account for around two thirds of total exports. Vietnam's exports remain heavily dependent on imported equipment and intermediate goods. This traditional trade pattern is reflected in an increasing deficit with ASEAN countries, China and South Korea, balanced by surpluses with the EU and the US. The main traditional exports to Asian countries are raw materials and commodities, while those to the EU and the US are mainly manufactured goods, notably textiles and footwear. With effect from 1 January 2009 the EC removed imported Vietnamese-made footwear from the general system of preferences under a decision made by the European Council in June 2008 based on the finding that the granted preferences were contrary to the WTO's regulation on discrimination. However, the EC announced to offer Vietnam's exports, including footwear, a long-term, even broader tariff system during negotiations on an EU-ASEAN Free Trade Area (FTA).¹⁰

In imports, excluding ASEAN, China is Vietnam's biggest partner, followed by Japan, ROK, and the EU. The EU's share in 2005 decreased to 7% of total imports, from 11.5% in the mid-1990s.¹¹ At almost 10% of GDP, the deficit of the current account reached an unprecedented level in 2007. The trade deficit stood at nearly US\$ 11 billion or 15 percent of GDP.¹² Vietnam's trade openness as measured by its total trade in goods and services reached over 150 percent of GDP in 2005 from about 50 percent of GDP in 1991. However, the government controls trade through a licensing system. Restrictions also include quotas, excise taxes, reference prices and direct import bans.¹³

Poverty and the MDGs

The World Bank country director for Vietnam in 2007, Klaus Rohland, observed that “there's probably no other country in the world that, over the last 15 years, has moved its development so

⁹ Ibid.

¹⁰ Delegation of the European Commission to Vietnam, Press Release, European Union agrees to maintain trade preferences for developing countries, 24 July 2008 ; Vietnam News Briefs, 23 October 2008.

¹¹ CSP 2007-2013, p. 7.

¹² World Bank, Taking Stock. An Update on Vietnam's Recent Economic Developments. Prepared by the World Bank for the Mid-year Consultative Group Meeting for Vietnam, Sapa, June 5-6, 2008, p. 8.

¹³ Bertelsmann Transformation Index (BTI) 2008, Country Report Vietnam, <http://www.bertelsmann-transformation-index.de/124.0.html?&L=1>

far and so fast.”¹⁴ In 2007 GDP grew by 8.5% in real terms, the highest growth rate of the country's economy in 10 years. Both the Vietnam Development Goals (VDGs), which are a localised version of the Millennium Development Goals (MDGs) and the MDGs themselves, show a consistent improvement of social indicators, from education enrolment to infant mortality.¹⁵ For example, primary school enrolment increased from about 90% of the primary school age group in the early 1990s to 94.4% in the 2003-2004 school years (most recent data available). The child mortality rate of under-five fell from 58 per thousand live births in 1990 to 31.4 per thousand in 2004. Similarly the infant mortality rate was 44 per thousand live births in 1990 to 18 per thousand in 2004.¹⁶ In addition, Vietnam developed its Five-Year Socio-Economic Development Plan 2006-2010, which is of critical importance for lifting the country towards the declared goal of achieving middle-income country status by 2010.

Vietnam's Human Development index (HDI) score has been improving steadily as a result of the economic reforms in place since the middle of the 1980s - from 0.583 in 1985 to 0.688 in 2000 and 0.718 in 2008. Vietnam currently ranks 114th out of 179 countries in the HDI 2008.¹⁷ According to a report issued by the World Bank and the International Monetary Fund and other documents, the proportion of poor households in Viet Nam has significantly decreased from 58.1% in 1993 to 16% in 2006, reducing the number of poor households by more than 60% in more than a decade.¹⁸ However, progress is uneven. Poverty remains much higher among the ethnic minorities than among the Kinh and Chinese majority. While the poverty rate for the Kinh majority ethnic group fell from 54% to 14% (between 1993 and 2004), the poverty rate for ethnic minorities only fell from 86% to 61%. Inequality is growing, not only between the majority Kinh and ethnic minorities, but also within the Kinh majority. Many people recently graduated from poverty are vulnerable to slipping back. Most of the poor live in rural areas, and it is encouraging that rural poverty continues to decline, albeit at a slower pace than before.¹⁹

Overall Political Situation

While *Doi Moi* did not launch drastic political reforms, adjustments to the mode of governance took place between 1986 and 1989, including the reduction and decentralisation of the state administration (by the end of 1989 12 ministries had been dissolved and 43.7% of offices at departmental level closed), the purge of corrupt cadres (citizens were actively invited to complain about and denounce party officials) and an increased role for the National Assembly and local

¹⁴ Currie, Duncan, “Vietnam's Growing Pains”, The American, 31 July 2008, <http://american.com/archive/2008/july-07-08/vietnams-growing-pains/>

¹⁵ CSP 2007-2013, p. 7. Viet Nam has adapted the MDGs to the country's specific conditions and integrated these goals into its socio-economic development strategies and programs. Based on the MDGs, Viet Nam has set up its own 12 developments goals (see Annex) (referred to as Vietnam's Development Goals (VDGs), which mainly focus on the social development and poverty reduction targets until 2010.

¹⁶ Briefing Note on Viet Nam after 5 Years implementing the Millennium Development Goals, Prepared by the GSO Viet Nam, p. 2,

http://www.unsiap.or.jp/mdg_project/EvaluationSeminar/DOCS/briefing_note/VietNam.doc,

¹⁷ UNDP, HDI 2008, Vietnam, http://hdrstats.undp.org/2008/countries/country_fact_sheets/cty_fs_VNM.html

¹⁸ This assessment is based on data on household expenditures from five surveys on living standards conducted by the General Statistics Office (GSO) in 1993, 1998, 2002, 2004 and 2006. One international methodology to produce a number of indicators that are consistent over time is to compare household expenditures per capita with a poverty line. The latter is defined as the cost of a food and non-food consumption basket allowing a healthy life. In the case of Vietnam, it has been customary to consider the poverty line as the cost of a basket allowing a daily intake of 2,100 calories per person per day.

(see World Bank, Vietnam Development Report 2008. Social Protection, p. 3.)

¹⁹ DFID, Vietnam: Country Assistance Plan 2007-2011, February 2008, p. 8; see World Bank, Vietnam Development Report 2008. Social Protection, http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2008/06/04/000333038_20080604015001/R/endered/PDF/436530WP0REVIS1ction1final01PUBLIC1.pdf

government. Prior to the reforms, the National Assembly had been merely a “rubber stamp” body, obediently endorsing party decisions. In addition, the Central Committee changed its plenum dates to come after the National Assembly session and not before. Therefore, genuine discussion of party proposals and debates was reported throughout the press and in detail. At the local level, the People’s Councils were made more independent from People’s Committees and a new electoral law permitted more candidates than seats in all but 12 districts. The CPV also launched its own version of Soviet *glasnost* (openness), with the slogan, “Let the people know, discuss, implement and control”, and party and Government encouraged an unprecedented degree of critical reporting in the media.

Vietnam’s National Assembly elections of July 1997 proved to be the watershed in the (modest) political reform process. Under a revised electoral law, the National Assembly was expanded from 395 to 450 seats organised in multi-member constituencies, which were contested by a record 663 candidates. The party-controlled pre-selection process was modified to enable more independent (or self-nominated) candidates to stand than previously. The elections resulted in the selection of a younger and better-educated legislature. The number of women and ethnic minority deputies rose markedly, while the number of non-party deputies nearly doubled from 8% to 15% of the total. Significantly, 11 independent candidates qualified to stand, of whom three were elected. While the 10th Party Congress, in 2006, gave mixed signals about the state of political *Doi Moi* and confirmed the ongoing power struggle between reformists and conservatives it agreed on further adjustments: the state-run sector was no longer officially to have a predominant role in the economy, and party members would in future be allowed to engage in the private sector. For the first time in 2007 the government opened the draft Political Report, a comprehensive key strategic document, to public debate over the Internet. Furthermore, party delegates to the Congress were given the responsibility of nominating candidates for the Central Committee, opening the opportunity for new faces in the Central Committee and the Politburo.²⁰

Corruption

Corruption and abuse of office remain one of the VCP’s most serious problems. Citizens’ complaints about official corruption, governmental inefficiency and opaque bureaucratic procedures have increased in recent years. Although senior party and government officials have publicly acknowledged growing public discontent, the government has so far mainly responded with a few high-profile prosecutions of officials and private individuals rather than comprehensive reforms.²¹ In 2006 the Central Committee’s Commission for Inspection took disciplinary actions against one party organisation, 20 officials and eight centrally managed cases. Up to 665 accused party members faced prosecution and 426 others were suspended from party activities. Ongoing crackdowns on corrupt officials and state-owned enterprises are a good indication that the government takes graft seriously, but they are equally an indicator of the pervasiveness of the problem. In the first six months of 2008, government auditors uncovered instances of fraud worth D970 billion (US\$61 million) and “misdeeds in economic management” of approximately D400 billion. By May almost 400 people had been charged with corruption-related offences. In addition, the General Department of State Audit found that D2.8 trillion (US\$170 million) in taxes had been evaded in 2007, especially in the construction sector, of which authorities have recovered less than 10%.²² In a high profile case, a Ho Chi Minh City official

²⁰ Vuving, Alexander L. Vietnam. “Arriving in the World – and at the Crossroads”, Southeast Asian Affairs 2008, Singapore ISEAS 2008, pp. 375-393.

²¹ Freedom House (EN 20).

²² Economist Intelligence Unit, “Vietnam politics: Anti-graft campaign yielding mixed results”, EIU ViewsWire. New York: Aug 18, 2008.

allegedly received more than US\$ 2 million bribes from executives of the Japanese consulting firm Pacific Consultants International (PCI), in exchange for helping the firm win contracts in the East-West Highway project. In response, the Japanese government decided to suspend about US\$ 900 million of vital ODA loans mainly for the transport sector. The World Bank (WB) warned it would stop lending money to Vietnam if it discovered any wrongdoings regarding official development assistance (ODA) funding. Vietnam will receive WB preferential loans of \$1.5 billion per annum over the next three years.²³ Vietnam was ranked 121 out of 180 countries surveyed in Transparency International's 2008 Corruption Perceptions Index (two positions higher than in the previous year).²⁴

In November 2008, the Government unveiled a long-term national strategy for the fight against corruption (until 2020). This very ambitious strategy is intended to eliminate the conditions from which corruption arises and build a transparent government apparatus with incorruptible civil servants. The corruption prevention plan comprises five measures: improving the transparency of authorities and agencies; completing the economic management regime; building a fair competitive business environment; improving supervision, surveillance, investigation and prosecutions; and raising society's awareness of its role in the fight against corruption. The Government also considers legislative measures to publicise the income of government officials.²⁵ As a related significant measure to create international confidence in Vietnam's anti-corruption roadmap the government decided to sign the UN Convention against Corruption.

Human and Civil Rights

The EC-Vietnam Country Strategy Paper (CSP) 2007-2013 concludes on the issue of human rights, although the Government has shown some willingness to engage in dialogue on human rights issues with foreign partners, progress in the field notably of individual, civil and political rights is still limited and concerns remain on the denied access of independent human rights monitors. Freedom of expression, media, religion and association continue to be issues of concern.²⁶ The EC is actively committed to supporting Vietnam's transition towards an open society based on the rule of law. The EC seeks to promote a positive and result-oriented approach through dialogue and cooperation. A human rights dialogue mechanism between the EU Heads of Missions in Hanoi and the Government of Vietnam was initiated in 2001, and is now held twice a year. It constitutes a platform to engage Vietnam on sensitive issues, and allows channelling EU concerns directly to the Vietnamese authorities in an open and constructive atmosphere. The dialogue is conducted in line with the EU's overall principles on the promotion of human rights and democratisation throughout the world, including its guidelines on Human Rights Defenders. The process is complemented and reinforced by the EC-Vietnam Sub-Group on "Cooperation in the areas of institution building and administrative reform, governance and human rights".²⁷

In October 2008 in a resolution on EU-Vietnam relations, the European Parliament called for Vietnam to be pressed to observe human rights and various key freedoms before a new Partnership and Cooperation Agreement (PCA) with the EU is finalised. According to the

²³ Thanh Nien Daily, "Vietnam still slack on anti-graft: int'l donors", 29 Nov 2008, <http://www.thanhniennews.com/politics/?catid=1&newsid=44149>

²⁴ Transparency International, Corruption Perception Index 2008, http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table

²⁵ As quoted in VietNamNet, "Chief gov't inspector discusses new anti-corruption strategy", 19 Nov 2008, <http://english.vietnamnet.vn/politics/2008/11/814363/>

²⁶ EC-Vietnam CSP 2007-2013, p. 5.

²⁷ See Delegation of the European Commission to Vietnam, http://www.delvnm.ec.europa.eu/eu_vn_relations/overview/overview.htm

resolution,, freedom of assembly and of the press as well as internet access are restricted in Vietnam, while religious groups and ethnic minorities - such as Catholics, Buddhists and the Montagnard and Khmer minorities - suffer discrimination and persecution. The Parliament stressed that “the human rights dialogue between the European Union and Vietnam must lead to tangible improvements in Vietnam” and called on the Commission “to establish clear benchmarks for the evaluation of the current development projects in Vietnam in order to ensure their compliance with the human rights and democracy clause”.²⁸

In a similar vein, the 2008 edition of the U.S. State Department's Human Rights Report on Vietnam (which covers the year 2007) found that Vietnam's “human rights record remained unsatisfactory”.²⁹ The Vietnamese Foreign Ministry rejected both the US report and the resolution of the European Parliament.³⁰ Although Vietnam was removed from the U.S. State Department's CPC (“country of particular concern”) list that names states “engaged in or tolerated particularly severe violations of religious freedom” in November 2006, human rights issues have regularly resurfaced on the bilateral agenda. Similar to the EC-Vietnam human rights dialogue, Washington and Hanoi conduct a twice yearly human rights dialogue, in which the U.S. raises questions on religious freedom and democratic reforms in Vietnam.

International concerns about civil liberties and press freedom have recently grown. In trials throughout 2008 several members of the Bloc 8406 movement – named after the date (8 April 2006) when its founding members posted an online manifesto calling for democratisation and civil liberties in Vietnam – and other pro-democracy activists were sentenced to prison terms. In December, eight Vietnamese Catholics went on trial charged with disturbing public order and destroying property. Since January – with a peak of activity in August and September 2008 – hundreds of Catholics have protested the seizure of 14 acres of land by the Vietnamese government which they claim belongs to the Church. In October 2008 two reporters of the state sponsored Thanh Nien and Tuoi Tre newspapers were sentenced for their coverage of a major corruption scandal at the transport ministry in 2006 (the so-called PMU18 case) in which newspapers revealed how officials had gambled around US\$750,000 of public money on the outcomes of football matches and then paid bribes to cover up the crime.³¹ Under a 2006 decree, journalists face large fines for transgressions of censorship laws, including denying revolutionary achievements, spreading “harmful” information, or exhibiting “reactionary ideology.”³² The government rejected widespread criticism of the trial from the two newspapers themselves as well as human rights organisations, foreign donors, the US and the EU, noting that it was held in accordance with international standards and had been attended by representatives of foreign missions and a number of foreign journalists.³³ At the same time there is international acknowledgement that religious freedom and the situation of ethnic minorities have improved. In March 2008 the Government extended the number of religious organisations that enjoy freedom

²⁸ European Parliament, Press Release, Vietnam: MEPs want progress on human rights before cooperation accord is signed, 22 October 2008.

²⁹ Vietnam Country Reports on Human Rights Practices - 2007, Released by the Bureau of Democracy, Human Rights, and Labor, 11 March 2008, <http://www.state.gov/g/drl/rls/hrrpt/2007/100543.htm>

³⁰ VietNamNet, “Vietnam reacts to U.S. Human Rights Report”, 14 March 2008, <http://english.vietnamnet.vn/politics/2008/03/773345/>; Agence France Press, Vietnam rejects EU criticism on human rights, 28 October 2008.

³¹ Zeller, Frank, “Vietnam jails reporter who wrote about state corruption”, Agence France Presse, 15 October 2008 ; Asia Intelligence, “Reporters with Borders”, AsiaInt Weekly Alert, 17 October 2008; Thanh Nien, “Ex-journalists’ trial opens in Hanoi, verdict expected today”, 15 October 2008, <http://www.thanhniennews.com/society/?catid=3&newsid=42868>

³² Freedom House, Freedom in the World – Vietnam 2008, http://www.vietnamhumanrights.net/english/documents/FH_rp2008.pdf

³³ Vietnamese News Agency, Vietnam rejects “wrong opinions” on ex-journalists’ trial, 24 October 2007.

to practice their faith as long as they do not oppose the Party and existing political structure.³⁴ Even the 2008 update of the traditionally rather critical Congressional Research Service Report on U.S.-Vietnam relations concludes that “most Vietnamese now are able to observe the religion of their choice”.³⁵

Ethnic minorities also profited. Protest related to ethnicity emerged as a new phenomenon in Vietnam’s modern history in 2001 and was the result of a decade-long quasi-neglect of ethnic minorities. Violence in the Central Highlands that first gripped the country in 2001 intensified in 2004, when some 10,000 Montagnards (also referred to as Degars and Thuong/highlanders) in Dak Lak and Gia Lai provinces protested against government repression of their religion (many are Christian) and against the confiscation of their land. The government has subsequently worked towards improving the basic infrastructure in the Central Highlands and providing more protection for the rights of minorities. An EU delegation that visited Dak Lak province (which is home to 44 ethnic minority groups) in November 2008 stated that the province had made “socio-economic and cultural achievements”.³⁶ During a visit to three Central Highlands provinces in the same month, a group of four Western states, Canada, Norway, Switzerland and New Zealand, noted “demonstrable progress” and “some positive trends towards greater religious freedom” in the remote region. At the same time the delegation found that the Montagnards remain underrepresented in local government while “ethnic minority poverty is increasing”.³⁷

Civil Society

There is no tradition of civil society in a European, watchdog sense. Vietnam’s civil society organisations perceive themselves as working in partnership with the Vietnamese government rather than as being outside of, and independent from, the state-party system. Non-governmental organisations (NGOs), which are defined very broadly by the Vietnamese, are filling in gaps opened up by economic reforms. Due to limited state resources, problems relating to the environment, education, healthcare, employment and basic social care can no longer be dealt with and solved by the CPV and its mass organisations alone. Social engagement helps to close these gaps. The official party line is that the society itself ought to take on more responsibility. The government coined the term *socialisation* (xa hoi hoa) for this strategy. In this respect, state and private actors are in a symbiotic relationship that is functionally marked. This developing network of self-organised groups and organisations does not yet fulfil the criteria of civic autonomy, but it could be a preliminary step in the emergence of a civic society. The space open to involvement of civil society is broadening, and the capacity of civil society organisations is steadily improving.

Education

Education is a high priority for the government of Vietnam, which spends 20% of the state budget on it. As a result, Vietnam has impressive enrolment rates. In 2005 the net rate for primary school enrolment was 94.6% – and it is on track to achieve the MDG on education. Doubts have emerged, however, over whether some of the claimed improvements in basic education have been reliably measured. In 2008, donors expressed concern over statistical estimates published by the Government, leading to a public dispute. While Vietnam’s literacy

³⁴ Economist Intelligence Unit, “Vietnam politics: How long can the party last?”, EIU ViewsWire, New York, 25 April 2008.

³⁵ Manyin, Mark E., “U.S.-Vietnam Relations: Background and Issues for Congress”, Congressional Research Service (CRS) Report for Congress, updated version, 31 October 2008, p. 16.

³⁶ Vietnamese News Agency, EU ambassadors delegation visit Dak Lak, 22 November 2008.

³⁷ Agence France Presse, “Western donors urge Vietnam to respect human rights”, 2 December 2008.

rate of around 90% is high compared with most other country of similar income, this figure is based on the proxy of the number of people with three years of primary education. A recent survey of reading achievement at Grade 5 (end of primary) found that in some areas about 40% of children do not have sufficient skills for further learning. The country still has one of the worst equipped education sectors in the Asian-Pacific region. It is ranked behind China, Indonesia, Thailand and the Philippines, to name a few. Some advances can be reported though. The greatest success in recent years was the increase in number of children completing grade school. While only 55.5% of children completed primary school in 2000, the figure jumped to 87% in the 2003. There were also some advances in the tertiary education sector.³⁸

With the quantitative expansion of education largely accomplished, even if statistical err on the side of optimism, and with the attainment of universal primary education in its final stage, the improvement of quality has become the country's key policy challenge. The central issue for improving the quality of education in Vietnam is the effective implementation of the new curriculum introduced in 2002. Teacher education is the key in accomplishing this task.³⁹ In December 2008 the Government published its ambitious draft (version 14) national strategy on education for 2008-2020. By 2020, Vietnam hopes to see 80% of Vietnamese youths to have the academic standards equivalent to a high school education. As for the quality of education, Vietnam strives to have 60% of students who can meet the national requirements on reading comprehension by 2010 and 75% by 2015. Regarding higher education, the strategy envisions a 200 student per 10,000 people ratio by 2010. In 2008, the national budget for education and training increased by 14.1%, when compared to actual spending in 2007.⁴⁰

Health

Vietnam's health indicators are better than would be expected for a country at its development level, and they continue to improve at rates that equal or surpass those in most neighbouring countries. In terms of life expectancy adjusted for years lost to disabilities, Vietnam ranks 116 among 191 members of the World Health Organisation (WHO), not very different from much wealthier countries such as Greece and Brazil. Vietnam—to the extent the data are comparable - has also continued to make impressive progress in reducing infant mortality and under-five mortality rates. Progress in controlling vaccine-preventable diseases, such as measles, diphtheria and tetanus, has been rapid as well; polio was completely eradicated in 1996. Here, though, as in education, voices have been raised warning that many basic health indicators (such as vaccination rates) are painting an overly optimistic picture.

There has also been a considerable success in the distribution of health insurance or healthcare cards to ethnic minority people. In 2006, nearly 80 percent of ethnic minority households had either free health insurance or a healthcare card. Such high proportion reflects a rapid improvement in the last two years alone, and a dramatic transformation over the last eight years.⁴¹ However, many persons still fall through the safety net, and coverage of the health card system is far from what was originally envisaged. Over time, new policy tools have been developed, including user fees, health insurance and health-care funds for the poor. These tools all focus on the financing of health, but still fail to merge into a coherent health financing system.⁴² The

³⁸ DFID, documents on education projects; World Bank, Education - Vietnam Extends Reach of Its Education System. Project Profile, November 2007.

³⁹ Takashi Hamano, Educational reform and teacher education in Vietnam, *Journal of Education for Teaching*, Vol. 34, No. 4, November 2008, pp. 397–410.

⁴⁰ VietNamNet, 10 December 2008.

⁴¹ World Bank, Vietnam Development Report 2008. Social Protection, p. 18-19.

⁴² The paragraph is a summary of Adams, Susan J. "Vietnam's Health Care System: A Macroeconomic Perspective". Paper Prepared for the International Symposium on Health Care Systems in Asia, Hitotsubashi University, Tokyo, January 21-22, 2005.

availability of quality health care at the grass roots level remains very poor, and even the poor often resort to private clinics, resulting in ruinous out-of-pocket payments.

Environment

Until very recently ecological considerations did not enjoy high Government priority in view of the focus on economic growth. However, for the past few years the Government, in cooperation with international donors, has taken steps towards working out a strategy for sustainable development.

Reduction of primary forests, continued loss of habitat, uncontrolled dumping of trash and a massive reduction in farmland are all results of unsustainable economic growth. While overall forest cover in Vietnam has been increasing in recent years from a low of 28% in 1990 to a current level of 37.6%, the quality of natural forest is decreasing. Approximately 70,000 hectares of land area per year are lost through ground erosion and the expansion of urban megalopolises, which is a problem because only 22% of the total land area is available for agricultural purposes, and the arable portion of that land per capita is one of the lowest in the world, at 0.13 hectares. Slash-and-burn agriculture is still practiced in the up lands.

We discuss climate change in detail in Special Focus 6 and will not repeat that discussion here. The main point is the Vietnam is estimated to be one of the countries most vulnerable to the impacts of climate change. This is in part because of its vulnerability to weather-related natural catastrophes, which climate change is expected to exacerbate both in terms of magnitude and frequency. In recent year drought is seriously affecting hydroelectricity supplies and rice crops in the north of Vietnam. Around 300,000 ha of rice fields are thirsting for water, according to the Ministry of Agriculture and Rural Development in 2003. At the same time flooding and sea-water rising is threatening the coastal land. Raising tidal breaching the dike system and brought sea-water in to the agriculture land and city. The sustainable management of the Mekong River, partly in cooperation with the other riparian states, has emerged as a main policy focus. The Mekong River Basin has long experienced flooding, salt-water influx, depletion of forests, deterioration of groundwater, water pollution and other problems.⁴³

According to the ADB, the Vietnamese government has demonstrated a strong commitment to the strengthening of the strategic, legislative and institutional context for environmental protection and management. The strategic and policy framework has been enhanced through the development and adoption of a number of high level strategies including the National Strategy for Environmental Protection to 2010 which acknowledges the links between environment and poverty. However, there is a lack of clear hierarchy and priority between the various strategies and the issues and objectives contained in documents are numerous and the targets (where available) are ambitious.⁴⁴

Gender

Vietnam leads the Asia-Pacific region on gender equality indicators. On average, Vietnam performs well in delivering education and health services to girls and boys, women and men. However, an UNICEF report identified significant differences in the number of boys and girls

⁴³ See for example, World Bank, Vietnam Environment, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/EXTEAPREGTO/PENVIRONMENT/0,,contentMDK:20266331~menuPK:3558292~pagePK:34004173~piPK:34003707~theSitePK:502886,00.html>

⁴⁴ http://www.nea.gov.vn/html/Quy_MT/GEF/Gef_ta/GEF_VN/Strategy_Program/strategy.htm

going to school, standing at 97% and 91% respectively, in the 2000-05 period. With regards to literacy, the number of illiterate girls considerably decreased over the past years in comparison to that of boys. The study discovered that 85% of Vietnamese men age 15-60 participate in business activities while participation by women in Vietnam is 83%.⁴⁵

In addition to strong performance on education and health indicators in terms of gender equality, Vietnam has the highest proportion of women in national parliament in the Asia-Pacific region and ranks 19th in the world for number of parliamentary seats held by women (27.3%). The country also leads Asia in moving toward equal earnings in the workplace. Although female earnings in Vietnam, are on average only 68 percent of men's earnings, this puts Vietnam well ahead of countries like Malaysia (47 percent) and Japan (46 percent) according to the ADB.

However, gender inequity has not yet disappeared in Vietnam as family violence on women, abuse of women for prostitution and trafficking of women are still pressing issues in the country the country still records a high infant fatality rate and a large number of illiterate young ethnic minority women. While Vietnam's gender equality achievements are in part due to the strong national legal and policy framework, cultural and social expectations mean that women often do not enjoy all of the rights accorded to them by law or policy. Furthermore, some core issues such as migration and domestic violence are not adequately addressed by current law and policies.

According to the joint World Bank, ADB, DFID and CIDA Vietnam Country Gender Assessment,

- ethnic minority women and girls lag behind ethnic minority men and Kinh and Chinese women in accessing health and education services and economic opportunities;
- there is persistent gender stereotyping in textbooks, which perpetuates gender inequalities.

Greater recognition is needed regarding the increasingly important role played by women in the agriculture sector, recognising the sheer numbers of women involved.

Progress in increasing the number of women in decision making has been slow and inconsistent.⁴⁶ The ADB finds that gender mainstreaming, the strategy of integrating gender issues into all policies and programs, is a fairly new approach in Vietnam and not widely practiced by government agencies. Moreover, there is a general feeling that the lack of cohesion between different government, donor and civil society stakeholders about the priority issues is causing gender to fall off the policy agenda in Vietnam.⁴⁷

Foreign Relations

Although *doi moi* was primarily directed towards reform and liberalisation of the national economy, it had decisive implications for Vietnam's foreign policy and security outlook. In the mid-1980s the political élite arrived at the conclusion that Vietnam's foreign affairs, national security and state of the economy were inevitably linked: the de facto international isolation of Vietnam in the 1970s and 1980s had significantly contributed to the country's deep socio-economic crisis. At the same time, in the view of political leaders, the main security challenges to Vietnam were not solely the result of aggressive behaviour on the part of foreign powers, but also

⁴⁵ UNICEF, The State of the World's Children 2007, <http://www.unicef.org/sowc07/docs/sowc07.pdf>

⁴⁶ World Bank, ADB, DFID, CIDA, Vietnam Country Gender Assessment, December 2006, <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/01/24/00031060720070124141846/Rendered/PDF/384450ENGLISH0VN0Gender01PUBLIC1.pdf>

⁴⁷ ADB, Viet Nam: Gender Situation Analysis, November 2005, <http://www.adb.org/Documents/Reports/Country-Gender-Assessments/cga-vie.pdf>

emanated from the poor state of the economy, with all its consequences, such as poverty and economic degradation. Hence, the success of *doi moi* would largely depend on a radical change in foreign policy. Seen from a different perspective, the Vietnamese Government had to be serious about seizing any opportunity to establish, or re-establish, international links in order to emerge once again as a respected force in the global arena and contribute to the emergence of an international structure favourable to Vietnam's own development. Between them, multilateral activities on global, inter-regional, regional and sub-regional levels, along with a return to normal bilateral relations with the USA and other powers, were expected to contribute to a secure international environment that would no longer require Vietnam to use its resources primarily to maintain a strong defence infrastructure.

Politburo Resolution No. 13 of May 1988 outlined a diversified (*đa dạng hóa*) and multilateralised (*đa phương hóa*) approach in Vietnam's foreign relations. These guidelines were further developed when the Seventh Party Congress solemnly declared in 1991, 'Vietnam wishes to befriend all countries in the world community'. The primary objectives of the new foreign policy could be summarised as follows: first, to end the state of economic embargo and diplomatic isolation and to secure a peaceful and stable international environment for 'socialist construction'; second, to boost foreign economic activity, including the attraction of foreign direct investment and official development assistance, and to increase foreign trade; and, third, to integrate Vietnam into regional and international organisations.

By 2007 Vietnam had established diplomatic relations with 170 countries and trade links with 224 out of 255 countries and territories. In 1989 Vietnam had had diplomatic relations with just 23 non-communist states. The Government restored normal relations with China in 1991 and with the IMF in 1993. In 1992 Vietnam became a founding member of the Greater Mekong Sub-region (GMS). In 1995 Vietnam scored a triple diplomatic success by joining the Association of South East Asian Nations (ASEAN), establishing official relations with the USA and signing an important framework co-operation agreement with the European Union (EU). In November 2007 Vietnam was elected to serve as a non-permanent member of the United Nations Security Council for 2008-2009. The government had faced little opposition from other countries to its campaign for a seat on the council; Vietnam received 183 of 190 votes.⁴⁸

Development Cooperation⁴⁹

Vietnam is the main receiver of the development aid in East Asia in absolute terms. Vietnam receives around 3% of its GDP in grants and concessional loans. Vietnam has been a pilot country for the EC in terms of harmonisation of donor assistance, aid effectiveness and alignment with government policies and systems.⁵⁰

Since the beginning of international development cooperation with Vietnam at the Roundtable Conference on Aid in Paris in 1993, the donor community in Vietnam has been broadened

⁴⁸ Dosch, Jörn. "Viet Nam – History". In *The Far East and Australasia 2008*, 39th Edition, London and New York: Routledge 2007, pp. 1275-1283.

⁴⁹ This section is based on the following sources: Ministry of Planning and Investment, Vietnam, Overview of 15 year receiving ODA of Vietnam (1993-2008), downloadable from <http://oda.mpi.gov.vn/index.jsp?sid=1&id=39&pid=6>; EC-Vietnam CSP 2007-2013; World Bank Vietnam, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/VIETNAMEXTN/0,,menuPK:387571~pagePK:141159~piPK:141110~theSitePK:387565,00.html>; UNDP Vietnam, <http://www.undp.org.vn>; Bertelsmann Transformation Index (BTI) 2008, Country Report Vietnam, <http://www.bertelsmann-transformation-index.de/124.0.html?&L=1>

⁵⁰ Delegation of the European Commission to Vietnam, http://www.delvnm.ec.europa.eu/eu_vn_relations/development_coo/development&coo.htm

significantly. Before 1993 only Sweden, Finland and several sister UN Agencies (mainly UNDP) were present in the country. There are currently 51 donors, including 28 bilateral and 23 multilateral donors⁵¹ - of which the EC is medium-sized one - operating regularly in Vietnam. The following chart provides a snapshot of ODA disbursement by donor for the year 2003, the mid-point of the evaluation period. If EC and EU member states ODA is combined, the EU is the third largest donor in Vietnam behind Japan and the World Bank.

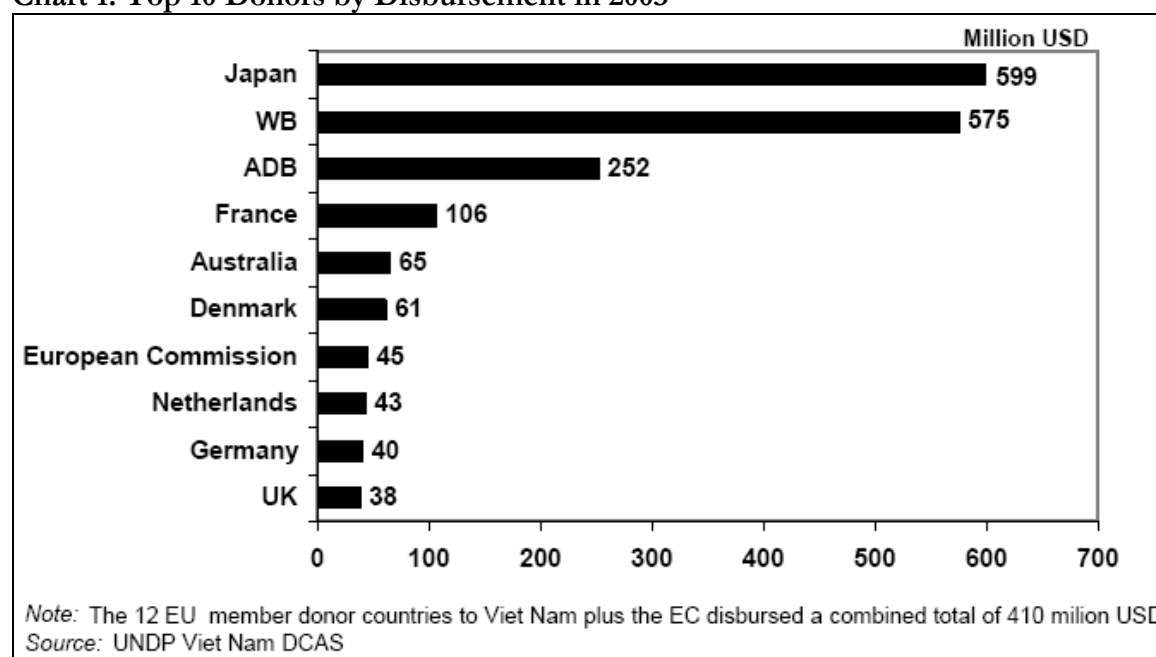
⁵¹ a) **Bilateral donors:** European Commission (EC), Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Great Britain, Hungary, Iceland, Italy, Japan, Korea, Kuwait, Luxembourg, Netherlands, New Zealand, Norway, Poland, Singapore, Spain, Sweden, Switzerland, Thailand, United States.

b) **Multilateral donors** include:

- **Development Banks and Funds:** World Bank (WB), International Monetary Fund (IMF), Asian Development Bank (ADB), Nordic Investment Bank (NIB), Nordic Development Fund (NDF), Oil and Petroleum Exporting Countries Funds for International Development (OFID - previously OPEC).

- **International Organizations:** UN Refugee Agency (UNHCR), United Nations Population Fund (UNFPA), United Nations Industrial Development Organization (UNIDO), United Nations Development Program (UNDP), The Joint United Nations Program on HIV/AIDS (UNAIDS), United Nations Office on Drug and Crime (UNODC), United Nations Capital Development Fund (UNCDF), Global Environment Facility (GEF), United Nations Children's Fund (UNICEF), International Fund for Agricultural Development (IFAD), United Nations Educational, Scientific, Cultural Organization (UNESCO), International Labour Organization (ILO), Food and Agriculture Organization (FAO), World Health Organization (WHO).

Chart 1: Top 10 Donors by Disbursement in 2003⁵²

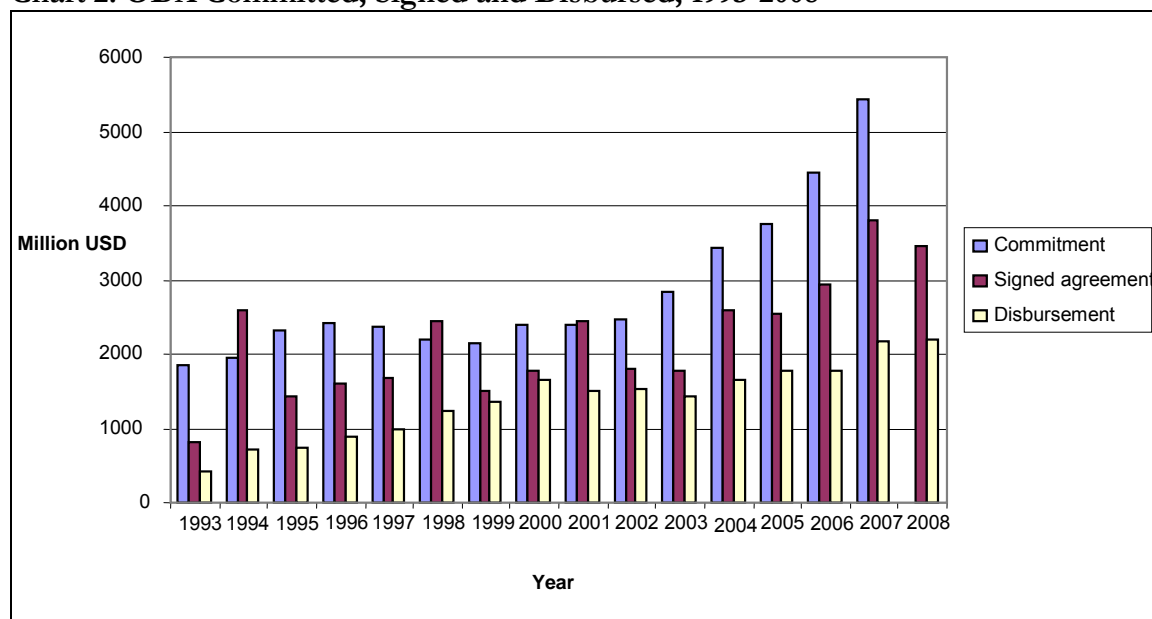


The total value of ODA commitment pledged between 1993 and 2007 totalled US\$ 42.438 billion. ODA commitments have steadily grown US\$ 1.8 billion for 1994 to US\$ 5 billion for 2009. In addition to ODA resources, there are approximately 600 international non-governmental organisations (NGO) operating in Vietnam with a combined value of aid of up to US\$ 200 million per year for various sectors, with a main emphasis on the improvement of livelihoods in rural, mountainous, isolated, remote and ethnic minority areas.

ODA has been disbursed based on the implementation of programs and projects that were agreed between the Government and donors under ODA specific international treaties. From 1993 to the end of October 2008, the Government and the donors had signed ODA specific international treaties with a total value of US\$ 35.217 billion, accounting for 82.98% of total value of ODA commitment in this period, of which concessional loans accounted for 80% (mainly from three players (Japan/WB/ADB) and grants for about 20%.

⁵² UNDP, Overview of Official Development Assistance in Viet Nam, Ha Noi December 2004, p. 20.

Chart 2: ODA Committed, Signed and Disbursed, 1993-2008



Source: Ministry of Planning and Investment, Vietnam

Disbursements

As shown in Table 1, the largest bilateral donor is the IDA (World Bank), and second Japan. Following with a big gap, the biggest European donor is France, followed by the UK and Germany

Table 1: Net ODA disbursements, by donor, 2007 (Current prices USD millions)

Country	USD millions
IDA	725.1
Japan	640.0
France	154.5
Germany	97.6
UK	97.2
Denmark	82.5
EC	67.7
Australia	63.1
USA	40.6
Netherlands	47.7

Source: OECD DAC Development Statistics Online, accessed 14 April 2009,
<http://stats.oecd.org/WBOS/Index.aspx?DataSetCode=Table2A>

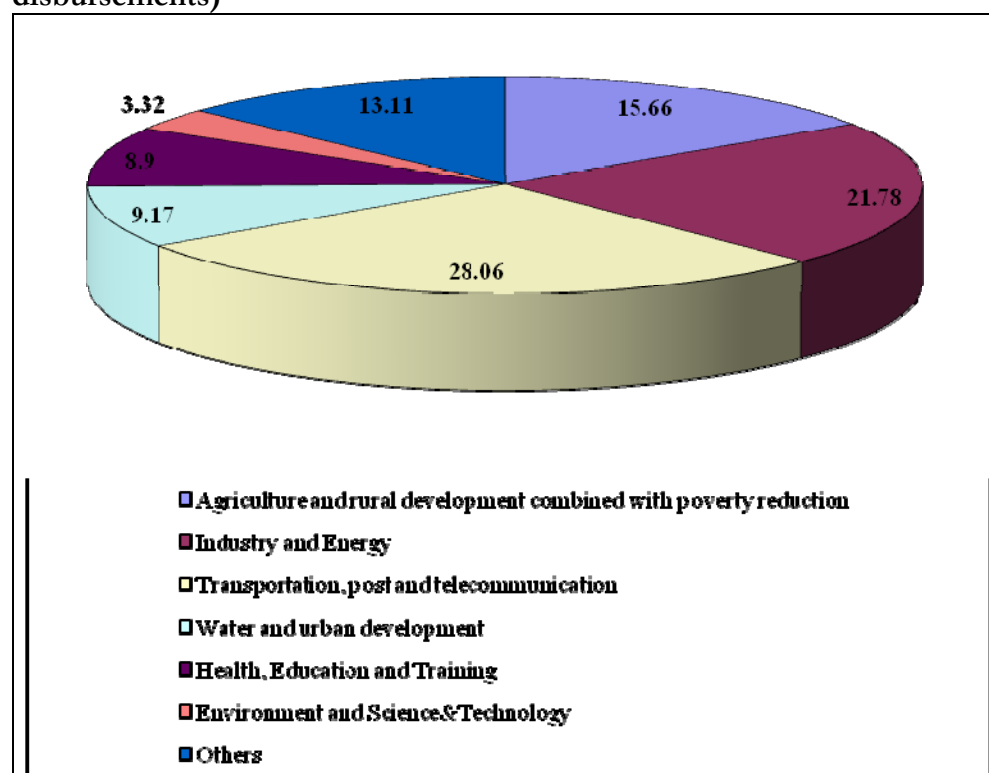
Table two presents data from the same source in a different way. Total net disbursements increased over 70 percent between 2001 and 2007. The disbursements from the EU DAC countries increased by more than a factor 2, and the commitments from the EC tripled over the same period, and increased from a 1.5% to 2.7% of total ODA assistance, or from 7.5% to 10.3% of EU DAC countries assistance.

Table 2: Net disbursements of ODA, Vietnam, 2001-2007 (Current prices USD millions)

	2001	2002	2003	2004	2005	2006	2007
All donors	1431.2	1274.5	1765.2	1832.4	1905	1845.5	2496.8
of which							
DAC countries/members	819.5	746	967.7	1184.8	1252.8	1306.3	1488.4
of which							
EU DAC countries/members	282.5	280	361.8	429.5	505.8	579.3	658.8
Multilateral	574.9	508.6	785.5	615.1	632.5	526.5	979.2
EC	21.3	18	30	27.9	42.4	41.8	67.7
share of total	1.5%	1.4%	1.7%	1.5%	2.2%	2.3%	2.7%
share of EU DAC	7.5%	6.4%	8.3%	6.5%	8.4%	7.2%	10.3%

Source: OECD DAC Development Statistics Online, accessed 14 April 2009,
<http://stats.oecd.org/WBOS/Index.aspx?DataSetCode=Table2A>

Chart 3: ODA Structure by Sectors and Areas, 1993-2008 (in percent of total disbursements)



Source: Ministry of Planning and Investment, Vietnam

In financial terms, the sectors receiving the most support in Vietnam are major infrastructure, policy and institutional support, rural development, and human development.⁵³ Overall, the government has effectively utilised international assistance for its domestic policy agenda to strengthen the reform program, particularly in the areas of poverty reduction, improvement of the infrastructure. The Vietnamese government believes it needs US\$ 140 billion of investment capital for the 2006-2010 period.

⁵³ CSP 2007-2013, p. 14, updated.

However, there is a large gap (40%) between commitments and disbursements. The Government has identified shortcomings and obstacles in the management and utilisation of ODA which have – at least partly – contributed to the existing gap

... the ODA management and utilisation over the past period has been facing a number of unmatchable issues: (i) the system of legal documents and regulations in Vietnam, especially between ODA and public investment, are not fully synchronised; (ii) the processes and procedures between Vietnam and other donors are lack of harmonisation, (ii) the capacity of staff in management and implementation of ODA at all levels, especially at grass root level, has not met the demand in both quantity and quality; and (iii) The monitoring and evaluation of ODA programs and projects in the decentralisation context have not received due attention from line ministries and provinces. These are key reasons to cause ODA projects and programs and projects fail to meet the level of effectiveness as desired.⁵⁴

Since the late 1990s, the Government has been making efforts to enhance ODA effectiveness. Of particular importance in this regard have been Decree 17 of 2001 (on the Issuance of the Regulation on the Management and Utilisation of Official Development Assistance)⁵⁵ and the Consultative Group (CG) meetings process. The CG Meetings for Vietnam bring together participants from the Government of Vietnam and representatives of the bilateral and multilateral donors to Vietnam. Vietnamese and International NGOs and representatives of the Vietnam Business Forum participate as observers. CG meetings provide a forum for discussions between the Government of Vietnam and its development partners on economic policy issues, strategies for reducing poverty, and ODA effectiveness.

The full CG meets every year, usually in December. Since 1999 these meetings have been held in Vietnam and it is intended that all future meetings will be held in-country. In addition to full CG meetings, since 1998 informal mid-year CG meetings have been held in Vietnam, usually in May or June of each year. The Government delegation includes senior representatives from key ministries and governmental bodies, including the Ministry of Planning and Investment, Ministry of Finance, and the State Bank of Vietnam. The Consultative Group for Vietnam is co-chaired by the Minister of Planning and Investment and the Country Director of the World Bank in Vietnam.

In the mainstream view among the country's main bilateral and multilateral partners, as expressed in various documents, Vietnam's cooperation with international donor organisations is generally trouble-free and has resulted in considerable cooperative contributions to reform, such as programs to fight poverty and environmental protection programs. Willingness to collaborate on development with Vietnam has grown, especially since the party congress in 2001, which proclaimed a definite commitment to continuing reforms. The Vietnamese government is perceived as a reliable partner overall by both national governments in Europe, North America and Asia and International Organisations such as the ADB and World Bank. At the recent RG Meeting in December 2008:

Development partners recognised Vietnam's impressive recent success at reducing high domestic inflation and containing credit expansion, as well as in addressing the global food and fuel crisis earlier this year. They expressed support for the recent proposals to stimulate growth in response to the international credit crisis, but urged the government to respond flexibly as circumstances change. They also emphasised the need to continue economic reforms, particularly to address the weaknesses exposed by the macro-economic

⁵⁴ Ministry of Planning and Investment, Vietnam, Overview of 15 year receiving ODA of Vietnam (1993-2008), downloadable from <http://oda.mpi.gov.vn/index.jsp?sid=1&id=39&pid=6>; EC-Vietnam CSP 2007-2013;

⁵⁵ <http://www.hapi.gov.vn/portals/default.aspx?portalid=7&tabid=67&catid=30&docid=292>

*turbulence of early 2008. They also noted that amidst these crises, special attention should be paid to the poor and vulnerable people to make sure they are not left behind.*⁵⁶

However, there are more critical voices, too. The issue of corruption ranked high on the CG agenda. At the sidelines of the meeting the Head of the EC delegation to Vietnam, Sean Doyle, commented, “Donors and investors may not help as much as they have in the past if they don’t see more transparency, receive more economic information and so on, and also receive strong signals that the government is doing something about corruption.”⁵⁷ The total donor commitment to Vietnam for 2009 reached just over US\$ 5 billion, a decrease of US\$ 400 million as compared to 2008.⁵⁸ The drop was mainly due to Japan’s decision to freeze ODA (expected to be more than 1 US\$ billion) until Vietnam took effective measures against corruption. This is the first time Japan held back ODA and Tokyo did so with substantial support from domestic reformists outside the Vietnamese government. EU, the U.S. and other donors also addressed human rights concerns in their statements to the CG meeting.⁵⁹

⁵⁶ World Bank, Press Release, “Donors support Vietnam’s efforts to stabilize the economy and continue with reforms amidst global economic downturn”,

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/VIETNAMEXTN/0,,contentMDK:22001199~menuPK:387571~pagePK:1497618~piPK:217854~theSitePK:387565,00.html>

⁵⁷ Vietnam News Agency, “EC: Vietnam needs to maintain its international image”, 4 December 2008.

⁵⁸ Vietnam News Agency, “Donors’ commitments surpass 5 billion USD”, 5 December 2008.

⁵⁹ European Union, Delegation of the European Commission to Vietnam, EU Statement at the Consultative Group Meeting, 4-5 December 2008, http://www.delvnm.ec.europa.eu/news/vn_news/vn_news60.html; Agence France Presse, “Western donors urge Vietnam to respect human rights”, 4 December 2008.

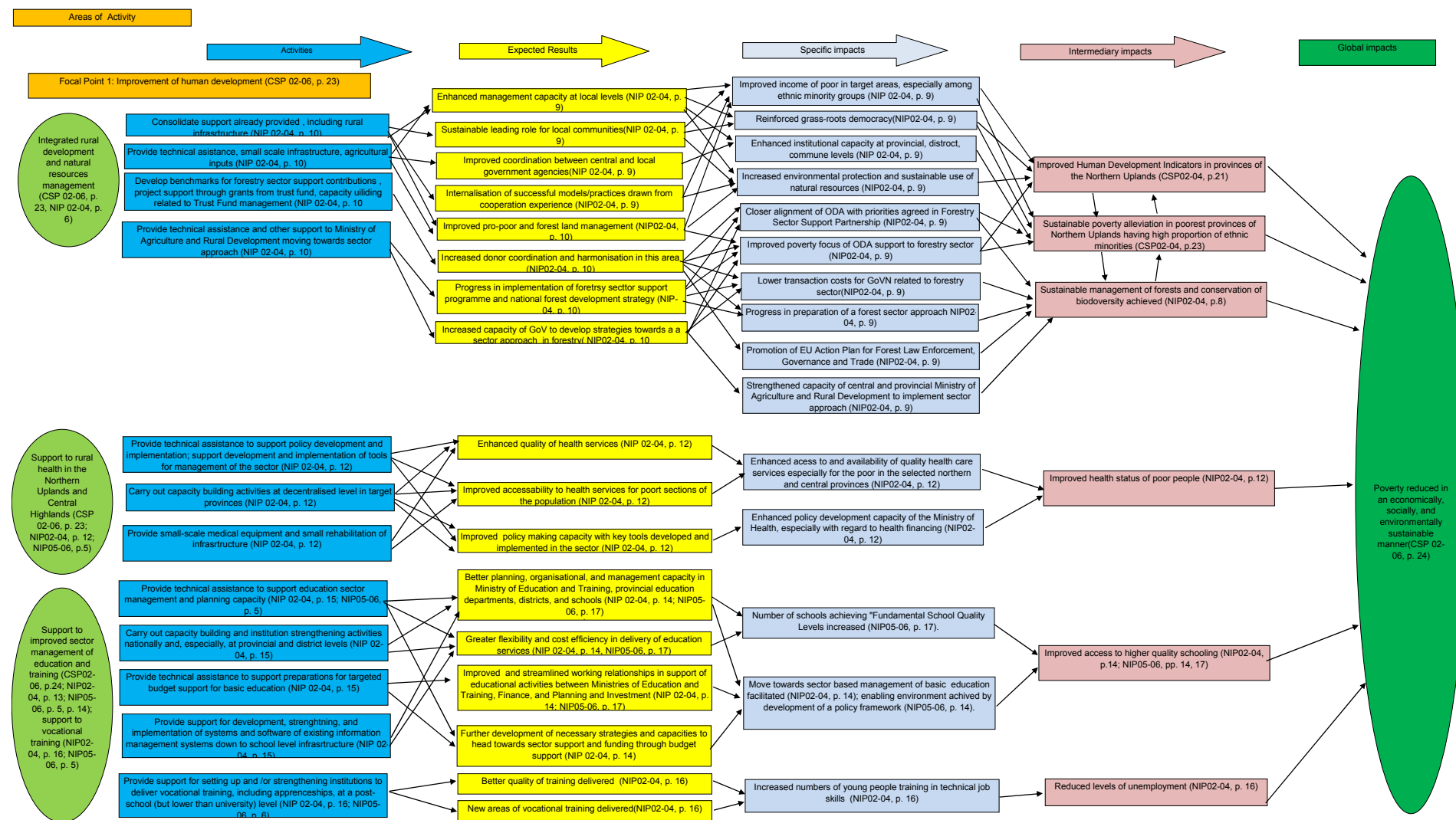
Annex 4: Preliminary overview of EC financial flows

Title of project/programme	Status	Amount
Health		
Malaria Control Programme in VIETNAM	Closed	15.796.121 €
HEALTH SYSTEMS DEVELOPMENT-ALA VIE/97/0012	Closed	20.111.220 €
Health Care Support to the Poor of the Northern Uplands and Central Highlands, Vietnam	Ongoing	17.887.016 €
Health Sector Policy Support Programme in Vietnam - phase I	Cancelled	
Health Sector Capacity Support Project (HSCSP)	Provisional	14.750.000 €
B76211/IB/VNM/99/277 - Child-Focused HIV/AIDS Intervention and Management in Vietnam	Closed	598.585 €
		69.142.942 €
Rural Development		
Strength. of vet. serv. livestock disease control	Closed	7.112.200 €
Son La and Lai Chau Rural development project	Closed	18.567.434 €
CAO BANG-BAC CAN RURAL DEVELOPMENT PROJECT	Closed	18.648.827 €
Initiative for Pro Poor Development in the Northern Uplands	Ongoing	17.000.000 €
		61.328.462 €
Economy/Trade		
Euro Tap Vietnam. T.A. Prog for transition to market economy	Closed	6.456.701 €
Mult.Trade Policy Assist.Prog.(Mutrap)Main Phase	Closed	1.868.062 €
Small and Medium Enterprises Dev.Fund-Phase II	Ongoing	995.000 €
European Business Information Centre - VIETNAM	Closed	892.900 €
Labour Market Project	Ongoing	10.000.000 €
Framework Contract AMS/451 - Economic Coop. - Vietnam	Closed	414.373 €
MUTRAP II - Multilateral Trade Assistance Project	Ongoing	5.100.000 €
EU-Vietnam Small Projects Facility in Economic Co-operation	Ongoing	2.000.000 €
VPSSP- Vietnam Private Sector Support Programme	Ongoing	9.050.000 €
Multilateral Trade Assistance Project (MUTRAP 3)	Ongoing	10.000.000 €
		46.777.036 €

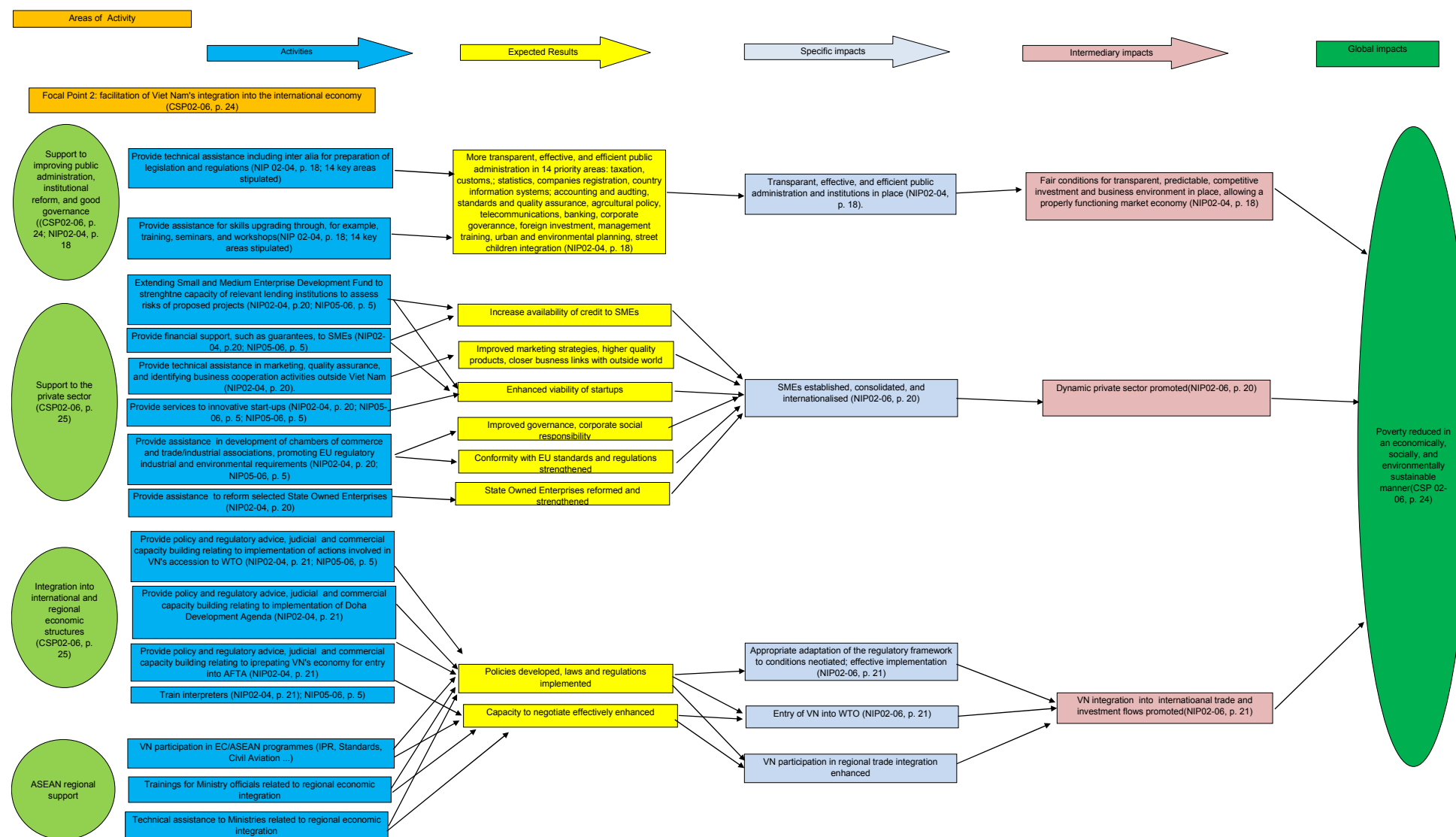
Environment		
Social Forestry and Nature Conservation in Nghe An Province	Closed	17.369.591 €
Urban Environmental Planning Programme	Ongoing	10.000.000 €
Support for Forest Sector Development in Vietnam	Ongoing	3.000.000 €
Capacity Building for Environmental Management - VNM/B7-6200/96-05	Ongoing	603.763 €
Env. Sustainability of brackishwater aquaculture.	Closed	1.065.372 €
Creating Agarwood supplies in Vietnam	Ongoing	1.731.850 €
		33.770.576 €
Education		
Support to the Ministry of Education & Training (SMOET)	Closed	6,914,717 €
Vietnam: Support to the Renovation of Education Management (SREM)	Ongoing	12,000,000 €
Sector Policy Support Programme (SPSP) to Achieve Education for All (EFA) Fundamental School Quality Levels (FSQL)	Ongoing	16,000,000 €
The School Attendance Programme for Ethnic Minority Children in Bac Ha	Closed	444,330 €
Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam	Closed	1,495,771 €
Child friendly Communities and districts in remote mountainous ethnic minority areas in Vietnam	Ongoing	732,242 €
Better Information for creating jobs and developing skills in Vietnam	Ongoing	9,500,000 €
		34.914.717 €
Other Support		
European Studies Programme	Closed	861.529 €
Human Resources Development in Tourism	Ongoing	10.800.000 €
Assistance for Street Children	Ongoing	990.000 €
EC-Vietnam Co-operation in the Audio Visual Sector	Closed	253.316 €
European Technical Assistance Programme Vietnam (ETV2)	Ongoing	11.034.800 €
Framework Contract AMS/451 - Dev. Coop. - Vietnam	Closed	607.189 €
Institutional Support Project to Vietnam	Ongoing	8.000.000 €
Support to Vietnam's Poverty Reduction and Growth Strategy under PRSC-3	Ongoing	20.000.000 €
Support to Vietnam's Poverty Reduction and Growth Strategy under PRSC 4	Ongoing	8.000.000 €
Support to Vietnam's Poverty Reduction and Growth Strategy under PRSC 5	Ongoing	10.000.000 €
Support to Strategic Dialogue	Ongoing	2.450.000 €
Poverty Reduction Support Credit 6	Ongoing	20.000.000 €
Poverty Reduction Support Credit 7-9	Decided	44.000.000 €
MP2005 Vietnam Campaigns 2 and 4	Ongoing	385.000 €
Modest Credit Facilities for Women in Vietnam	Closed	548.140 €
Harmonisation in Vietnam II	Ongoing	200.000 €
Support to Hungary in Vietnam	Ongoing	200.000 €
		138.329.975 €

Annex 5: Detailed Intervention Logic

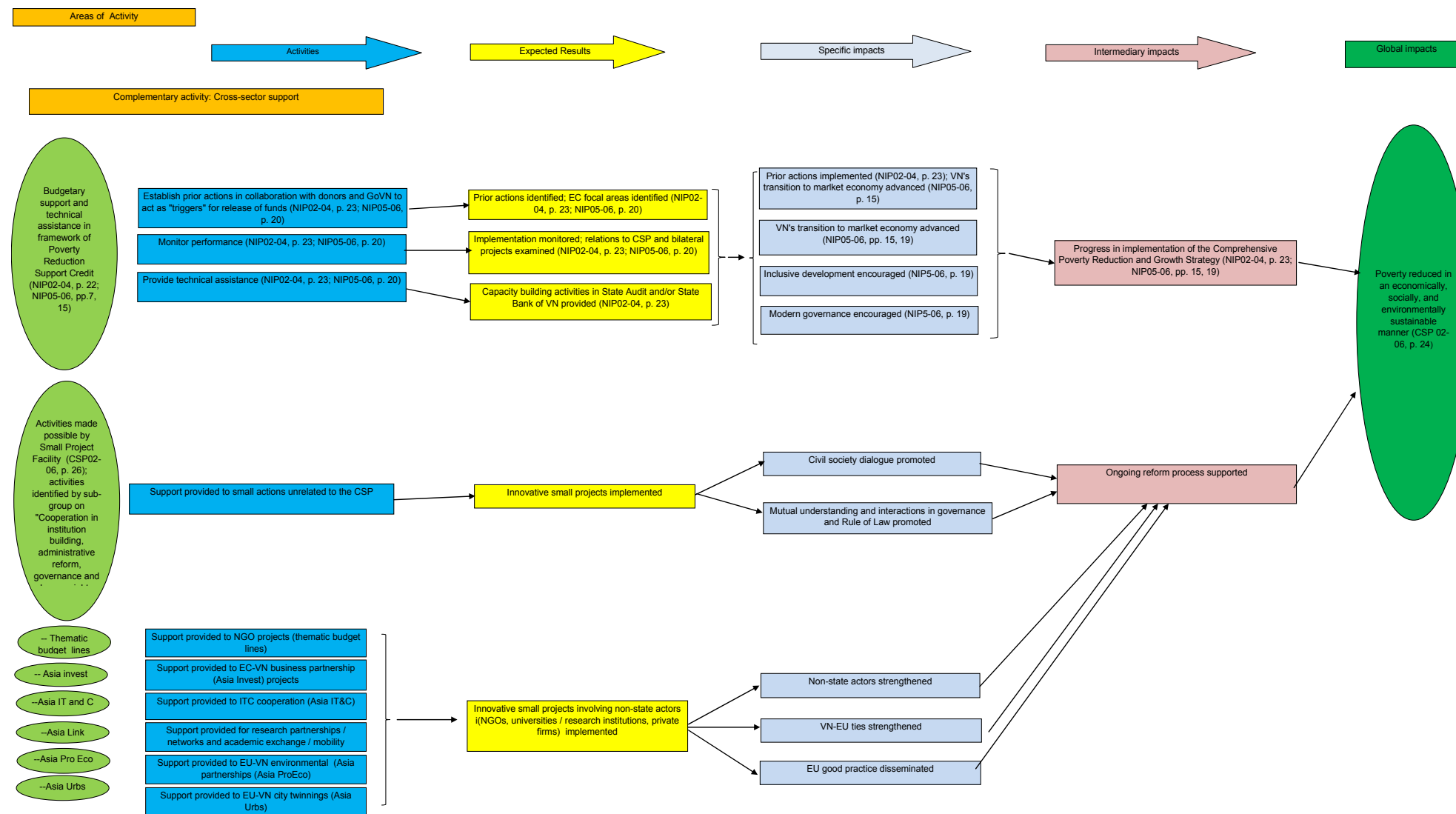
Impact Diagram part I of III:



Impact Diagram part II of III:



Impact Diagram part III of III:



Annex 6: List of Contacts for the Field Phase

(a) Interviews

Name	Position
Hoang Thanh	Programme Officer Rural Development and Environment Sector, Cooperation Sector, Delegation of the EC to Vietnam; Hanoi
Tran Thuy Duong	Programme Officer Rural Development and Environment Sector, Cooperation Section, Delegation of the EC to Vietnam, Hanoi
Pham duc Hien	Dien Bien province DARD, Director
Nguyen van Chua	Dien Bien province DARD, Vice Director
Nguyen danh Du	Dien Bien province DARD, Staff, Irrigation Sub-department
Nguyen van Nga	Dien Bien province DARD, Vice head, administration Unit
Vu thi Huong	Dien Bien DARD province, staff, agriculture extension Center
Nguyen thanh Binh	Dien Bien DARD province, staff, agriculture extension Center
Đặng thi Hiền	Dien Bien DARD province, staff, forest protection Sub-department
Nguyen xuan Tien	Dien Bien Dong district People Committee, vice environment & natural resource unit
Tran van Tinh	Dien Bien Dong district People Committee, vice education & training unit
Ca van Thao	Dien Bien Dong district People Committee, head of administration unit
Nguyen duc Do	Dien Bien Dong district People Committee, staff, Agriculture & Rural development
Lo Van Linh	Village paraveterinary worker
Ca van Quan	Head of village of Na Cai village, Na Tau commune (Focus Group participant)
Lo van Song	Farmer at Na Cai village, Na Tau commune (Focus Group participant)
Lo van Hoa	Farmer at Na Cai village, Na Tau commune (Focus Group participant)
Luong thi Tieu	Farmer at Na Cai village, Na Tau commune (Focus Group participant)
Nguyen Tien Dat	Headmaster, Ta Cang primery school, Na Tau commune
Steve Price –Thomas	Country Director, Oxfam GB
Vu Van Trieu	Country Representative, IUCN
Tran Manh Hung	National Coordinator, Global Forest Governance Project, IUCN
Tran Kim Long	Deputy Director General, International Cooperation Department, MARD
Mr. Pham Ngoc Mau	Staff, International Cooperation Department, MARD
Alain Jacquemin	Senior Adviser, NTP II Rural Water Supply and Sanitation, MARD
Tan Thi Minh Ha	Director General, Department of International Cooperation, Ministry of Natural Resources and Environment
Nguyen Thi Thu Thuy	Manager, Vietnam Conservation Fund, Forest Protection Department, MARD
Christopher Turtle	Team Leader Establishment and Operations, Vietnam Conservation Fund, Forest Protection Department, MARD
Nguyen Bich Ha	Vietnam Programme Manager, Fauna & Flora International
Hoang Van Lam	Assistant Primate Program Manager, Fauna & Flora International
Antonio Berenguer	Trade Counsellor, EC Delegation, Hanoi
Alex Warren-Rodriquez	Development Economist, Country Economist Unit, UNDP, Hanoi
Vo Tri Thanh	Director, Department for Trade Policy & International Integration Studies, Central Institute for Economic Management, Ministry of Planning and Investment, Hanoi
Nguyen Thanh Binh	EU Desk Officer, Ministry of Planning and Investment, Hanoi
Hans Farnhammer	First Secretary, Economic Co-operation and Governance, Delegation of the EC to Vietnam, Hanoi
Madeleine Kihlberg	Chargé d'affaires, EC Delegation, Hanoi
Nguyen Thu Hue	Director, Centre for Marinelife Conservation and Community Development (MCD), Hanoi
Thang Thi Duyen Hong	Ecotourism Officer, Centre for Marinelife Conservation and Community Development (MCD), Hanoi

Name	Position
Richard Moody	Lawyer, Consultant, Hanoi
Thomas W. Felber	Director, Eurocham, Hanoi Office
Luong Hoang Thai	Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade
Hoang Van Phuong	General Policy and Project Division, Multilateral Trade Policy Department, Ministry of Industry and Trade
Christian Levon	Economic Counsellor, Embassy of France, Hanoi
Martin Rama	Lead Economist, The World Bank, Hanoi Office
Tran Phi Tuoc	Director General, International Cooperation Department, Ministry of Labour, Invalids and Social Affairs, Hanoi
Nguyen Thiep	Deputy Director, Dept. of Europe, Ministry of Foreign Affairs, Hanoi
Do Hoang Linh	EC desk officer, Dept. of Europe, Ministry of Foreign Affairs, Hanoi
Dai Hai	Ministry of Education and Training: Head of Planning Dept.
Nguyen Van Vinh	The People's Committee of Lao Cai Province: Vice Chairman, and member of the Planning Dept.
Anouk van Neck	Delegation of the EC to Vietnam, Team Leader Social Sectors, Cooperation Section, DC Delegation Hanoi
James Shooobridge	SREM Project, Team Leader
Teachers & head teachers	Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam Project
Project team, teachers & head teachers	Child friendly Communities and districts in remote mountainous ethnic minority areas in Vietnam project
Bridget Crumpton	Deputy Head DfID Vietnam
Laurie Barnier	Programme Officer, Budget Support, Cooperation Section, Delegation of the EC to Vietnam, Hanoi
Le van Thanh	Programme Officer Health, Cooperation Section, Delegation of the EC to Vietnam, Hanoi
Stefano Migliorisi	HIT Son et Lumière S.r.l., Milano
Vu Thi Tuan Anh	Programme Officer, Cooperation Section, Delegation of the EC to Vietnam, Hanoi
Lasse Melgaarde	Counsellor, Development, Royal Danish Embassy
Tove Degnbol	Counsellor, Deputy Head of Mission, Embassy of Denmark, Hanoi
Philip Rhee	UNDP
Joachim Gromotka	Technical Assistance Team Leader, HEMA Project Office, Hanoi
Birgit Wendling	Counsellor, Development Cooperation, Embassy of the Federal Republic of Germany, Hanoi
Patrick Ackermann	Attaché, Development Cooperation, Embassy of the Grand Duchy of Luxembourg, Hanoi
Phil Harding	DfID
Madeleine Khilberg	Counsellor, Delegation of the EC to Vietnam, Hanoi
Mme Binh	Head of International Cooperation, Ministry of Planning and Investment
Martin Ramos	Chief Economist, World Bank
Jean-Pierre Bardeau	EC Delegation
Mr. Bang	Vice Director, Department of Health Insurance, Vietnam Social Insurance
Mme Quanh	Head of International Cooperation, Ministry of Health
Eammon Murphy	Country Director, UNAIDS
Mr. Bakhuti	World Bank
Dr Hoang	International Cooperation development, Ministry of Health
Alex Warren-Rodriguez	Chief Economist, UNDP
Kirsty Mason	DfID
Karim Shah	ActionAid Vietnam
Graham Harrison	Technical Officer, Health Systems Development, WHO, Hanoi
Rebecca Dodd	Technical Officer, Donor Coordination / Aid effectiveness, WHO, Hanoi

Name	Position
Jean –Marc Olivé	Representative, WHO, Hanoi
Le Quang Binh	Institute for Studies of Society, Economy and Environment (iSEE), President
Vu Thi Bich Hop	Sustainable Rural Development (SRD), Executive Director
Nguyen Thi Hong Ha	Center for Development Assistance (CDA), Director
Ibid.	who is also: Exec. Board member of “Civil Society Inclusion in Food Security & Poverty Reduction Network (CIPFEN)”
Dinh Thi Thu Phuong	Co-operation section, Delegation of the EC to Vietnam, Hanoi
Emmanuel Mersch	First Counsellor, Head of Finance & Contracts Section, Delegation of the EC to Vietnam, Hanoi
Hoang Xuan Ty	Director, Greenfield Consulting & Development, Hanoi
Do Hong Anh	Project Development, Greenfield Consulting & Development, Hanoi
Nguyen My Le	Admin support, Co-operation Section, Delegation of the EC to Vietnam, Hanoi
Le Chi Hieu	Assistant Programme Officer Education, Cooperation Section, Delegation of the EC to Vietnam, Hanoi
Vu Tuan Hai	Counsellor, Embassy of the S.R. Vietnam, Brussels, Belgium
Pham Le Tuan	Deputy Director, Department of Planning and Finance, Ministry of Health, Hanoi
Philippe Van Amersfoort	Deputy Head of Unit, South-East Asia Unit, EC External Relations Directorate General, Brussels, Belgium
Nguyen Thi Tong	Vice Chairwomen – General Secretary, Vietnam Leather and Footwear Association, Hanoi (Focus Group participant)
Véronique Saugues	Attachée de Coopération, Ambassade de France, Hanoi
Emmanuelle Boulestreau	Conseillère adjointe de Coopération et d’Action Culturelle, Ambassade de France, Hanoi
Tong Hoai Nam	Official, Department of Planning and Finance, Ministry of Health Vietnam, Hanoi
Truong Thanh Hai	Chief, Planning – Statistic Division, Planning – Finance Department, Ministry of Education and Training, Hanoi
Tran Thi Giang Huong	Director General, International Cooperation Department, Ministry of Health, Hanoi
Tommaso Tabet	Programme Officer, Poverty and Social Development Cluster, UNDP, Hanoi
Pham Vu Luan	Vice Minister, Ministry of Education and Training, Hanoi
Doan Tuong Van	International Cooperation Department, Vietnam Social Security, Hanoi
Lai Binh	Department of International Cooperation, Ministry of Health, Hanoi
Tran Thi Mai Oanh	Deputy Director, Ministry of Health, Hanoi
Nguyen Van Anh	Chairwomen, SAGA, Center for Studies and Applied Sciences in Gender–Family–Women and Adolescents, Vietnam (Focus Group participant)
Ms. Veronique Saugues	French Embassy
Mr. Hubert Colaris	French Embassy
Ms. Bich Ha	Save the Children UK
Mr. Quan Du Trang	Deputy Chief Secretariat, Vietnam Association of Business Enterprises of Persons with Disabilities (Focus Group participant)
Tran Bich Thuy	Project staff, HelpAge International (Focus Group participant)
Huong Giang	Project staff, HelpAge International (Focus Group participant)

(b) Focus Groups

Location	Focus
Chop Ly village (Keo Lom Commune, Dien Bien Dong district; See Annex 9)	Water supply
Na Sang 2 village, Nua Ngam Commune, Dien Bien District (See Annex 9)	Irrigation
Na Cai 2 village, Na Tau Commune, Dien Bien district (See Annex 9)	Overall project impact (irrigation and water)
Site visit in Tay Nguyen province HelpAge Intl. – EC-funded project: “Promoting intergenerational approaches to improve the well-being of disadvantaged groups in Vietnam Tran Bich Thuy Huong Giang & Project Management Team (PMT) (See Annex 9)	Health / Vulnerable groups
National and international NGOs in Hanoi (See Special Focus 5)	Civil Society

(c) Site visits

Location / Name	Focus
Phi Nhuand Phinh Giang villages (Dien Bien Dong District)	Road
Chop Ly village (Keo Lom Commune, Dien Bien Dong District)	Water supply, forestry
Na Sang 2 village, Nua Ngam Commune (Dien Bien District)	Irrigation
Na Cai 2 village, Na Tau Commune, Dien Bien District)	Irrigation, school, water supply
Pong village, Muang Dang Commune	Road
Lao Cai Province - People's Committee	Education
Ban Me Commune (Si Ma Cai district), IECD and CFCD Project – visit to pre-school, primary and lower secondary schools	Education
Bac Ha, CFCD Project HQ – discussion about the project and participation in an in-service training workshop for teachers	Education
Sylvie Zaitra Esther van de Meer Alain Peyré + 30 project participants and beneficiaries	Team Leader, ETV2 Evaluator, ETV 2 Evaluator, ETV2 ETV2 Participation in debriefing on final evaluation of ETV2, Hanoi

Annex 7: Information Matrix

EQ1 - Health: To what extent has EC support in the area of health contributed to sustainable improvements in the health of the poor?

We answer this EQ based on five Judgement Criteria. The first (JC 1.1) asks whether EC actions increased access to and the quality of primary health care; the second (JC 1.2) looks at trends in health indices. JCs 3 and 4 are more policy oriented, asking in the first case whether the EC has improved policy making capacity in health and the second asking if the EC has contributed to progress in putting in place an effective and sustainable system of health care finance. JC 1.5 has to do with whether synergies between health and other areas of support were exploited.

To summarise, we are able to see little impact to date of EC support in the area of health. Of two major projects in health, one provided infrastructure and equipment, but with delays and an emphasis on secondary and tertiary facilities. The second, ongoing and more promising because it is focused on grassroots integrated primary health care, had a late start and it would be too early to judge it, although some impacts are beginning to be felt. All donor support in health is hampered by the lack of an effective health care financing system and lack of capacity at all levels of the health care policy making establishment. In recognition of the lack of capacity, the EC is participating in the formulation of a multi-donor capacity building project to lay the foundation for sector budget support.

The EC has supported two major project interventions in health, the Health Sector Development Programme (HSDP; 1995-2008) and Health Care Support to the Poor of the Northern Uplands and Central Highlands Project (HEMA; 2006-2010; activities began 2008). The HSDP project concentrated on the provision of infrastructure and equipment. While there were positive impacts in terms of strengthening provincial health teams and training, the main component was judged to have performed poorly, with serious delays, much of the benefit going to secondary and tertiary facilities, and little demonstrable impact on health facility utilisation in the two target provinces.

HEMA is more oriented towards the provision of primary health care services at the district and Commune levels, rather than procurement, and aims to deliver an integrated programme of community-based health interventions. It is too early to judge results, as the project experienced significant delays in implementation and is only now beginning to gear up. However, it is already improving access to health care by the poor in the regions covered and shows promise for continuing positive impact.

In the early years of this evaluation period, the EC also financed two important and generally well-appraised regional projects: one on malaria (Regional Malaria Control Programme and one on reproductive health (Asia Regional Initiative on Reproductive Health for the Youth). The EC has consistently supported the work of the Global Fund Against AIDS, Malaria, and Tuberculosis in Vietnam (see 1.1.5. below). More progress is generally felt to have been made against the latter two diseases, in part because of the very conservative and over-medicalised approach to HIV/AIDS still favoured by the GoV.

The main current development is that the EC is engaging in the strategic planning necessary to design and launch budget support in the health sector, and is formulating a capacity building project at the Ministry of Health and in three provincial-level Health Departments designed to lay the groundwork for budget support. A Working Group including EC officials with long experience in the social sector has been formed and lessons derived from sector budget support in education (see EQ 2 and Special Focus 2 at the end of this volume) are being applied. Finally, the EC is heavily involved in coordination in the health sector through chairing the EU donor's group, which produces the Joint Annual Health Review (JAHR). A Statement of Intent on improving aid effectiveness in the health sector was been developed in 2008 and approved in 2009 by the MoH and the donor community, providing a roadmap with 10 milestones, including a coasted 5-year national health plan 2011-2015 -that is planned to be adopted by December 2010- and including also the adoption of budget support guidance. The MoH is also keen of utilising the

JAHR product to serve the planning, budgeting, managing and monitoring for results in the health sector. These are hopeful signs; however, the health sector has a weak record. While the JAHR is seen by some as a precursor to a sector plan, it is only that, a precursor.

Given the recent start up of the HEMA Project and the acknowledged problems of the HSDP project, it would not be possible to attribute any of the recent health trends in Vietnam to the EC (save, perhaps, improvements in access to HIV/AIDS treatment made possible by the Global Fund, supported in significant part by the EC, and the positive impacts of the two regional projects mentioned previously). All basic health indices have experienced dramatic improvement in Vietnam over a ten year time frame (1995 – 2005); for example, the infant mortality rate declined from 45 to 18 per 1000, the under-five mortality rate from 62 to 28 per 1000, and the maternal mortality ratio from 110 to 80 per 100,000 live births. While all groups in society have experienced improvements, some groups have experienced more improvement than others. Hence, there are growing disparities between rich regions and poor ones, cities and the countryside, ethnic Vietnamese and minority ethnic groups. Moreover, it is striking that the *least* progress has been in mortality indices (such as the maternal mortality ratio and neonatal mortality rate) which are most closely related to access.

Access to health care of reasonable quality at the grass roots level remains extremely poor in Vietnam, contributing to overcrowding at District and, more particularly, Provincial level facilities. While there is evidence that the Health Care Fund for the Poor increased poor people's utilisation of health facilities, there remain serious coverage gaps for the poor under the (successor) Health Insurance Fund. Serious health events are a cause of impoverishment, with an estimated 8 percent of households having experienced catastrophic health expenditure in 2004. Reasons for low access include the fact that provincial governments systematically starve the health sector of needed funds, the fact that health staff have clustered at Provincial level facilities due to low salaries and poor working conditions at the district and Commune level, remoteness issues in some regions, and, in particular because it affects all the proximate causes, the lack of an effective health care financing system.

The financing of health is not only inadequate; it is complex to the point of being opaque. The Ministry of Health only directly controls funds for National Target Programmes and a few other lines (national hospital, teaching facilities, administration). 75 percent of spending on health is out of pocket, 13 percent is financed via Vietnam Social Security (VSS) insurance, and public budget resources represent only about 12 percent (although it should be remembered that a significant amount of VSS spending is GoV subsidised). Perhaps 40 percent of the total population is covered by VSS, one-quarter of them poor persons totally subsidised by the GoV. However, many poor fall through the net because of difficulties of identification and affiliation. A public half-subsidy for the "near poor" does not work well, for the same reason. Capacity at VSS is low and there is poor communication between VSS and the Ministry of Health. Nor, given the sub-standard quality of service available, is voluntary membership a very attractive membership. Substantial numbers, even of the poor, go to private clinics because the quality of care is higher.

Many of these problems derive from poor capacity of health agencies to make policy, prioritise goals, and estimate resource needs. While the EC has contributed to capacity building for service delivery through both HSDP and HEMA, a critical mass of capacity for policy making is nowhere near achieved. Central Ministry of Health capacity for sector wide, holistic policy making and prioritisation is low despite many years of donor support. Provincial-level capacity is almost non-existent. The Ministry of Health remains service-delivery oriented and jealously guards its privileged access to donor support. At the same time, the low share of donor support in total spending (3 percent of total, 10 percent of GoV health spending) gives the donors only limited policy leverage.

JC 1.1: EC actions increased access to and quality of primary health services nationally and in provinces targeted

JC assessment:

Staff training and the provision of equipment, as well as the community component of the HSDP, probably affected the beneficiaries' perceived quality of care; this may be expected to also have positively affected attendance at health stations and centres. Yet, it does not appear that patient attendance was greatly increased in the areas benefiting (Indicator 1.1.1). Procurement was a problem area for the project (Indicator 1.1.2). The HEMA Project has recently begun supplying a comprehensive set of interventions at the commune and district level, but impacts on access to health care by the poor are only now beginning to be discerned.

More generally, there is no evidence that there has been significant progress against the serious problem of low quality service at the Commune level, leading to overcrowding and inefficiencies at the District and, even more markedly, Provincial level. Even simple immunisation procedures are reported to be poorly performed at the Commune level (see Indicator 1.4.4). Provincial-level hospitals have become the backbone of the health care system. Availability of trained staff overall is not as much a problem as the fact that these staff are underrepresented at the Commune level (Indicator 1.1.4); they cluster in Provincial level facilities because of better salaries and where facilities and working conditions are superior. The development of compulsory health insurance has the potential to generate revenue for Commune level facilities, but the mechanism of reimbursement remains to be clarified and the legacy of years of systematic neglect needs to be overcome.

A final indicator (Indicator 1.1.5) looks at availability of services for HIV/AIDS, tuberculosis, and malaria. We have no information on trends for malaria, but the overall access to services appears high. The same is true of TB, although DOTS detection rates have not increased in recent years. There have been increases in access to services related to HIV/AIDS – anti—retroviral therapy (ART) treatment and Prevention of Mother-to-Child Transmission (PMTCT) service for pregnant women – but access remains low at roughly 25-33 percent of persons in need. The Vietnam HIV/AIDS national programme has been criticised for being overly medical, and would benefit from a more multi-sector response.

Indicator 1.1.1: Attendance/utilisation rates in commune health stations and health centres (if available, by gender and ethnic group)

Indicator estimate:

General

One of the structural problems of the health care system in Vietnam is that patients do not utilise Commune-level health facilities, even for very simple procedures and needs, but rather flock to District level facilities and, even more markedly, Provincial hospitals. The latter have become, de facto, the backbone of the health system and, since they operate on a fee-for-service basis, have no incentives to economise.

The problem is multi-dimensional. While health salaries are paid, without delay, at the Commune level, facilities and equipment are sub-standard. We discuss below (e.g., Indicator 1.4.3; see also Special Focus 1) the complicated nature of health care financing in Vietnam, which means that State Budget resources tend to support Provincial hospitals, to some extent District facilities, but do not percolate down to the Commune level. Only half of commune health facilities have a doctor, and qualified staff has congregated at provincial hospitals. Decentralising decision making is not necessarily the answer here, as health facilities tend to be a low priority at the Commune level itself, where People's Committee members are far more likely to prioritise, for example, roads.

In theory, commune health centres can generate more funds as the national health insurance system

expands. But for this to happen, first, the mechanism of reimbursement (presumably case-based) will have to be clarified. Secondly, and more challenging, the entire psychology of the public, which has become accustomed to bypassing the Commune level altogether because of the sub-standard quality of care, will need to be changed.

HSDP

Documents from the 1998-2005 Health Systems Development Program (HSDP) reviewed mention that the evolution of the utilisation of primary health care (PHC) facilities by the poor in the provinces covered increased markedly after 2002 when the GoV set up the Health Care Fund for the Poor (see JC 1.4. below). However, by 2003, there was still low attendance in health stations in two HSDP provinces -- 10-12 and 20-30 patients per day on average, with 5-7 regular staff per facility (1). The number of patients did not increase in health stations after the equipment was delivered (2).

HEMA

In 2007, the Health Care Support to the Poor of the Northern Uplands and Central Highlands (HEMA) project started implementing a 'package of primary preventive and curative care and started interventions in Extended Programme of Immunisation (EPI), school health, safe motherhood, and community-based malnutrition prevention and treatment. Implementation is still in its early stages and we do not have information on facility utilisation rates.

Related facts, figures, and references:

(1) HSDP ROM report Oct. 03.

(2) HSDP ROM report June 04.

Interviews with Ministry of Health, World Bank staff, EC Delegation staff, HEMA project staff.

Indicator 1.1.2: Equipment provided and building rehabilitation undertaken

Indicator estimate:

HSDP Project

The provision of equipment and means of transportation (about 40 percent of the overall budget) was the subject of serious delays in the HSDP. These delays were essentially on the EC side, as the MoH (using its own funds) complied with its obligation to make building improvements in preparation of receiving major equipment under order. Procedures to establish the technical specifications of dozens of items were complicated and tender application procedures were poorly followed. Even towards the end of the project, it was questionable if all procurement could be completed. The beneficiaries in the provinces were negatively affected by this delay, which led inter alia to disagreements among the first HSDP co-directors, with the result of an excessively prolonged inception phase of the project. Maintenance training and maintenance problems were highlighted by the ROM reports and by the MTR.

Although these problems were ongoing, it is not clear that lessons were learned and steps taken. More than one of the documents reviewed, stated that the HSDP should not have embarked on so large a procurement scheme (1). Yet, as late as June 2004, a ROM Report stated that "a significant amount of the local unspent budget line will be transferred to the equipment budget line" (2).

The role of some this equipment and vehicles procured to improve the quality of care and the efficiency of referrals is not questioned, but it was not focused on PHC services alone; a significant amount of equipment was quite sophisticated and went to secondary and tertiary care facilities. Teaching equipment

was procured for three MoH facilities for the training of technicians.

HEMA

Still in its early stages, the HEMA project will be providing some equipment at the Commune and District levels. Procurement will follow World Bank procurement rules. A World Bank sister project working at the Provincial and District level is far more oriented to equipment than HEMA, which has a broad, integrated approach involving equipment, training, mother and child health (MCH), and training. While the project as a whole had a very delayed start up, there has been progress in provision of hardware and software and no particular problems related to equipment have been related (3).

Related facts, figures, and references

- (1) HSDP ROM report, June 04.
- (2) HSDP ROM report July 02.
- (3) HSDP Mid-term Evaluation Mission: 10 June – 3 July 2002 and HEMA ROM report Feb. 2007.

Indicator 1.1.3: Regularity of availability of drugs, vaccines and malaria control related equipment

Indicator estimate:

No information obtained. By far the greatest share of out-of-pocket expenditures in Vietnam is for pharmaceuticals; effectively, where there is money, there is no supply gap. Virtually no pharmaceuticals of consequence are covered by public health insurance in Vietnam.

Indicator 1.1.4: Number of health staff trained and follow-up actions

Indicator estimate:

General

The most serious problem in Vietnam is not the overall availability of trained health workers, it is their distribution. The problems of enticing staff to work in remote or impoverished regions are easily understood. However, recent administrative changes (Decree 171/172) introducing specialisations at the District level sucked personnel (especially doctors) from the Commune to the District level. The number of Commune health centre with a doctor assigned fell from 68 to 52 percent. Add to this the fact that provincial hospitals, which are essentially operating on a fee-for-service basis, have few incentives if any for economic efficiency and it is easy to see how human resources move yet further up the chain. Better equipment and working conditions also attract trained workers to the Provincial level.

HSDP and HEMA projects

Both the HSDP and the HEMA project embarked on significant continuing education activities and HSDP provided pre-service training for health technicians. The HSDP sent three students for master's degree training to Europe and to Thailand. (1) By August 2004, a comprehensive assessment of the whole project's training activities should have been carried out (2). This report, if it exists, has not been obtained.

Related facts, figures, and references

(1) HSDP Mid-term Evaluation Mission: 10 June – 3 July 2002.

(2) HSDP ROM report June 04).

Interviews with Department of International Cooperation, Ministry of Health.

Indicator 1.1.5: Access to HIV/AIDS, TB and malaria services

Indicator estimate:

These diseases of poverty have distinct national programs in the country with a long, recognised history of success in the case of the latter two. The case of HIV, as we discuss, is not as successful.

From 1997 to 2002 Vietnam was a recipient of funds of the Cambodia, Laos and Vietnam Malaria Control Program which had high political commitment and contributed to a sharp decrease in the incidence of the disease in eight provinces; it had a one year delay in starting (was extended 16 months). 70% of the budget was for procurement (e.g., 750,000 impregnated bednets, medicines, diagnostic tools). Data collection was improved and capacity building was extensive. It was positively evaluated (1).

Moreover, from 1998 to 2002 Vietnam was a recipient of funds from the EC/UNFPA Asia Reproductive Health Initiative for Youth in Asia (ARHIYA) project. It also had some delays and was extended 18 months. It involved working through several NGOs. It contributed to providing separate services specifically dedicated to youth including reproductive health services. The project contributed to strengthen the involvement of the Vietnam Women's and Youth Union in adolescent activities and in gender-related issues (2).

The three diseases are benefiting from Global Fund support. As the EC plus member states fund more than half of the Global Fund, it is considered part of this evaluation to look into the progress made in these three diseases. As per the GF website (3)

- HIV received funds in rounds 1, 6 and recently 8. (Strengthening care, counselling and support of People Living with HIV/AIDS, and Strengthening of community-based activities),
- Malaria received funds in rounds 3 and 7 (Consolidation and sustaining the achievements of the last decade in rolling back malaria in high risk areas, and Intensification of community-based malaria control targeting high risk groups), and
- TB received funding in rounds 1 and 6 (Reaching TB patients among high risk groups, and Support of the mid-term development plan 2007-11 to Stop TB).

The total requested for the three was \$156.6 million of which \$83 million have already been approved.

The record of Vietnam within the Global Fund is mixed. Vietnam's approach to TB and malaria has been characterised by a good mix between prevention and care, but HIV/AIDS remains largely treatment-oriented due to the fact that the Vietnam Administration for AIDS Control (VAAC), a Ministry of Health agency, is not only the "principal recipient" in Global Fund terms, but also essentially the only recipient. Donor agency experts interviewed were strongly of the view that Global Fund resources would be more effective if a more multi-sector approach was put in place. Stigmatisation of HIV sufferers remains a major problem and the GoV persists in the discredited "social evil" approach to the epidemic. On a more hopeful note however, the National Committee on Drugs, AIDS, and Prostitution, the Ministry of Labour, Invalids, and Social Affairs (MoLISA) committee tasked with AIDS prevention, has become more active.

Information from UNAIDS (4) on coverage of target populations is given in the accompanying table. While coverage has improved, it is notable that only a third of women needing prevention of mother-to-child transmission (PMTCT) services are receiving them, and less than a fifth of the highest risk groups (commercial sex workers, injecting drug users, and men who have sex with men) have access. About a third of patients requiring anti-retroviral therapy (ART) are receiving it. WHO data (5) largely paint the

same picture for ART.

	2003	2005	2007
ART coverage	0	<10 percent	31 percent
PMTCT coverage	0	10 percent	33 percent
HIV prevalence of IDUs		32 percent	22 percent
Access to HIV testing for high risk populations (CSWs, IDUs, MSM)			15-18 percent

	2005	2006
Sites providing ART	74	202
Patients receiving ART	3,000	17,000
Patients needing ART	50,000	87,000
Coverage	6 percent	26 percent
Pregnant women HIV+	3,700	3,900
Number receiving PMTCT treatment	365	744
Coverage	9.9 percent	19.1 percent

We have no information on access to malaria services, although (see Indicator 1.2.2), the Global Fund estimates that almost all children in need of a bed net are provided with one. We have more information on TB from the WHO Statistical Information Service (WHOSIS; www.who.int/whosis). Vietnam experienced a dramatic improvement in DOTS detection rates between the mid-1990s and 2000, but little change since then. DOTS treatment has consistently been successful.

	Cambodia			Lao PDR			Vietnam		
	1995	2000	2005	1995	2000	2005	1995	2000	2005
DOTS detection rate (%)	40	50	68	n.a.	40	72	30	82	84
DOTS treatment success rate (%)	91	91	93	70	77	90	91	92	92

Related facts, figures, and references

- (1) ROM report Sept. 2001
- (2) ROM report Sept. 2001

- (3) <http://www.theglobalfund.org/programs/country/?lang=en&countryID=VTN>
- (4) http://cfs.unaids.org/country_factsheet.aspx?ISO=VTN
- (5) http://www.who.int/globalatlas/predefinedReports/EFS2008/full/EFS2008_VN.pdf

JC 1.2: Improvement in health indicators in the provinces targeted (if available, by gender and ethnic group)

Health statistics in Vietnam are surprisingly sparse and of questionable quality. In considering Indicator 1.2.1, we present “headline indicators” that illustrate the rapid progress that has been made. However, as we discuss under Indicator 1.4.4, there is agreement that disparities are widening – while all indicators are improving for all persons, some are improving more rapidly than others. We suggest in that discussion that the widening gaps are related largely to access issues, some of them geographic but a considerable part of them also related to the lack of an effective health care finance system, gaps in insurance coverage, and the burden of out-of-pocket payments.

A bright spot is that Vietnam is not suffering from an explosion of the HIV/AIDS epidemic and that progress against tuberculosis and malaria has been good (Indicator 1.2.2).

Indicator 1.2.1: Trends in U5M rate, MM rate, U5 malnutrition rate (if available for ethnic minorities)

Indicator estimate:

In the following table, we give comparable data on two “headline” health indicators – the infant mortality rate and the under-five mortality rate -- for Vietnam and its neighbours. Not only has Vietnam made progress, these data tell us, but it has made much more rapid progress than its poorer neighbours.

Table SF 5.4: Infant and under-five mortality (per 1000)

	1990	2000	2006
Cambodia			
IMR	85	88	65
avg. annual % change		0.3	-4.9
U5MR	116	104	82
% of total		-1.1	-3.9
Lao PDR			
IMR	120	77	59
avg. annual % change		-4.3	-4.3
U5MR	163	101	75
avg. annual % change		-4.7	-4.8
Vietnam			

IMR	38	23	15
avg. annual % change		-4.9	-6.8
U5MR	93	30	17
avg. annual % change		-10.7	-9.0

Source: WHO Statistical Information System (WHOSIS) database; <http://www.who.int/whosis/en>

The 1997 and 2002 Demographic and Health Surveys (1), which are probably the most reliable data source and should be comparable between the two years, estimated under-5 mortality to be 46 per thousand in the five years preceding 1997 and 33 per thousand in the five years preceding 2002. The infant mortality rate was estimated to have declined from 29 to 18 per 1000 live births. The DHS authors noted that these are “extraordinary declines.” The DHS did not estimate maternal mortality, which is widely suspected of being under-reported.

The HSDP Mid-term Review quotes an under five malnutrition rate of 34 percent, but the year for that is not given (2). Researchers report that there were important declines in child malnutrition in Vietnam between 1990 and 2004: from 45 to 27 percent for underweight and 56 to 31 percent for stunting (3) No information on gender and ethnicity is given.

While such statistics paint a generally favourable picture, they need to be taken with a grain of salt. For example, the WHO Extended Programme of Immunisation (EPI) coverage rate is reported to be almost universal (see table).

DPT-3 immunisation rates (percent of 1 year-olds)	1990	1995	2000	2005	2007
Cambodia	38	39	50	82	82
Lao PDR	18	54	53	49	50
Vietnam	88	93	96	95	92

Source: <http://www.who.int/whosis/data>.

However, experts report that dropout rates are extremely high and, worse, that injections are often incompetently given, impairing their effectiveness. Worst of all, the best way of securing a proper injection may be giving a small monetary gift to the clinic worker administering the vaccine. The cold chain is sometimes incomplete.

Related facts, figures, and references

(1) <http://www.measuredhs.com/pubs/pdf/FR139/07Chapter07.pdf>

(2) Vietnam-EC Strategy Paper 2007-13, Annex 3, and HSDP MTR pp.4+5.

(3) Nguyen Cong Khan, Le Danh Tuyen, Tran Xuan Ngoc, Phan Hoai Duong MSc, and Ha Huy Khoi 2007. Reduction in childhood malnutrition in Vietnam from 1990 to 2004. *Asia Pac J Clin Nutr* 2007;16 (2):274-278

[http://apjcn.nhri.org.tw/server/APJCN/Volume16/vol16.2/Finished/NguyenCongKhan\(274-278\).pdf](http://apjcn.nhri.org.tw/server/APJCN/Volume16/vol16.2/Finished/NguyenCongKhan(274-278).pdf)
Interviews with EC Delegation staff and Department of International Cooperation, Ministry of Health.

Indicator 1.2.2: Trends in AIDS, malaria and TB incidence and prevalence

Indicator estimate:

HIV/AIDS

Information from WHO (1) shows the following:

	2001	2007
Adults living with HIV	150,000	280,000
Children living with HIV	10,000	10,000
Women living with HIV	37,000	76,000
Deaths from AIDS	5,500	24,000

While the HIV+ rate is still trending upwards, it is growing from a rate that has been revised downwards due to improved sentinel surveillance methods. Once projected to reach 0.53 percent of the adult population in 2010, the latest UNAIDS estimate is 0.29 percent. The epidemic is still concentrated among commercial sex workers and injecting drug users. Spousal transmission is still rising, but not rapidly.

TB

For TB, WHO data show the following for 2006: (2)

Incidence 173 per 100,000 (a 1% decrease over the previous year); prevalence 225 per 100,000; mortality 225 per 100,000; notification rate 113 per 100,000 (fairly stable since 1990).

5 percent of new TB cases are HIV+. Only 14 percent of TB patients are tested for HIV and of those, 5 percent are positive. The DOTS detection rate is 85 percent and the DOTS treatment success rate is 92 percent (above target for over ten years). The DOTS coverage was 50 percent in 1995, and 100 percent since before the year 2000. 874 labs are performing diagnostic smears. 19% of all TB cases are multi-drug resistant. Drug supplies for TB have been ensured and uninterrupted and the treatment is free.

Malaria

For malaria, GF data are as follows: (3)

	1995	2000	2006
Confirmed cases	100,000	74,000	23,000
Deaths	348	148	41

63 of 64 provinces report cases, but only in 29 provinces accounting for 80 percent of cases and deaths is malaria considered a public health problem. 27 million people are considered at risk (546,000 pregnant

women and 2.7 million children). 33 million bed nets have been distributed in the country and an estimated 96% of at risk children were provided one. The burden of malaria has been steadily declining for the country, but forest areas are still high risk. 84 percent of confirmed falciparum cases are receiving ACT treatment.

Related facts, figures, and references:

- (1) http://www.who.int/globalatlas/predefinedReports/EFS2008/full/EFS2008_VN.pdf
 - (2) http://www.who.int/tb/publications/global_report/2008/pdf/vnm.pdf
 - (3) http://www.theglobalfund.org/grantdocuments/7VTNM_1604_0_full.pdf
- Interviews with UNAIDS.

JC 1.3: EC actions contributed to improved health sector policy making capacity, government ownership at central and Provincial levels

JC assessment:

At the central level (Indicator 1.3.1), MoH capacity for policy making remains weak, as does the sense of ownership, although the latter may be improving as witnessed by the recent issuing of a sector-level Statement of Intent on Aid Effectiveness. Neither the HSDP nor the HEMA project contributed much at the central level. The capacity building project now being formulated to put in place the necessary conditions for a sector budget support programme represents the EC's first major investment in central-level capacity building.

At the Provincial level, the capacity for policy making is extremely limited, with the orientation towards service delivery rather than resource allocation planning observed at the central level being even more pronounced. The new capacity building project aims to move on to three pilot provinces after having invested in capacity building at the central MoH. In contrast to the central level, however, both the HEMA and HSDP project appear to have resulted in the putting in place of some policy making capacity at the Provincial levels.

Indicator 1.3.1: Policy making capacity and ownership increased at central level

Indicator estimate:

General

In general, policy making capacity and ownership at the Ministry of Health (MoH) is not strong. The MoH is very focused on service delivery, not on planning or resource allocation. The Health Strategy and Policy Institute has received support from Swedish SIDA for many years and is analytically sound, but remains donor-driven. The Health Insurance Department, responsible for designing health care financing policy, is not effectively linked to Vietnam Social Security (VSS), responsible for implementing it.

Donors have not worked in joined-up fashion on health sector development. Donor assistance to the MoH is divided among various national target programmes (NTPs), each with its own vertical "silo." There has recently, however, been a joint MoH-donor Statement of Intent aiming to improve aid effectiveness in the sector, and the MoH is the first line Ministry to propose implementing the Hanoi Core Statement on a sector level. The plan was well received at the December Consultative Group meeting and an Action Plan was presented to the Health Partnership Group in March. In general, aid coordination works fairly well in the health sector. In spite of this, though, major areas remain gaps, for example pharmaceuticals, which account for most out of pocket payments, and capacity building for health care finance reform.

The HSDP and HEMA projects

The design of the HSDP project was criticised for working with different departments of the MoH in Hanoi that have overlapping policy making functions. The 2002 Mid-term Review (and also two of the four ROM reports consulted) was critical of the progress that had been achieved at central level on policy making capacity and ownership; the MTR actually recommended the remainder of the project focus primarily on the Provincial level.

It can be construed from this that policy-making capacity and ownership were not really achieved at central level, at least in comparison what was expected. The MoH had many competing priorities, including dealing with other donor projects.

For HEMA, the focus was, to begin with, on the five provinces covered rather than the central level. Criticism was found about the project not having secured needed support from the Vietnam Social Security administration at central level. (1)

Related facts, figures, and references

(1) Project Synopsis in HEMA ROM Feb. 2007

Interviews with EC Delegation officials, WHO, Ministry of Health, World Bank officials

Indicator 1.3.2: Policy making capacity and ownership increased at Provincial level

Indicator estimate:

At the aggregate level, field interviews revealed almost universal pessimism about health policy capacity at the Provincial level.

However, at the project level, it appears that EC support had some beneficial impacts at the Provincial level. Both policy-making capacity and ownership have grown over time for provincial health bureaux in areas benefitting from the HSDP and the HEMA projects -- in good part due to project inputs, especially management and planning training. This is clearly the case for the HSDP provinces after the work plans were amended following the mid-term review (1). The management structure left behind continued to function after the project ended.

The HEMA project pursues separating the regulatory, financing and health care provision functions at Provincial level after the introduction of insurance for the poor scheme (2.)

Related facts, figures, and references

(1) HSDP CRIS Implementation Document (no date)

(2) HEMA CRIS Implementation Document (no date)

Interviews with EC Delegation staff, World Bank Officials , HEMA project staff, Ministry of Health, WHO

JC 1.4: EC actions contributed to putting in place a financially sound and equitable system of health care financing

JC assessment:

While the EC has contributed to the availability of health care to the poor, notably in recent months through the HEMA project, its contribution to putting in place a sustainable system of health care financing is just beginning. We discuss the issue of health care financing in Special Focus 1. In considering the Indicators below, we also describe the low coverage of the health insurance system (Indicator 1.4.2), complicated process of state health care budgeting, the complicated nature of state health budgeting (Indicator 1.4.3), and disparities in health expenditure and access to health care

(Indicator 1.4.4).

It is only with the putting in place of the preliminary conditions for a transition to budget support (Indicator 1.4.6) that the EC is coming to grips with issues of health care finance. Even here, it not yet clear how much of the capacity building offered will deal directly with the problems of health care finance.

Indicator 1.4.1: Existence of a government-defined role of the state in health care financing

Indicator estimate:

We will not repeat here the discussion in Special Focus 1. The GoV has in mind a clearly defined strategy of universal compulsory health insurance administered by Vietnam Social Security (VSS). However, coverage is far from complete, the attractiveness of the system is questionable, governance of the Health Insurance Fund is opaque, and the capacity of VSS to administer health insurance is low. Attempts to cover the poor via subsidised health insurance have left many gaps.

Related facts, figures, and references

Special Focus 1.

Indicator 1.4.2: Trends in health insurance coverage membership

Indicator estimate:

The GoV goal is to attain universal coverage by 2014 by expanding voluntary coverage while simultaneously widening the categories of persons for whom insurance is compulsory. At present, compulsory categories include formal sector employees; in addition to which, the GoV fully subsidises health insurance cards for the poor, children under 6, and persons over 85. Farmers and members of the urban informal sector, as well as students, can enrol voluntarily. In fact, as we describe in Special Focus 1, of the 40 percent of the population covered by insurance, about three quarters are covered compulsorily while only one quarter are voluntary. Reasons include lack of income and the low quality of services available. Fewer than 50 percent of formal-sector workers are estimated to be covered and there are massive gaps in coverage of the poor. Some of the latter have to do with problems of identification, others have to do with the fact that it is local officials who must certify that the recipient is poor, raising the problem of stigma. A programme in place to subsidise half the health insurance fees of the “near poor” has had very mediocre success because of similar problems of targeting. In summary, while the Vietnamese health insurance system is expanding, it is doing so only slowly and it is highly unlikely that anything close to universal coverage will be attained by the target date.

Related facts, figures, and references

Special Focus 1.

Indicator 1.4.3: Trends in the level of public expenditure in health (including information on poverty related issues/expenditures and regional distribution)

Indicator estimate:

As discussed in Special Focus 1, public expenditure on health, while it has grown in absolute terms (doubling in PPP terms between 2000 and 2006) has stagnated (according to WHO) or declined (according to the World Bank) as a share of total health expenditure. The World Bank estimates that public expenditure on health declined from 6.9 to 5.1 percent of total government expenditure between 2000 and 2006; the EC Delegation has estimated that the budget share of health declined from 4.2 to 3.7 percent between 2005 and 2008, although the lack of consistent consolidated government accounts makes it difficult to interpret the data. What emerges from the data is that there has been substantial increase in

private expenditure on health and that on the order of 90 percent of this has remained out-of-pocket. This is broadly agreed to have had negative impacts on poverty.

Given the complications of public finance, it is not surprising that we have no information on public health spending by province. However, the budgetary process generates substantial inequalities:

- In August of every year, each health facility does a budgetary needs assessment, in practice, based on estimated inputs required.
- District hospitals bundle together requests from commune facilities and forward to the Provincial Health Service, which compiles and forwards to the Provincial Department of Finance. The Provincial Department of Finance bundles together requests across sectors and forwards them to the central Ministry of Finance; simultaneously, the Provincial Health Service accumulates health sector requests and forwards to the central Ministry of Health
- The budgetary information sent to the central Ministry of Health is, however, essentially stopped dead in its tracks. The central Ministry of Finance makes a total budgetary allocation to the Provincial Department of Finance, which then allocates across sectors keeping in mind the original requests. It cannot be stressed too highly that the amount of money received by the Provincial Health Service is determined by the Provincial Department of Finance, according to the priorities of the Provincial People's Committees. Provincial People's Committees systematically give low priority to health.
- The Provincial Health Service then allocates money to District Health Authorities; previously, District Health Authorities allocated to Commune Health Centres, but now the latter are attached to District Health Centres. The tendency is for Provincial Health Authorities to take care of the needs of Provincial hospitals before allocating money down the chain to the Districts.

A number of initiatives are attempting to address these fundamental problems. Decision 995 calls on provinces to improve Commune-level facilities, but less well-off provinces have a hard time implementing it. Decision 225 is aimed at improving District hospitals and has been under implementation for four years, but with varied success as between provinces. Decision 47 allows central government to re-allocate funds between provinces to upgrade District hospitals. In neither of the last two initiatives, however, does any money reach below the District level where the worst problems are concentrated.

Related facts, figures, and references

Statistical data from Special Focus 1

Interviews with International Cooperation Department, Ministry of Health; World Bank officials.

Indicator 1.4.4: Geographic disparities in economic access to health

Indicator estimate:

Health gaps between urban and rural areas and between rich and poor are universally reported to have grown over the period of economic reforms that began in 1989. The grass roots level has been neglected, resulting in facilities in disrepair, understaffing, lack of essential services, and quality of care so low that even the poor often prefer to go to a private clinic despite the cost.

Evidence of the disparities in access can be found in the fact that, while all "headline" health indicators have improved, progress has been faster in indicators related to the overall public health programme (the under-five mortality rate, for example, and the infant mortality rate) than in the case of indicators tied to access (the maternal mortality ratio and the neonatal mortality rate, for example). Women who die in childbirth are those who were unable to obtain access to a proper facility, or were not effectively referred when complications arose, and often who were not identified as a high risk case during routine ante-natal care. Similarly, newborns that die shortly after birth often die because they were not admitted to a proper medical facility.

As discussed in Special Focus 1, there has been an attempt to improve access of the poor through the Health Insurance Fund for the Poor, which at one time both reimbursed clinics directly as well as purchased health insurance cards; now the programme only purchases health insurance cards for the poor. However, although the GoV is committed to providing totally subsidised cards for the poor and half-subsidised cards for the “near poor,” serious gaps in coverage exist. Persons eligible for the benefit are identified by Commune-level officials, and many fall through the gaps. Management of the programme is ineffective below the level of the district. Remoteness is one problem. Of greater concern, though, is that the introduction of user fees has had a deleterious effect. A 2008 study on user fees and health service utilisation in Vietnam and whether the same protect the poor concluded that user fees have driven people in poor provinces deeper into poverty, widening the gap between the rich and the poor, and increasing inequality in health outcomes (2).

Related facts, figures, and references

- (1) World Bank, Vietnam Development Report 2008. Social protection, pp.18-19.
- (2) http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B73H6-4RYXSSW-8&_user=10&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=f62ed22b7f11e149224f5aeceb39e7a0

Indicator 1.4.5: Trends in disbursement rates (absorption capacity) of EC aid in health

Indicator estimate:

The HSDP and HEMA projects

This has been a problem both in the HSDP and the HEMA project. In the first case, the myriad problems the HSDP had were identified both in the 2002 Mid-term Review and also in four ROM reports. The main problem was the slow disbursement rate from inception to MTR, in particular due to long delays in procurements, but there were also delays in spending in its four components. The amended Financing Agreement decreased the project's funding by Euro 4 million. Moreover, the respective HSDP CRIS Implementation Document points out that “during the last two years of the project, the disbursement rate increased dramatically, but this was sometimes at the cost of quality.”

In the case of the HEMA project, there were also long disbursement delays. These were attributable to a fundamental disagreement between the EC and the World Bank, which administers the Euro 11 million trust fund that is at the heart of HEMA. The EC's original proposal was to use Performance Based Contracting to improve the relationship between providers and the financing institution. The World Bank objected to this, expressing as well the view that the project's aim to spend 60 percent of its money at the Commune level was impractical. Discussions dragged on for two years and, as a result, the HEMA project only became operational in late 2007. In both projects, disbursement rates improved as management came to grips with problems (in the first case) and inter-agency issues were resolved (in the second case). As regards trend, in both cases, the disbursement rates improved as management came to grips with problems.

Related facts, figures, and references

- (1) Project synopsis; February 2007 ROM Report

Interviews with EC Delegation staff, HEMA project staff, World Bank officials

Indicator 1.4.6: Degree of current transition to a budget support modality

Indicator estimate:

While budget support has not yet begun, some form of sector support is clearly in the process of being designed. At the end of 2008 the Ministry of Health (MoH) held concrete discussions with the Ministry of Finance (MoF) and the Ministry of Planning and Investment (MoPI) on a sector programme in health. The move towards budget support in health is of long standing. In 2005-2006, European donors (the Swedes and Dutch) financed a feasibility study on sector support and suggested two possible modalities, either support for a National Target Programme (as in education; see EQ 2 and Special Focus 2) or more comprehensive support at the Provincial level. Particularly in light of difficulties encountered with the sector budget support in education, there was some preference for the comprehensive approach; however, there was also recognition that capacity is low at the decentralised, Provincial level. The situation is complicated by the complicated process by which health budget allocations are set (see Special Focus 1). Multiple funding sources (user fees, health insurance, and the state budget) complicate the situation further. Even at the central level and despite years of donor support, the MoH Department of Planning and Finance cannot develop a Medium-term Expenditure Plan (MTEF) with current capacity, and such capacity is virtually non-existent at the Provincial level.

The EC is has made its final decision on budget support contingent on the proper conditions being in place (1). The EC's approach is first to engage in a Euro 14 million capacity building in the Ministry of Health and then in three pilot provinces in the North. Support will be provided in planning, management including financial management, coordination, and service delivery, with a focus on quality. Capacity building needs will be entirely decided by the Ministry of Health. Partners in the capacity building phase are Luxemburg, Germany, Sweden, the Netherlands, and Belgium. A Task Force has been formed within the EC Delegation to oversee the move towards budget support, deriving lessons learned from other sectors such as education.

While progress is being made, essential questions remain to be answered. The Joint Annual Health Review is often referred to as if it was a proto-sector programme, but it is not, it is, as its title implies, primarily a situation report. If sector support is to commence under the present CSP, the EC will need to commit funds by 2010, leaving little time to hammer out the sector programme that will be supported. It is open to question whether the Ministry of Health is able to accurately identify capacity building needs.

Related facts, figures, and references

(1) Vietnam-EC Strategy Paper 2007-13, p.21.

Interviews with EC Delegation staff, bilateral donor agency staff, International Cooperation Department of the Ministry of Health, World Bank, WHO.

JC 1.5: Synergies between health and other areas of support (education, rural development, governance, etc.) taken into account in EC health interventions

JC assessment:

Health in Vietnam is characterised by a plethora of vertical programmes (ten National Target Programmes at present, each with its own institutional structure and funding sources), and collaborations between the MoH and other Ministries / agencies are rare.

None of the documents concerning HSDP and HEMA reviewed contained references to interactions with rural development projects.

However, the EC Delegation has taken a very active role in coordinating Member States. The EU Health Working Group meets prior to the WHO-Ministry of Health Partnership Group, working out a common European position. The Joint Annual Health Report produced by the European Health Working Group

is often mentioned as a precursor to a health sector programme, although we have expressed reservations above.

Not covered by the Indicators below, but of importance as revealed during the field phase, the EC has integrated governance aspects of health care budgeting – the weakness of the MoH as an advocate for more funding, the poor lines of communication between the centre and lower levels, the complicated nature of the budgetary process – into all of its health strategies, from the project level (HEMA) to the design of capacity building for budget support.

Indicator 1.5.1: Degree of NGO coordination among themselves and with EC health projects

Indicator estimate:

Unlike in rural development and education, the EC supported very few health sector projects implemented by NGOs.

Related facts, figures, and references

Interviews with EC Delegation officials.

Indicator 1.5.2: Relevance of health components of ECHO/DIPECHO projects

Indicator estimate:

For over 10 years DG ECHO has provided disaster assistance amounting to roughly Euro 4 million. Through five partners, DIPECHO has also had a presence and had funded seven projects until 2006 totalling Euro 1.9 million. Donors are now better coordinated in this humanitarian work through the Government-Donor Natural Disaster Mitigation Partnership in which the EC participates. (1) These interventions have had some health components. The EC plans to integrate disaster preparedness as a standard component in development policy in Vietnam (2)

The Report on the evaluation of the 1998-2006 DIPECHO action plans in Southeast Asia (15 June 2007) covered Vietnam; however, no health-relevant aspects were mentioned here. (3)

Related facts, figures, and references

(1) CSP 2002-06, p. 18.

(2) Vietnam-EC Strategy Paper 2007-13.

(3) http://ec.europa.eu/echo/files/policies/evaluation/2007/dipecho_se_asia_06_2007.pdf

Indicator 1.5.3: Degree of health/rural development interactions in the provinces served

Indicator estimate:

HSDP and HEMA Project documentation consulted did not give evidence of taking health / rural development interactions into account

Related facts, figures, and references

Indicator 1.5.4: Level of participation of the EU Delegation in the Health Sector Working Group

Indicator estimate:

The Ministry of Health-WHO Health Partnership Group meets every quarter. EU Member State health donors, led by the EC, meet about a week before to coordinate a single European position; the more active participants are Germany, the Netherlands, France, Luxemburg, and Sweden. This group has been responsible, since 2007, for producing the Health Sector Joint Annual Review, regarded as a key planning document and precursor to a sector programme. Donor-GoV coordination in health is generally reported to have functioned well.

Related facts, figures, and references

Interviews with EC Delegation; MS bilateral agencies, International Cooperation Department, Ministry of Health, HEMA Project staff.

EQ2 - Education: To what extent has EC support in the area of education effectively addressed Vietnam's needs at the national and Provincial levels?

EQ answer

In answering this Evaluation Question, we looked at improvements in the availability of statistics and data for management and policy making (Judgment Criterion 2.1), reduction of gaps in infrastructure, teaching materials, and human resources, and the basic functionality of the education system (Judgment Criterion 2.2); vocational and technical education (Judgment Criterion 2.3), higher education (Judgment Criterion 2.6), the success of sector budget support (Judgment Criterion 2.4), and improvements in the policy making capacity of the MoET (Judgment Criterion 2.5).

Education is a priority sector for the Government of Vietnam and for the donor community in the country. Vietnam has, with international support, made considerable progress in improving educational standards in recent years. According to the Ministry of Education and Training (MoET) figures, net enrolment rates for primary education reached 94.4% in 2003, compared to 88% in 1998. Recent publications by UNESCO, however, cast some doubt on these GoV figures, and state that especially in the rural areas the school attendance reaches barely 80%. UNESCO figures were based on the EMIS data, whereas the GoV figures were based on data reported by the Women's Union. The divergence led to a dispute between the MoET and UNESCO, and played a key role in more general unease between the GoV and the donor community regarding the accuracy of GoV data relating to the MDGs.

Reaching the last 5.6% (or more, as the case may be) is proving to be difficult, which constitutes a classic case of rising marginal costs. Moreover, improving the quality of education will require a major effort in order for all schools to attain Fundamental School Quality Level (FSQL) standards, especially in the remote, mountainous areas. In general, there are no aggregate differences between boys and girls in enrolment rates for primary education. However, the more remote, mountainous and poorer areas are characterised by notably lower enrolment rates, especially for girls, and more specifically among ethnic minority populations. Schooling is difficult for all children from poor families, but girls experience significantly fewer opportunities than boys. Statistics show that girls make up about 70% of primary school dropouts and non-attendants.

The GoV, through MoET, is committed to implementation of its Education Development Strategic Plan (EDSP) for 2001-2010 (which is the Government document of reference for the education sector and includes the MDG objectives of Education for All) and has increased its overall budget for education from 15 percent of GDP in 2005 to 18 percent in 2007 and to 20 percent in 2008.

The EDSP concentrates on five priority segments: pre-school education, general education (primary and secondary), technical and vocational education, higher education and non-formal education.

The EDSP sets a large number of targets. Among these are:

- To increase, for 5-year-old children, the mobilisation ratio to attend kindergarten for the preparation for Grade 1 at primary level to 90% by 2005 and 98% by 2010.
- To increase the enrolment rate in primary education to 97% by 2005 and 99% by 2010.
- To increase the enrolment rate in lower secondary education to 82% by 2005 and 90% by 2010.
- To increase the enrolment rate in upper secondary education to 45% by 2005 and 50% by 2010.
- To attract 10% of students in the age group to enter professional secondary schools by 2005 and 15% by 2010.
- To attract post-lower secondary students enrolling in technical training schools from 6% in 2000 to 15% by 2005 and 25% by 2010.
- To increase the number of university students per 10,000 of population to 140 by 2005 and 200 by 2010.

- To eradicate illiteracy for people in the age cohort of 15-35 in urban, delta and midland areas and 15-25 in the mountainous, remote and isolated areas by 2010.

In December 2008, the MoET released a draft Strategy for Education Development for 2009-20, setting out new targets for 2020 and mapping out 14 sub-projects and 11 strategic solutions to realise them. This document has been criticised quite heavily by national experts as (a) being too ambitious in the University sub-sector, like increasing the number of universities by 100% and the number of students up to 250% of the present number by 2020; (b) insufficiently addressing the problems in pre-school and basic education; and (c) not setting any targets for vocational education and training.

Over the evaluation period the EC was involved in support for education through the following projects and programmes:

1. The School Attendance Programme for Ethnic Minority Children in Bac Ha (1998-2003). Objective of this project: To increase the numbers of ethnic minority children in selected communes of two districts (Bac Ha and Si Ma Cai) in Lao Cai province who are adequately prepared for and succeed in mainstream primary education.
2. The EC Support to the Ministry of Education and Training (SMOET) project (2000-2004); Objectives: To strengthen the institutional capacity of the MoET in policy setting and policy implementation; to support the management of the system through the development of information management systems and cost-effectiveness analysis; to improve pedagogic quality, with specific attention to delivery of the primary education curriculum renovation process.
3. The Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam Project (2003-2007); Objective of the education component: To create a stimulating and enabling learning environment at school for girls and boys under 8 years old in two high mountainous ethnic minority districts of northern Vietnam.
4. The ongoing Support for the Renovation of the Education Management (SREM) project (2006-2010); Objectives of this project: To assist the Executing Authority to strengthen the institutional and management capacity of education management at MoET, local level (provincial - Department of Education and Training or Dotes and district - Bureaux of Education and Training or Boats), and in schools; to assist the Executing Authority to strengthen the institutional and management capacity of the National Institute for Education Management (NIEM) in Hanoi and the Education Management Training Center (EMTC) in Ho Chi Minh City through the renewal of the curricula, improved training and trainer-training skills, and outreach strategies; to assist the Executing Authority to develop a Financial Management Information System (FMIS), an Inspection Management Information System (IMIS) and a School Management Information System (SMIS); to assist the Executing Authority to deepen the levels of EMIS training which have already taken place.
5. The ongoing, soon to be finished (2005-2009) Sector Policy Support Programme (SPSP), implemented via Sector Budget Support (SBS) for the Education National Targeted Program (ENTP), which operates under a memorandum of Understanding between the Socialist Republic of Vietnam and the SBS partners. The objective of the SBS is to contribute towards the achievement of the National Education For All (EFA) Plan goals by improving overall education outcomes as well as reducing existing inequities in education outcomes in primary education. Its aim is improved service delivery and educational outcomes in primary schools in line with the national Fundamental School Quality Level (FSQL) norm and standard, through provision of additional budget resources and strengthening of the pro-poor administration capacity of the education system within the ENTP.
6. The ongoing Child Friendly Communities and Districts in Remote Mountainous Ethnic Minority Areas in Vietnam project (May 2007 – April 2011), aiming at improvement of the situation of all children below 18 years of age in selected geographic areas of two disadvantaged and remote, mountainous ethnic minority districts in Northern Vietnam. This project is to be considered as a continuation of the Childhood Development in Remote Mountainous Ethnic Minority

Communities in Northern Vietnam. The implementing agent is the NGO “Enfants et Développement.” The aim of the education component is to improve access of every child to pre-school, primary and secondary school education in the selected geographical areas through the implementation of the concept of “child friendly school”.

7. The recently started labour market project “Better Information for Creating Jobs and Developing Skills in Vietnam” (December 2007 – December 2010), aiming at introducing more market-oriented approaches responding to competitive challenges through two specific objectives:
 - To support the design and development of a centre of labour market information in the Ministry of Labour, Invalids and Social Affairs (MoLISA) and selected provinces and improve the institutional capacity for human resources development planning and socio-economic development planning;
 - To strengthen the quality of vocational teachers’ training in order to satisfy the industrial sector’s (both public and private) demands for skilled workers based on vocational training level.

The implementing agent for this project is the International Labour Organisation (ILO).

8. The European Studies Programme (ESP) in the sub-sector of Higher Education (2002-2004); Objective: To stimulate an energetic socio-economic partnership between European and Asian academics concerned with socio-economic and cultural matters. After 2004 some of the activities of ESP continued by means of the Erasmus Mundus, Asia-LINK and ASEAN University Network programmes. The EC-Delegation participates actively in discussions in the framework of HE reform issues with the MoET and international partners. From 2000 to March 2008, MoET delegated the management of scholarships to a Project Coordinating Committee. In March 2008, a new Department under MoET - Vietnam International Education Development (VIED) was established. Among other responsibilities and duties VIED is charge of the co-ordination and management of international scholarships, newly called VIED Scholarship Program or VIED Fellowship Program.

Perhaps not surprising across such a broad front, the overall picture is mixed. There are clear impacts of EC-supported projects, which contribute to higher enrolment rates in primary and junior secondary schools, as well as to an improvement of the quality of education children receive by provision of infrastructure, teaching materials and teacher training programmes. The global and regional programmes supported by the EC in higher education demonstrate also a positive impact. On the other hand, the two TA projects in direct support of the MoET the basic functionality of the education system, and, even more the SPSP implemented by the sector budget support modality did not result in expected impacts. It is acknowledged that budget support generates information and lessons learned about how well national systems function that would not have been gained from a traditional project approach. Among these was the need for improved inter-ministerial coordination. However, some informants felt that the SBS modality amounted to a testing of the Vietnamese education sector. Strikingly, when asked about the major achievements of the SPS, informants made fewer references to the clients of the education system than to the system itself. The achievements cited were not learning outcomes or improvement of the learning environment; they were, e.g., the initiation of co-ordination between ministries, the development of a procurement manual and a manual for financial management, as well as improved information about the institutional constraints and how GoV systems operate at central and at provincial/district level.

Progress has been made, in which the EC support plays an important role, in the management of the education system. However, the progress to date is insufficient to consider the MoET as having sufficient capacity to effectively run nation-wide implementation of projects such as a Sector Support Programme. The EC played a crucial role in the institution of an education management information system (EMIS), but the extent to which this system has been effectively implemented for reporting and for broader used in monitoring, priority-setting, and policy formulation appears to be limited. An extended and improved version of the system is initially being implemented in only 5 percent of the

schools. Without further donor support beyond the implementation period of the present TA, the implementation of the revised EMIS runs a high risk of ending into a failure. The use of data from the EMIS is at this point also well under the level what would be considered minimal standard.

Both TA projects in support of education management on central level (SMoET and SREM) contributed to the drafting, respectively improvement of medium term education sector development strategic documents, for which the MoET took complete ownership. However, other important conditions for a sector approach are still missing today: an active Education Medium Term Expenditure Framework, as well as compatible, effective and transparent public expenditure management systems.

There is a widely shared view that sector budget support in education was not as successful as had been hoped. Information gathered would suggest that the start, of an SPSP in 2005 with sector budget support as the chosen modality, under the given circumstances prevailing in Vietnam, was premature. With an opaque financing system, it could have been anticipated that reporting would be a problematic issue, which it turned out to be. Although structural topping-up of the education sector budget by the GoV and generation of information about strengths and weaknesses of national systems may have been significant achievements, it remains the case that the programme did not live up to original expectations. In response to lessons learned, the EC is now proceeding very cautiously in embarking on new sector budget support programmes (e.g., in health) in Vietnam. Among the lessons learned was a) the need for better coordination between ministries and between central and Provincial level, as well as b) the need for more attention to capacity building prior to commencement of budget support. Sector budget support in education had only limited impact on sector policy, a disappointment that may not be relevant in all sectors.

By contrast, EC support of the two projects implemented by NGOs in poor regions in the North of Vietnam was highly successful. With relatively low budgets, these projects have a considerable impact in the sense of providing schooling for children who without the projects would not have been enrolled in education at all. They support(ed), in addition to infrastructure in the respective regions, an improvement of the quality of the education in the schools by provision of teaching materials and in-service training. The approach of recruiting aspiring teachers from the local ethnic minority and giving them a certified training as teacher for the schools in their native region is apparently very successful. This way the children don't enter a world where an incomprehensible language for them is spoken. In the sub-sector of Vocational Education and Training (VET) the recent start of the Labour Market project seems to be chosen at the right moment – exactly at a point in time that the Government of Vietnam is taking up VET as one of the priorities for the further development of the education system. However, it is too early to expect any impact of this project.

Similarly, and while we did not study the project in detail, Delegation officials expressed the view that a small NGO-implemented project on education for street children had had very high impact considering the modest expenditure of funds.

In the Area of Higher Education, the results of the initial European Studies Project were mixed. It is true that the EU visibility increased in Vietnam, due to the project activities, but results in the sense of establishing partnerships of Vietnamese HE institutions with European or other foreign ones did not materialise, at least not immediately. After 2004 a significant increase in participation of students of Vietnamese Universities in Erasmus Mundus and in Asia-Link is observed. Also in the Framework Programmes for Research and Technological Development and the ASEAN-EU University Network Programme Vietnam's active participation is growing. A clear picture of Vietnam benefitting from EU supported links in Higher Education.

Major cross-cutting issues, specifically gender and ethnic minority concerns, are explicitly addressed in EC support to the education sector in Vietnam. The SREM project produced an Issue Paper on the improvement of the position of women on various levels in the system, especially to increase the involvement of women in education management. The two projects implemented by NGOs deal explicitly with inclusion of minorities into the education system. The SPSP in support of the TBS-EFA targets the poorest areas of the country, which have an over-representation of ethnic and linguistic

minorities.

JC 2.1. EC actions increased availability, quality, and suitability of education data / statistics

JC assessment

The development of an Education Management and Information System (EMIS) started in the EC-supported SMOET project. In May 2005 the MoET asked the provinces to fully implement the parts of the system ready by then. The conclusion is here clear: without the EC support there would not be an EMIS in place. According to the ROM reports the MoET has benefited from the support to the management capacity provided by the SMOET project, but was still requesting further support, especially for the decentralised levels. It is at present the focus of the Support for the Renovation of the Education Management (SREM) project, which started after a gap of more than one year since the termination of the previous project.

The implementation of the first generation of the EMIS, which had a focus on personnel management, started in 2005. However, it is clear that this Personnel Management Information System (PMIS) did not bring a significant improvement in the availability of education data on the central level. The fact that the most recent data published by the MoET on its website are from 2002-03 is a clear indication of this. Apparently the PMIS was partly implemented on Provincial level, but never on the central one.

The SREM project currently being implemented supports the development of a second generation of the EMIS, which will include more levels in the education system and include financial management and the inspectorate. This project had severe problems in its initial management (mostly due to external causes) and has experienced a delay. In addition, it seems to be hard to develop a system that can include all necessary data (resources, personnel, financial administration etc.), as the disbursement of funds generally (95%) takes place on decentralised level, with reporting to the State Treasury. A well functioning EMIS needs to be compatible with the financial administration of the State Treasury. The revised EMIS will be implemented in approximately 5 % of the Vietnamese schools. Even in case the present SREM project will achieve its objectives, the nation-wide implementation of the system will need continued support. An additional problem is the apparently weak ownership of the EMIS development by the MoET, as is shown in differences in opinion within the ministry about the necessity and the scope of an EMIS.

Indicator 2.1.1. Systems and software adapted/developed for EMIS (Education Management Information System)

<p>Indicator estimate</p> <p>In the SMOET project the first generation of software for the EMIS system, focusing on personnel management in the sector was developed and implemented for different parts of the education system. According to the evaluation of this project, the developed system was too sophisticated to be handled properly by an insufficiently trained target group. Time for training in the new Personnel Management Information System (PMIS) was insufficient, as was the time for debugging the system. Although the MoET promised to follow up the development of the information system, nothing happened until the next project (SREM) started 1.5 years after the termination of the SMOET.</p> <p>To increase the scope of the EMIS and to better integrate the parts of the existing system, a second phase of software development and upgrading started under the SREM project in 2006. The activities are planned to be finalised by 2010. The SREM project faced in the 1.5 years major difficulties, attributed by two informants to the fact that the national team, appointed by the MoET, was exactly the same as in the SMOET and making the same mistakes as in the previous project. After two changes of Team Leaders in the SREM, the project is currently delivering its outputs. The major difficulty the project now faces is to set up an EMIS that is compatible with the Financial Management Information System (FMIS) of the Ministry of Finance (MoF).</p>
<p>Related facts, figures, and references:</p> <p>MR-20038.03–09/07/04, Support to the Ministry of Education and Training; MR-20558.01–02/04/07, Support for the Renovation of the Education Management; EC: Support to the Ministry of Education and Training Final Evaluation Report (Dec. 2004); EC: Mid Term Review Support to the Renovation of Education Management Project - Final Report (Jan. 2009); CRIS information on the Support for the Renovation of the Education Management project; Interviews with officials at the MOET, teachers and school directors, project teams, EC Delegation.</p>

Indicator 2.1.2 EMIS implemented and operational

<p>Indicator estimate</p> <p>According to the available monitoring and evaluation reports, the SMOET project's contribution towards education system improvement was quite high. A questionnaire to the provinces showed that more than 80% completed the school data collection from all districts through EMIS and 50% were supposed to use it as a management tool. However, four years later, the situation appears to be different. In the SMOET project an overly sophisticated system was designed and the project ended up having neither sufficient time for debugging of the system nor for capacity building for its implementation. The few provinces that implemented the EMIS had to adapt and simplify the system, which was done by some, each in its own way. Other provinces abandoned the EMIS and returned to old fashioned registration modalities.</p> <p>Based on the information on the SM project (2006-2010), the development of a unified EMIS for Vietnam (V.EMIS) on central, province, district (including inspectorate) and school levels is still ongoing. SREM will implement V.EMIS in approximately 5% of schools. Continued collaboration of provinces, districts, development partners and the MoET will be required to expand the system to be fully operational throughout the country after the TA comes to an end.</p>
<p>Related facts, figures, and references:</p> <p>MR-20038.03–09/07/04, Support to the Ministry of Education and Training;</p>

<p>MR-20558.01–02/04/07, Support for the Renovation of the Education Management; EC: Support to the Ministry of Education and Training Final Evaluation Report (Dec. 2004); EC: Mid Term Review Support to the Renovation of Education Management Project - Final Report (Jan. 2009); CRIS information on the Support for the Renovation of the Education Management project; Interviews with project teams and EC Delegation.</p>
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Indicator 2.1.3. MOET using the EMIS for yearly planning of resources

<p>Indicator estimate</p> <p>The initial EMIS, developed under SMOET was never implemented on a country-wide scale. Due to the fact that an integrated EMIS is still in development and will initially be implemented only in 5% of the schools, it is doubtful if the MoET is fully equipped and has sufficient institutional capacity to use the EMIS system effectively for its yearly planning of resources. It is even questionable if the revised V.EMIS will be implemented nation wide on all levels of the education system, as long as there are differing opinions about the usefulness of an EMIS, even on the level of the MOET. Informants from different donor organisations pointed to this apparent weakness.</p>
<p>Related facts, figures, and references:</p> <p>MR-20038.03–09/07/04, Support to the Ministry of Education and Training; MR-20558.01–02/04/07, Support for the Renovation of the Education Management; CRIS information on the Support for the Renovation of the Education Management project. Interviews with project teams and EC Delegation</p>

Indicator 2.1.4. Improved reporting of educational data and statistics

<p>Indicator estimate</p> <p>The fact that the latest statistics on the website of the MoET are from the school year 2002/2003 induces considerable doubt on the use of EMIS data for an improved reporting, even if the EMIS is implemented only in a few provinces. The Planning Department of the MoET is able indeed to deliver in relatively short time relevant statistics on an ad-hoc basis, but a systematic reporting and publication of relevant indicators is not a part of the institutional culture of the MoET. Even if an EMIS is implemented on a larger scale, there is a significant need for capacity development in the purposes, benefits and guidance in how to make use of the information the system will provide. Capacity in up-to-date approaches to policy formulation, prioritisation, resource allocation, and monitoring is low.</p>
<p>Related facts, figures, and references:</p> <p>http://en.MOET.gov.vn/?page=6.7&view=3401 Interviews with project teams and EC Delegation</p>

JC 2.2. EC actions reduced supply gaps in infrastructure, teaching materials, and human resources

<p>JC assessment</p> <p>In the two grass-roots projects in rural mountainous areas with a strong education component, implemented with support of the EC during the evaluation period, gaps in infrastructure, human resources and educational materials have been reduced in the districts where the interventions took place. From the Early Childhood project evidence could be found on replication of the activities elsewhere in Vietnam. Constructing new schools in both projects has reduced the distance to quality primary schools and pre-school provisions.</p> <p>Also the ENTP and within this the EFA and sector budget support programmes address the needs for quality education for disadvantaged groups. Although the EC support cannot be distinguished from</p>
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support provided by other multi- and bi-lateral donors, or the GoV contribution, it can be stated that the sector budget support resources provided by the EC contribute in part to reducing gaps in infrastructure, human resources and educational materials.

The overall assessment suggests that there has been made considerable progress in distribution of teaching materials in primary and junior secondary schools. The contribution of the EC in achieving this was significant, both in the projects implemented by NGOs and in the SPSP.

Indicator 2.2.1. Improved Student / Teacher ratio, compared across communities (rural/urban)

Indicator estimate

The overall positive impression in the two indicators below is supported by recent figures from the MoET (personal communication) and observations in schools during the field visit. The average class sizes in primary and junior secondary schools vary from 16-22 children and there are no significant differences to be observed between rural and urban schools.

Related facts, figures, and references:

Observations and discussions with teachers, school directors and in the MoET.

Indicator 2.2.2. Reduced distance to nearest school, compared across communities (rural urban)

Indicator estimate

The School Attendance Programme for Ethnic Minority Children in Bac Ha and the Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam projects contributed to easier access to primary education for children of disadvantaged groups in the districts where the projects were implemented. The pro-poor approach of these projects has led to sustainable results in the form of newly established schools, trained teachers, available materials and, last but not least, highly motivated students and parents. There is evidence that the Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam has been replicated in other districts in Vietnam.

In addition the SPSP by means of sector budget support contributed to improvement of the quality of the education in disadvantaged areas of the country. In this sense, the distance to the nearest quality school is reduced for the students served by the ENTP. However, it remains unclear how much the ENTP and, through it, EC sector budget support contributed to this improvement.

Related facts, figures, and references:

MR-20039.01–31/07/02, School Attendance Programme for Ethnic Minority Children in Bac Ha;
MR-20225.03 – 05/05/06, Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam.

Interviews with officials at the MOET, international NGO representatives, teachers and school directors

Indicator 2.2.3. Availability of teaching materials

Indicator estimate

Within the scope of the mentioned School Attendance Programme for Ethnic Minority Children in Bac Ha and the Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam projects, school books and other teaching materials were distributed in the new schools and kindergartens. Distribution of quality education materials is also subject of the ENTP and

sector budget support for the EFA programme.
Observations in schools during the field mission, as well as information collected from teachers and school directors during professional development trainings suggest that the gaps in availability of teaching materials are being closed.
Related facts, figures, and references:
MR-20039.01–31/07/02, School Attendance Programme for Ethnic Minority Children in Bac Ha; MR-20225.03 – 05/05/06, Early Childhood Development in Remote Mountainous Ethnic Minority Communities in Northern Vietnam.
Interviews with officials at the MOET, international NGO representatives, teachers and school directors

JC 2.3. EC provided support to development of the professional and technological skills needed for expansion of the SME sector and promotion of Foreign Direct Investment

JC assessment
<p>None of the past and current projects and programmes in the education sector supported by the EC addressed professional skills explicitly. Within the sector budget support programme Vocational Education and Training (VET) standards are mentioned, but not addressed by any activities. Only in the recently published Education Development Strategic Plan 2009-2020 is VET taken up as one of the priorities. Through the modality of the mentioned budget support programme it is impossible to trace any impact of the EC contribution separate from the contributions of other international partners and the GoV.</p> <p>The so called “Labour Market” project was announced in the NIP 2002/2004 and the NIP 2005/2006 and, due to an initial lack of interest on the beneficiary’s side, only forecasted in February 2006 and actually started its first activities mid 2008.</p> <p>The purpose of this project is to strengthen the design and development of a labour market information system (LMIS) in key provinces and to improve the institutional capacity for human resources development planning at the provincial and central level. It aims to support the improved quality and relevance of skills training in order to satisfy the emerging demands for skilled workers in a market economy. The project specifically addresses two elements: improved planning for human resource development through the availability of better information on labour market and skill needs at the level of local labour markets; and, after an initial needs analysis, improved relevance of skills, through improved teacher/trainer capacity. Its implementation takes place through a contribution agreement with the International Labour Organisation (ILO) and the project is managed by the Ministry of Labour, Invalids and Social Affairs (MoLISA). The project is planned to support continuous labour market needs monitoring by means of the pilot implementation of a labour market information system (LMIS) and the upgrading of technical teachers' training in order to satisfy public and private sector demand for skilled workers, technicians and skilled technicians.</p> <p>Once this project is well on its way of implementation, this Judgment Criterion would make sense. With hindsight however, without any traceable support from the EC in the sub-sector of VET, this JC loses its validity, despite the fact that some indicators suggest positive developments. These developments cannot (yet) be attributed to any EC support in the Education Sector of Vietnam. The indicators below are in this case to be considered as indicators of a general improvement of the VET system instead of EC support impact.</p>

Indicator 2.3.1. Increase in total number of SMEs and persons employed

Indicator estimate
The steadily growing economy of Vietnam is mainly driven by small and medium enterprises (SMEs)

which are classified as companies with less than 300 employees or a market capitalisation of less than VND 10 billion. The share of SMEs among Vietnamese firms has continuously increased from 94% of 42,000 firms in 2000 to 97% of more than 110,000 firms in 2005. SMEs employed a rather stable portion of total labour force of between 34%-38% each year. See for a more detailed analysis on SMEs: EQ4, see JC 4.5, indicator 4.5.7.

Related facts, figures, and references:

Monitoring Report Vietnam – VN – Small and Medium Sized Enterprise Development Fund - Phase II.
MR- 20326.02 – 07/11/06

Indicator 2.3.2. Increase of private sector investments

Indicator estimate

At this moment it is unrealistic to expect any impact from EC support for the Education Sector on an increase of private sector investments.

Related facts, figures, and references:

Indicator 2.3.3. Size of foreign direct investment increasing

Indicator estimate

Especially in the last few years the FDI in Vietnam has exponentially increased. In 2006, the whole country attracted over 10.2 billion USD of newly registered capital, rising by 57% compared with previous years. In the first nine months of 2008, investment by foreign businesses in Vietnam exceeded US\$57.12 billion, almost a fivefold year-on-year increase; Vietnam's foreign direct investment for 2007 amounted to US\$20.3 billion.

These figures clearly confirm an increase in size of foreign investments, a sign of confidence in the Vietnamese workforce.

See for a more detailed analysis on FDI: EQ4, JC 4.5, indicator 4.5.8.

Related facts, figures, and references:

The Situation of Foreign Direct Investment Attraction in 2006 (Foreign Investment Agency (FIA) of the MoP (<http://fia.mpi.gov.vn/Default.aspx?ctl=Article&TabID=4&aID=309>);

Indicator 2.3.4. Increase in number of students receiving vocational training

Indicator estimate

None of the past and current projects and programmes in the education sector supported by the EC addressed VET explicitly, apart from the recently (mid 2008) started "Labour Market Project", financed by the EC implemented by the ILO and managed by the MoLISA. The purpose of this project is to strengthen the design and development of a labour market information system (LMIS) in key provinces and to improve the institutional capacity for human resources development planning at the provincial and central level. It aims to support the improved quality and relevance of skills training in order to satisfy the emerging demands for skilled workers in a market economy. The project specifically addresses two elements: improved planning for human resource development through the availability of better information on labour market and skill needs at the level of local labour markets; and, after an initial needs analysis, improved relevance of skills, through improved teacher/trainer capacity.

At this stage it is too early to expect any impact of this project. The fortunate issue is that finally this project started with its implementation activities.

<p>Related facts, figures, and references:</p> <p>GoV: Vietnam Education Development Strategic Plan 2009-2020 EC and ILO: Contribution Agreement for the Labour market project: Better Information for Creating Jobs and Developing Skills in Vietnam; Interim Report on a Comparative Study and Situation Analysis of TVET in Vietnam (Nov. 2008) Interviews with officials at the MoET, EC Delegation</p>

Indicator 2.3.5. Critical skill gaps reduced via vocational training

<p>Indicator estimate</p> <p>This issue will be addressed in the recently started “Labour Market Project (see above). It is too early to expect any impact.</p>
<p>Related facts, figures, and references:</p> <p>EC and ILO: Contribution Agreement for the Labour market project: Better Information for Creating Jobs and Developing Skills in Vietnam.</p>

Indicator 2.3.6. Students, employers and investors consider the Vocational Education and Training curricula as adapted to labour market needs

<p>Indicator estimate</p> <p>This issue will be addressed in the recently started “Labour Market Project (see above). It is too early to expect any impact.</p>
<p>Related facts, figures, and references:</p> <p>EC and ILO: TAP for the Labour market project: Better Information for creating jobs and developing skills in Vietnam.</p>

JC 2.4. EC actions contributed to progress towards implementing a sector approach and / or the financing of education support via budget support

<p>JC assessment</p> <p>A co-ordinated donor support to the Education sector started in 2005 with a sector budget support modality. Sector budget support (SBS) programmes in Vietnam are designed to support Government of Vietnam (GoV) National Targeted Programmes (NTPs) which have a specific pro-poor focus. SBS makes a contribution to the GoV budget with support earmarked to a particular area of activity. As a consequence the impact of targeted support of individual donor sources cannot be traced back to its origin or distinguished from the total impact of the Education National Targeted Program. While NTPs are devised and controlled by central ministries, they are implemented in a decentralised fashion by provincial and district authorities.</p> <p>It is clear from the analysis of the documents on the indicators that the EC interventions actively supported the development and implementation of a sector approach in education in the shape of SBS. Apart from the SBS itself, as well as the SMOET and SREM projects contributed to improved management capacity in the MoET, needed for the development of a comprehensive and feasible strategy for the improvement of the education system, pursuing the MDGs.</p> <p>At the same time, however, serious constraints in the management of the programme are reported. Sector budget support in education (i) increased coverage of the E-NTP due to the increase in donor resources, (ii) improved donor harmonisation and alignment with government systems, and (iii) generated some useful lessons learned about government systems; however, in all other areas, E-NTP</p>
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SBS was not as effective as expected.

Indicator 2.4.1. Structure for co-ordination between various Line Ministries involved in Education and training (MoET, MoF, MoPI) is in place

Indicator estimate

The implementation of a SPSP in the form of SBS (see indicator 2.4.3. below) presumes the existence of a co-ordination structure between the involved line ministries (MoET, MoPI and MoF). It is stated in the CSP 2008-2013 that the final evaluation of the SMOET project found that, concentrating on capacity building, the project had achieved comprehensive results in terms of strengthening management capacity of the MoET in a sustainable way and had acted as a powerful agent for change, also in the preparation of the follow-up project and the SPSP. From this statement one can conclude that the EC support played a significant role in the achievement of a co-operation structure amongst the involved line ministries and the preparation of the SPSP.

At the same time, one of the Joint Annual Reviews of the SBS that the SREM project identified the need for encouraging the links between the line ministries MoET and the MoF and MoPI especially regarding the activities related to the support to the financial management of the sector. The latest available ENTP/TBS review data (from the 3rd Joint Semi-Annual Review mission, April 2008) suggest that the positive steps towards an education sector approach require greater collaboration with MoF, MoPI and MoET departments in the strengthening of system and process, in particular for data access, holistic reporting and capacity building of sub-national actors. Improved collaboration is a critical issue for Financial Management and Procurement interventions. This gives the impression that the co-operation between the three ministries still needs to be improved. A remarkable detail in this context is the fact that on both the websites of the MoET and the GoV the Education Development Strategic Plan is published, however, with different contents.

Related facts, figures, and references:

http://www.chinhphu.vn/portal/page?_pageid=439,1090459&_dad=portal&_schema=PORTAL&_item_id=1091439&p_details=1;

<http://en.MOET.gov.vn/?page=6.1&view=3450;>

TBS Joint Semi-Annual Review (7-11 April 2008); TBS Joint Annual Review 17-28 September 2007; TBS Joint Annual Review April 2008.

Interviews with officials at the MOET, MoPI, multi- and bilateral donor agencies, EC Delegation

Indicator 2.4.2. Government of Vietnam assumes increasing ownership over the Education Sector support in the sectoral medium term expenditure framework

Indicator estimate

A medium-term expenditure framework (MTEF) for the education sector was non-existent until 2008, when this document was drafted with strong support from the World Bank. There are no signs of ownership of this document by the GoV and it is neither used in the planning of the budget for the Education sector, nor for the planning of activities.

There is a Medium Term Education Policy document in place that guides the innovative activities of the MoET and the contributions of ODA in the education sector. Vietnam is committed to the implementation of its National EFA Plan which was approved in July 2003 by the Prime Minister and was jointly reviewed and endorsed by international partners and non-governmental organisations (NGOs) in September 2003. The EFA Plan was generally considered to be a credible strategic framework. The Plan shows however, that Vietnam's targets for EFA by the year 2015 will remain

elusive without an additional investment of at least €1.6 to 2 billion for the period 2003-2015.

The Education National Targeted Program (ENTP) operates under a Memorandum of Understanding between the GoV and sector budget support partners. The ENTP is the strategic plan within EFA and priority is given to basic education levels and improvement of educational outcomes in this part of the sector through a package of investments to enhance the quality of education in the classrooms as well as to strengthen the administration of the education system. The ENTP aims at increasing the share of schools achieving Fundamental School Quality Levels (FSQL). Since the schools below FSQL tend to serve poorer communities, the beneficiary group will contain a higher proportion of poor children and ethnic minorities than the population of Vietnam in general.

In the 5-year national education plan 2006-2010 the general vision remains the same but higher education and vocational training receive more focus in order for Vietnam to respond to the new labour market requirements under WTO. The new Education National Targeted Programme 2006-2010 was approved in 2007. In 2007 the Minister of education started the preparation for the new strategy 2008 - 2020. A first draft was shared with donors in June 2008.

On the basis of the Joint Reviews of the sector budget support programme, it can be concluded that there were several constraints in the management of the implementation of the programme. Apart from weak co-ordination between the line-ministries as mentioned above, the leading role of the MoET was not clearly enough profiled and there was criticism that the strategy did not take the pro-poor orientation sufficiently into consideration. The only available audit report on the ENTP complains about insufficiently transparent financial administration in some provinces and districts, with the consequence that considerable parts of the disbursements could not be traced. The latest available review data (from the 3rd Joint Semi-Annual Review mission (April 2008) suggest that there is limited progress in achieving timely, accurate and usable Financial Monitoring Reports. Transparent financial management is a critical requirement for sector budget support. Current progress is hampered by systemic financial management obstacles. There is limited evidence of MoET and inter-ministerial activity to support financial management planning and preparation activities at the central and sub-national levels, including audit preparation and timely fielding of international and national consultants. There is limited progress on procurement activities. The review also concluded that ENTP allocation and monitoring activities at the sub-national level needed to focus more on quality and equity issues. The proposed ENTP monitoring and evaluation approach to disaggregate whole sector results and outcomes by ethnicity and other socio-economic disadvantaged groups at central and sub-national level is to be commended. This will allow for greater understanding of equity gaps within the education sector and provide valuable inputs for strategic management.

Related facts, figures, and references:

<http://en.MOET.gov.vn/?page=6.1&view=3450>;

CRIS Information on the implementation of the SPSP; TBS Joint Semi-Annual Review (7-11 April 2008);

TBS Joint Annual Review 17-28 September 2007; TBS Joint Annual Review April 2008;

ENTP Auditors report over the financial year 2006.

Interviews with officials at the MOET, MoPI, multi- and bilateral donor agencies, EC Delegation

Indicator 2.4.3. Increased alignment, harmonisation and co-financing within donor community in the education sector and support to an education SWAp and/or Budget Support as aid modalities, as expressed in key strategic documents and donor perceptions

Indicator estimate

In 2005 the major donor organisations started the Sector budget support (SBS) Programme in support of the ENTP. The objectives of the SBS programme are to assist the GoV in the implementation of its

National Education for All Plan through:

- (a) budgetary support for selected sub-components of the Education National Targeted Programme (ENTP) designed to enhance the quality of basic education;
- (b) strengthening of the administration of the ENTP.

In this way, the Program will assist reaching FSQI minimum standards by enhancing the resources available for non-personnel expenditures through ENTP-funded interventions. Programme beneficiaries are children attending schools being upgraded to FSQI and out-of-school children who will be drawn into the education system. Activities are targeted to disadvantaged groups or areas; hence the beneficiary groups contain a higher proportion of poor children and ethnic minorities.

The SBS programme has selected two components for funding, which are within the framework of the EFA:

Component 1: Implementation of Fundamental School Quality Level standards. Support the implementation of Fundamental School Quality Level standards in schools which have not yet reached the minimum quality level, through the provision of targeted budgetary support to the ENTP.

Component 2: Institutional Strengthening. Building capacity across the entire education NTP management processes (planning, reporting, monitoring and evaluation, procurement and financial management, etc) from the central, provincial and district levels.

The ENTP is funded by the central State budget, provincial and district supplements, community contributions, transfers from other special programmes and donor funds from SBS partners. This amounts up to a total budget of approximately US\$ 440 million (€ 392 million) from which the GoV contributes US\$ 315 million; the contributions of the coordinated donor group are distributed as follows:

TBS Partner Donor	Overall Commitment	2005 FY Contribution	2006 FY Contribution	2007 FY Contribution	2008 FY Contribution
Belgium	€ 5,000,000	-	€ 1,700,000	€ 1,700,000	€ 1,600,000
Canada	US\$ 9,700,000	US\$ 1,700,000	US\$ 1,400,000	US\$ 3,200,000	US\$ 3,400,000
EC	€ 15,800,000	-	€ 5,400,000	€ 5,399,900	€ 5,000,100
New Zealand	US\$ 4,000,000	US\$ 1,000,000	US\$ 1,000,000	US\$ 1,000,000	US\$ 1,000,000
Spain	€ 6,000,000	-	€ 2,000,000	€ 2,000,000	€ 2,000,000
United Kingdom	GB£ 19,500,000	GB£ 4,000,000	GB£ 4,000,000	GB£ 5,750,000	GB£ 5,750,000
World Bank (IDA)	US\$ 50,000,000	US\$ 2,500,000	US\$ 15,000,000	US\$ 17,500,000	US\$ 15,000,000

The EC is thus the third biggest source of ODA funding in the SPSP to support Education for All in Vietnam. The chosen modality is, together with other donor sources, direct support to the state budget, i.e. the money goes first to the MoF and is then allocated to MoET. The implementation period of the ENTP/TBS was intended to last from 2005 to 2008. However, there was a delay in implementation and in consequence the programme is now scheduled to end in 2010.

It should be noted that the programme provides funding for five out of seven ENTP components as these comprise the programmes that are covered by the EFA action plan. A decision was taken not to fund the components outside the scope of EFA, although Norway has funded all seven of the ENTP components on a bilateral basis and chose not to be part of the EFA SBS program.

From informants of various donor partners it became clear that the World Bank and DFID were together the focal point in the negotiations with the MoET, but the role of the rest of donors was of paramount importance too; the EC specifically played a leading role in the internal discussions among donors during the planning and follow up of the implementation.

Monitoring reports pointed to several problems (admitted by all involved informants): lack of transparency in financial administration and insufficient pro-poor orientation of the MoET in allocating and distributing the funds. Financial monitoring remains a problem, whereas improvements were made in the pro-poor orientation of the programme. The Special Focus on TBS in the Education Sector given at the end of this Volume provides some more details of the approach, difficulties and outcomes.

Some informants stated that the start of SBS as an ODA modality in the education sector of Vietnam was premature. Due to the opaque financing system it could have been anticipated that reporting was to be a problematic issue. A joint Memorandum of Understanding between MoET and the SBS-supporting donors was signed in the beginning of 2006 and separate agreements were signed between MoET and each of the donors. In the joint MoU, clear guidelines were given with respect to the reporting, however, the MoET was not able to comply with all requirements.

Related facts, figures, and references:

TBS Joint Semi-Annual Review (7-11 April 2008); TBS Joint Annual Review 17-28 September 2007.
MoU between the Government of the Socialist Republic of Vietnam and Sector budget support Partners regarding a Sector budget support for the National EFA Plan Implementation Program (2006)
The Effectiveness of Donor Support in Supporting TBS-EFA, May 2009.
Interviews with officials at the MoET, multi- and bilateral donor agencies, EC Delegation

JC 2.5. EC actions increased capacity of Ministry of Education and Training to set sector policy

JC assessment

There are Medium-term Education Policy and Strategy Documents drafted, discussed with relevant stakeholders, formally approved and in use. Activities of both the SMOET and SREM projects were carried out in support of policy development and the elaboration of strategy documents and implementation plans. Sector policy documents were drafted with support from these two projects and other donor organisations. The recently published new sector development strategy demonstrates that these documents are taken seriously and fulfil an important function in the MoET. However, on the basis of the problematic experiences within the management of SBS in support of the EFA and ENTP, it is doubtful if the MoET had developed sufficient management and institutional capacity to be able to manage a Sector Support Programme at the time that the SBS was designed. The apparent lack of importance given to a medium-term expenditure framework MTEF by the GoV underlines the need for further capacity development in the MoET.

Indicator 2.5.1. Medium-term Education Policy and Strategy Documents drafted and formally approved

Indicator estimate

JC 2.5 is closely related to JC 2.4. The confirmation of Indicator 2.4.2 in the basis of an existing Medium-term Education Policy and Strategy Document implies the confirmation of Indicator 2.5.1. As already mentioned under Indicator 2.4.2, a Medium Term Education Policy document is in place that guides the innovative activities of the MoET and the contributions of ODA in the education sector. Vietnam is committed to the implementation of its National EFA Plan which was approved in July 2003 by the Prime Minister and was jointly reviewed and endorsed by international partners and NGOs in September 2003. The EFA Plan was generally considered to be a credible strategic framework. The Plan shows however, that Vietnam's targets for EFA by the year 2015 will remain elusive without an additional investment of at least €1.6 to 2 billion for the period 2003-2015.

In the recently published Education Development Strategic Plan 2009-2020 this deficit is recognised and a structural increase of the national budget for the Education sector announced. It will, however, be

impossible to reach the EFA objectives without support from ODA.
Related facts, figures, and references: http://en.MOET.gov.vn/?page=6.1&view=3450 ; TBS Joint Semi-Annual Review (7-11 April 2008); TBS Joint Annual Review 17-28 September 2007; TBS Joint Annual Review April 2008. GoV: Vietnam Education Development Strategic Plan 2009-2020 The Effectiveness of Donor Support in Supporting TBS-EFA, May 2009. Interviews with officials at the MOET, project teams, bilateral donor agencies, EC Delegation

Indicator 2.5.2. Measures to increase the efficiency of the education system implemented, i.e. increase of the percentage of the education budget spent on other issues than salaries (e.g. on innovative activities, maintenance) without increase of the (national part of the) total budget on education and training

Indicator estimate One of the results of sector budget support to the EFA programme has been the structural topping up of the budget for the education sector by the GoV. On the basis of the implementation of the various programmes and projects supported by ODA it became clear for the decision makers in Government that reaching EFA goals requires a budget that is sufficient not only for payment of salaries, but also for implementation of measures to further increase the enrolment and the quality of the teaching and learning processes. Due to the opaque system of financing concrete figures with respect to how much is spent on which budget lines could not be obtained. However, with the structural increase of the budget it appears that the further implementation of innovative activities has priority in the Government.
Related facts, figures, and references: GoV: Vietnam Education Development Strategic Plan 2009-2020 Interviews with officials at the MOET, project teams, bilateral donor agencies, EC Delegation

Indicator 2.5.3. Gaps between planned targets in the education sector and implementation are significantly reduced

Indicator estimate Both TA projects (SMOET and SREM) had/has as major components building capacity in the MoET. Despite the problems in both projects, as well as in sector budget support for EFA, it appears that the capacity in the MoET is increasing. Where the targets and the actual implementation of activities in the beginning of SBSs were far apart, at present they are more realistic and the gaps are decreasing. We have to bear in mind, however, the specific structure of the financing system in Vietnam, which limits to the decisive power of the MoET and thereby limits the possibilities to implement activities.
Related facts, figures, and references: EC: SMOET Final Evaluation Report (2004) EC: Final Report of the SREM Mid-Term Review (2009) Interviews with officials at the MOET, project teams, bilateral donor agencies, EC Delegation

JC. 2.6 VN benefits from EC links in research and higher education

JC assessment The results of the European Studies Programme (ESP) were mixed. Visibility of the EU in Vietnam increased, and universities participated in various activities, but more sustainable results in the sense of
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establishing university partnerships and participation in exchange programmes were hardly achieved until the end of the programme in 2004. Figures taken from the Erasmus Mundus website show, however, a significant increase in participation of students from Vietnam in the Erasmus exchange programme in the years 2004-2006 and a stabilisation of the numbers in the subsequent years. In this respect, Vietnam increasingly benefits from EC links in higher education. The same is valid for the participation of Vietnam in Asia-Link and programme activities under the ASEAN-EC co-operation.

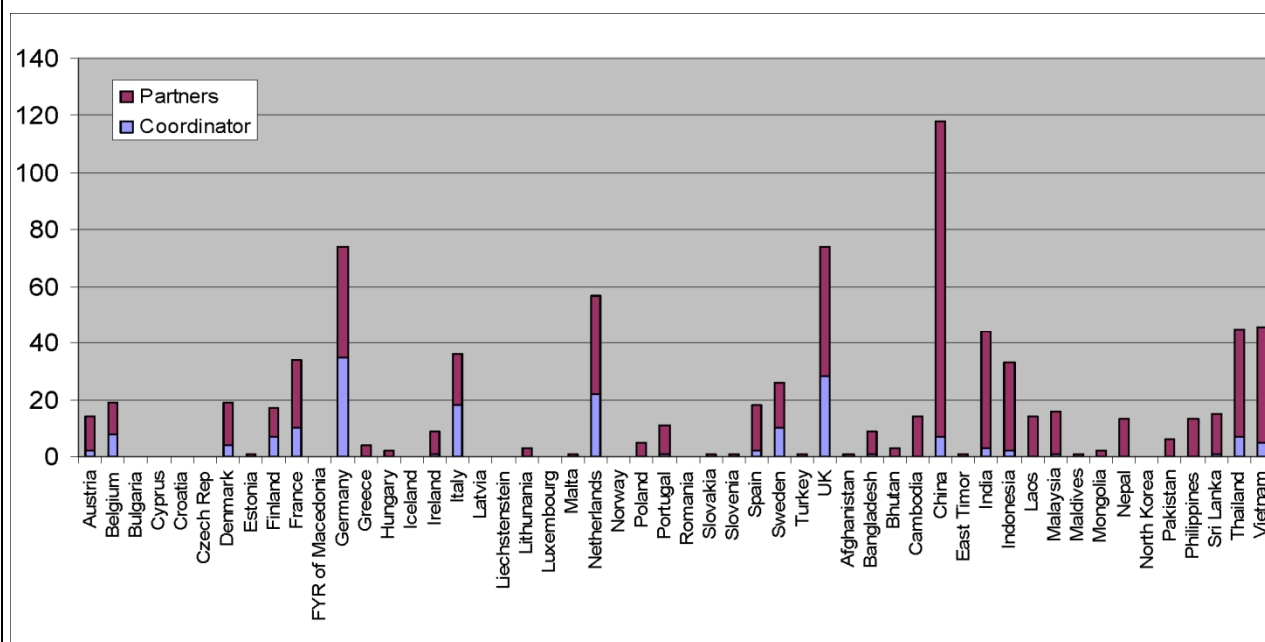
Indicator 2.6.1. Increase in number of students and professors participating in mobility and exchange programmes (Asia-LINK, Erasmus, etc.)

Indicator estimate

The Asia-Link Programme has completed five Calls for Proposals (2002, 2003, 2004, 2005 and 2006). Interest in the programme from Vietnamese institutions has been relatively high. Most of proposed project partnerships are based on strong existing contacts between Vietnam universities and universities in a range of EU countries.

A total of 213 applications involving Vietnamese universities as partner or leading institution have been received under these five Calls. From these 39 projects were selected, of which 36 as partners and 3 are coordinated by a Vietnam institution.

The figure below indicates the position of Vietnam in the Asia-Link Programme, which is comparable to Asian countries with a much higher population and number of higher education institutions, like India and Indonesia. Overall, it shows a very satisfactory situation.



There will be no more Calls for Proposal under the Asia-Link. It is planned that a new programme - funded by the Regional Strategy for Asia - will operate using the Erasmus Mundus External Cooperation Window (EMECW). This new programme for international higher education mobility was launched for the first time in 2006 in three geographical areas: the Neighbourhood zone, Central Asia, and the zone comprising Iran, Iraq and Yemen.

It is planned that the new higher education programme for Asia will therefore extend EMECW to cover the countries in Asia hitherto covered by Asia-Link. The Call for Proposals for participating consortia of universities is forthcoming. This Call will select a number of mobility schemes managed by the winning

consortia: mobility for students and academics under these schemes will then start in the academic year 2008/2009.

The Erasmus Mundus programme is a co-operation and mobility programme in the field of higher education. It aims to enhance quality in European higher education and to promote intercultural understanding through co-operation with third countries. Erasmus Mundus is a global scheme, providing a distinctly "European" offer in higher education to those beyond EU borders. By supporting the international mobility of scholars and students, Erasmus Mundus prepares its European and non-European participants for life in a global, knowledge-based society. The programme confirms the European Commission's interest in opening up European higher education to the rest of the world. Erasmus Mundus complements the European Union's existing regional programmes in higher education with third countries. In addition, supplementary window funds from the Community's external relations budget have been incorporated into the Erasmus Mundus scholarship scheme. These funds allow for the funding of additional scholarships for students coming from specific world regions. Data on participation of students and scholars from Vietnam in Erasmus Mundus show a significant increase between 2004 and 2006 and stabilisation thereafter:

Academic year	Erasmus Mundus Students			Erasmus Mundus Scholars		
	Vietnam	Global	%	Vietnam	Global	%
2004-2005	3	140	2.14%	1	40	2.50%
2005-2006	16	800	2.00%	1	115	0.87%
2006-2007	44	1377	3.20%	0	0	
2007-2008	39	1825	2.14%	0	273	0.00%
2008-2009	44	1957	2.25%	0	456	0.00%
Total	146			2		

Expressed in percentage of the total student population Vietnam scores around the average of all non-EU countries participating in the Erasmus Mundus programme.

Since 2000, the concept of Trans-Eurasian Information Network (TEIN) has been developing between the Asian and European countries to foster the research cooperation between the regions. Six countries from Asia have been connected with the support of EC funding – Thailand, Vietnam, Philippines, Indonesia, Malaysia and China. Japan, South Korea and Australia are connected to the network on their own expenses.

The new EMECW initiative funds student (from undergraduate to post-doctorate level) and academic staff mobility between European higher education institutions and institutions from targeted third countries. It is envisaged to integrate this mobility scheme into the new Erasmus Mundus programme to start in 2009.

Related facts, figures, and references:

EC: *Asia-Link Programme: Involvement of Vietnam higher education institutions* 2008
<http://www.vnu.edu.vn/en/>; <http://www.vnuhcm.edu.vn/en/>;
http://www.aun-sec.org/member_u.html;
http://ec.europa.eu/education/programmes/mundus/projects_en.html

Indicator 2.6.2. VN participation in Framework research programmes

Thematic priorities	Number of Projects	Project EC Contribution
Life sciences, genomics and biotechnology for health	2	3,791,138

Indicator estimate

The European Union supports joint research work, both within Europe and with third countries throughout the world, under the EC's Framework Programmes (FP) for Research and Technological Development. EU-Vietnam cooperation in science and technology has notably increased since the late 1990s. Under the 5th Framework Programme, Vietnam participated in 18 projects worth over €15m.

Under the FP6 (2002-2006), € 346 million were been allocated to research involving third countries, focusing on seven thematic priorities:

- genomics and biotechnology for health,
- information society technologies,
- nanotechnologies and nano sciences,
- aeronautics and space,
- food quality and safety,
- sustainable development, global change and ecosystems,
- citizens and governance in a knowledge-based society.

About 20 Vietnamese entities successfully participated in the Framework Programme 6 (out of 168 who submitted proposals). They participated in projects in key research areas, such as safety in the food chain and public health. The total budget for these projects is estimated at €48.5 million. The accompanying table provides an overview of the areas in which Vietnam participated.

Related facts, figures, and references:

http://www.delvnm.ec.europa.eu/eu_vn_relations/development_coo/science_technology.htm

Indicator 2.6.3. VN participation in ASEAN higher education programmes

At the ASEAN level, the ASEAN-EU University Network Programme (AUNP), launched in 2002 and the ASEAN-European Engineering Exchange Programme (ASE3) have been responsible for faculty and student mobility, although this aspect was not the main focus of the programmes. The AUNP Project Partnership Programme or PAP funded some researcher mobility. The AUNP funded 20 PAPs between 2002 and 2006. Precise data on the nature and dimensions of these projects are unavailable. However, given the relatively small project budgets (between Euro 100,000 and 200,000), the limited number and
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the duration of the projects, the number of faculty exchanges to have emerged from these projects is unlikely to be significant. Commentators understand the AUNP as the pioneer and “major flagship” programme of EU-ASEAN cooperation in the higher education sector. As the first programme to forge collaborative institutional links at the level of higher education policy-making and policy implementation, the AUNP laid the foundations for the Asia-Link and Erasmus Mundus programmes that followed. Vietnam is actively represented in the AUNP by the Vietnam National University, Hanoi and the Vietnam National University, Ho Chi Minh City.

The ASE3 promotes the mobility of engineering students. This programme is still ongoing. Regrettably, no data on number and kinds of exchanges are available.

Related facts, figures, and references:

http://www.delvnm.ec.europa.eu/eu_vn_relations/development_coo/thematic_c_operation.htm;
http://ec.europa.eu/research/future/index_en.cfm;
http://www.aun-sec.org/activities_within_dialogue_1.html

EQ3 - Rural development and environment: To what extent did EC support for rural development, including support to the poverty reduction strategy through General Budget Support, help households escape poverty traps, including environmentally destructive farming and forestry practices?

This EQ deals with impact and sustainability and, hence, requires information that is provided via end-of-project (programme) evaluations and specific studies. Most major rural development projects implemented have been evaluated and these evaluations provide useful information in this regard. A field visit and interviews provided important additional information.

Rural development has not been maintained as a sectoral focus after the shift to sector wide and budget support. As such, the findings presented below deal mainly with the “traditional” rural development and environment projects set up in the late nineties and early years of this century. Moreover, information available with regard to the relative importance of rural development and environment in PRSC general budget support programme does not cover EC support from 2005 onwards. However, in answering this EQ we try to offer some preliminary conclusions about budget-support modalities.

We address the EQ through four Judgement Criteria. The first (JC 3.1) deals with rural incomes and food security; we find substantial impacts of EC interventions on the first but are more uncertain regarding the second. The second (JV 3.2) deals with adoption of environmentally sustainable practices, and again, we judge the impact of EC engagement to have been positive. We were able to find little information on off-farm employment and non-timber forestry products (JC 3.3). Environmental sustainability factors have played an increasing role in general budget support policy matrices (JC 3.4), and while its participation is just now taking shape, the EC is supporting the sector budget support Program 135 targeting rural development in the poorest areas of the country.

Project support

There is little doubt that EC-supported rural development and environment projects have succeeded in creating benefits that allowed households to escape poverty traps without engaging in destructive farming and forestry practices. Most of the EC support in the area of rural development and environment has been directed to the poorest areas of the country, often disproportionately occupied by members of ethnic minority population groups.

Most of the projects supported attempted to combine, in a coherent approach, economic and environmental considerations. The documentation studied, interviews with EC Delegation staff and GoV officials, and field visits (including focus group discussions) indicate that most projects have been quite successful in this regard. There is solid evidence of increased sustainable food production, increased income and productive assets at household level, and strengthened institutions that have to capacity to further support the rural development process while safeguarding natural resources. However, little information has been found on specific food security related issues such as access to food and the stability in the availability of food. In addition, projects lack information on the differentiated impact they might have produced on men and women.

Overall, various factors have led to the outcome that the population of the relatively better-off (in terms of resources, institutions, access to services) lowlands have benefited more than people in the highlands. For this reason, projects might have unwillingly increased disparities.

Notwithstanding the fact that there has been a decline in environmental resources, including forest cover - the combined result of increased economic growth, population pressure, and poor management including gaps in good governance - various EC-supported projects have succeeded in introducing environmentally, socially and economically sustainable forestry practices, mostly via grassroots initiatives and but also via a sector programme providing institutional support to the forest sector. Poor and marginalised communities, often belonging to ethnic minorities, have been among the main beneficiaries of the initiatives at the grassroots. These interventions provided also an important contribution to policy

formulation for the forest sector and to combating the decline in environmental resources, including forest cover, in Vietnam. However, as found by a recent mid-term evaluation of the Fund for Forestry, Vietnam still lacks a coherent forestry sector policy.

Not discussed in dealing with the Judgment Criteria below, but requiring mention, is the early closure of a major pro-poor rural development project. Based on interviews, there appears to be blame to be shared on both sides – the GoV implemented the project poorly, leading to unreasonable delays. However, the financial rule according to which the EC was required to terminate the project – in event a guillotine clause – was, with hindsight, rigid and draconian.

The sustainability of benefits – both those related to agriculture and to forestry - is a subject of concern, despite the fact that most projects did address sustainability issues. The continuity of benefits related to increase in agricultural production and income depends on the GoV's capacity to ensure the continuity of services such as the effective presence of extension workers at the local level, the human and financial capacities to ensure maintenance of productive assets (irrigation schemes, roads). A key component of many projects was the provision of incentives and subsidies, placing impacts at risk if these cannot be kept up. Similar problems are faced by forestry-related projects. Overall, the relatively short implementation period of the projects has been a major challenge in this regard. Again, people in the lowlands seem to have been able to better cope with the challenges, whereas in the highlands (often occupied by marginal groups) a prolonged presence is needed to identify, design and test out appropriate approaches, embed sound practices and develop local practices and institutions that are able to ensure benefit sustainability. Finally, and while the EC's decision to concentrate on a limited number of sectors can be entirely understood, its withdrawal from the rural development sector was not supported by a clear strategy and approach to ensure the sustainability of the benefits of its interventions. Even in the case of the best-performing project in this regard, the Son La-Lai Chau project, the final evaluation noted concerns and uncertainties about the continuity of benefits.

The evaluation has been unable to clearly assess the contribution of EC-supported actions related to support to non-farm employment and the development of non-traditional forestry products. Rural development projects seem to have focused on agricultural development in the lowlands, thereby underestimating the potential on non-farm employment in a developing rural economy. Their actions in the highlands concentrated also on agricultural development and on ensuring access, property and control of the local people over forest resources. They might have implicitly assumed that success in this regard would automatically lead to increased non-farm employment and non-traditional forestry products. This assumption might be true but has not been tested.

Forestry sector support

Since 2004, the EC has supported the Forest Sector Support Programme, a partnership between the GoV and 24 national and international organisations to support the implementation of the national forest strategy in a harmonised way. So far, EC support has been effective in increasing institutional capacity to ensure sustainable management of forests, which is supposed to impact positively on people's livelihoods. However, there are indications that the quality of conservation management as pursued in these forests is questionable and risks negative impacts on the livelihoods of poor households in and around the protected areas.

Support to the poverty reduction strategy through budget support

The EC provided general budget support for the first time in 2004 under PRSC-3, which covered a broad range of programmes to support CPRGS implementation, related to, among others, environmental sustainability and land management; PRSC-4 (2005) continued to support reforms under the three pillars of the CPRGS: transition to market economy, social inclusion and environmental sustainability, and modern governance.

This evaluation has been able to assess only the inclusion, not the effectiveness or impact, of rural development and environment components in the PRSC programmes 1-5. While rural development did not figure explicitly in the PRSC 1-5 policy matrix, the latter included the sectors of social protection, land and water, which are linked with rural development. Furthermore, the environment has been extensively incorporated into the PRSC process with the expansion of policy actions from PRSCs 2-5.

An emerging area of EC engagement is the Program 135 Phase 2 Support Credit, which aims at supporting policy and institutional actions to improve the results of one of Vietnam's principal National Target Programmes (NTPs) for poverty reduction: the Program for Socio-Economic Development in Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas – the so-called Program 135. The programme provides basic infrastructure, production and livelihood support services, and capacity building support to predominantly ethnic minority communities living in Vietnam's poorest and most remote communes and villages. As such, the programme has good potential to contribute to narrowing the poverty gap between these areas and the rest of the country. The EC's entry in P135 represents a flexible response to a rapidly emerging concern about the poverty impacts of the financial crisis on Vietnam's most vulnerable populations. While it is not a rural development project as such, it will have clear impacts in rural areas.

JC 3.1: Rural household income and food security increased as a result of EC-supported actions

JC assessment

We approach this JC with two sets of indicators, the first related to household income and assets, the second set having to do with food security. Most, albeit not all EC-supported actions in the areas of rural development and environment have contributed to an increase, directly or indirectly, of production, income and productive assets at household and community levels, as well as to improved food security. However, while the information confirms convincingly the increase of food production, little information is provided on specific food security related issues such as access to food, the quality of food consumed and the level of stability in the availability of food; no information has been provided either on possible differentiated effects on the situation of men, women and children. We are hence on firmer ground in giving a positive assessment of this JC for production, income and assets than we are regarding food security.

Overall, there are indications that the weak sustainability of project benefits has had more influence on the livelihoods of the (very) poor and minority groups than on better-off beneficiaries. The latter might have been better able to cope with (e.g.) the discontinuity (or decrease in quality) of government services, the suspension or elimination of subsidies, etc. As such, projects might unwillingly have contributed to increased disparity. In addition, the population of the relatively better resourced lowlands might have benefited more than people living in the highlands where natural resource constraints are bigger and institutions weaker.

Indicator 3.1.1. Evolution of household income

Indicator estimate

Most rural development projects have contributed to an increase of productivity and production; there exist in most cases strong indications that this has contributed to an increase of household income, which has, however been rarely directly tracked by monitoring frameworks. Overall, the projects seem to have concentrated more on increasing food production and productivity, taking for granted the resulting increase in income. This focus is understandable in a context of food insecurity and unsustainable agricultural and forestry production practices. However, opportunities to better link farmers with the market, improve their bargaining position and ensure they get a fairer price for their products have been missed. Moreover, the sustainability of the benefits achieved is doubtful in some cases, in particular in highland regions where natural resources are more limited and institutions weaker:

- The 'Strengthening Veterinary Services' (SVSV) project has produced little direct impact on poverty reduction (1). The final evaluation mission (FEM) stated that the fundamental role of the SVSV was preparing for anticipated development of the livestock sector by assisting to create an improved policy and legislative environment and long term institutional strengthening. Hence, the final evaluation considered it unreasonable that the project would have made a made a significant contribution to attainment of overall objectives - to reduce poverty, enhance the productive capacity of the livestock sector, improve food hygiene and increase domestic and international trade – by the time of project closure. The FEM considered that progress has been towards achieving the project purpose 'planning and management of veterinary services by the DAH improved' and that this will, in time, contribute to the overall objectives. (5) (Emphases added.)
- The Son Lac – Lai Chau Integrated Rural Development Project (SLLC-RDP) has accomplished an important increase of agricultural and livestock production, in particular in the lowlands via its successful irrigation component, but also via other components related to animal husbandry (substantial decrease of animal mortality and morbidity - see box) and the promotion of sustainable forest management practices (4). Most probably (but not substantiated in the end-of-project evaluation), these successes have led to an increase in household income also. The fact that commune extension workers have been incorporated in the provincial extension system constitutes a guarantee for benefit sustainability. On the other hand, a visit to the project area has revealed that the sustainability of project benefits could not always been guaranteed, in particular in the highlands that are occupied by ethnic minorities and where the institutions created to safeguard benefit continuity are weaker. Hence, some of the irrigation schemes are not entirely maintained anymore (leading to a decrease in irrigated acreage and/or production) and veterinary services not functioning as before. Initial gains in income might hence have been annulled or diminished. The report states that integration of women in activities has been unsystematic and that no indicators were available to assess the effects of the project on women.

Interview with Lo Van Linh, para-veterinary worker, Na Sang 2 village, Nua Ngam commune, Dien Bien province

When the SLLC-RDP project announced its plan to train village people to become village veterinary worker, I was very interested to stand up as a candidate. I was selected as I met the criteria (trusted by the village, knowledgeable, able to apply the acquired knowledge and to convince people of changing their practices). I was trained over a period of three months (4 periods of a week each and refresher courses in the subsequent years). In my commune, 8 people have been trained to become para-veterinary worker and 6 of them are still active. We all got an equipment kit and go to the commune's main office where vaccines are stored in a refrigerator.

I am now responsible for two villages. I worked hard to learn the job and now have become an experienced paravet who is highly appreciated by the villagers. On average, I am contacted 20 to 30 times in a month and often need to treat several animals during one visit. I dispose of the necessary medicines and go to town to buy additional drugs if necessary. On average I charge 20,000 – 30,000 VND per treatment (cost of the drugs not included), but I do not charge anything for friends and relatives. Many people cannot afford paying for my services and do some agricultural work on my fields in return. In the end, however, many of them do not compensate me in whatever form. This makes me upset, as I am doing so much to help them and to increase veterinary production in our commune.

Considering the fact that I am highly recognised by the people, I find the government should pay me a fixed salary instead of letting me depending on the goodwill of the villagers. This seems however difficult, which makes me considering to give up the job and concentrate on agriculture which is more rewarding. I so far refrained from doing so as my services are so much needed by the population.

In some villages, the considerable gains of the project are seriously compromised by the high prevalence of drug addicts. The mission visited a village (Na' Cai, Na Tau Commune) where 8 of 47 households had members who have become drug addicts. None of these families was able to make any economic progress. Initially, a Community Based Drug Treatment component was included in

the project. For reasons unknown to the Evaluation, it has never been implemented and the initial budget has been allocated to other project components.

- The Cao Bang – Bac Kan Rural Development Project (CBBK-RDP) had similar objectives (increase of productivity, diversification into higher value cash crops, livestock, forestry and food crop combinations, etc.). The latest ROM report (mid 2004) states that in the lowland areas in particular, the project has probably reached its general objective of improving living standards and environmental sustainability via, among other things, increased food production (on average 7.5 %, but a 30% increase of irrigated rice production), improved access to water and forest management. The end-of-project evaluation is more careful in this regard as no solid data could be gathered, but nevertheless confirms an increase in income and production. Without providing clear quantified evidence, this report also points to the positive effects in terms of husbandry production and income that are explained by improved veterinary services. (6) As the project did not address gender issues systematically, no conclusions could be formulated in terms of specific effects of the project on gender issues.
- The Upland Agriculture Component of the Social Forestry Nature Conservation Project (SFNC) has provided alternative income sources, based on sustainable resource management, to the population living in the buffer zone of the Pu Mat National Park. A survey conducted in June 2004 indicated that SFNC practices have contributed to an increase of local farm production and revenues by 80% over the period 1998 to 2003 (2). It is however not clear to which extent the Government will provide financial support after project completion. The final project evaluation did not refer explicitly to income increase but found that people in the buffer zone of the national park are more likely to manage existing forestland and newly planted agro-forestry resources more effectively, which might have led to increased income. Many of these beneficiaries belong to ethnic minority groups.(7)

Tree projects (“Environmental sustainability of brackish water aquaculture,” “Creating Agarwood Supplies in Vietnam,” and “Community Based Conservation of the Hoang Lien Son Mountain Ecosystem”) aimed at increasing household revenues while at the same time pursuing aims related to environmental sustainability. Clear data are lacking with regard to the performance of the first of these. Insofar as the second project is concerned, ROM reports (3) point out that many farmers have adopted the techniques promoted by the project, which are expected to provide good income. However, the ROM notes a need to strengthen the marketing channels so as to confirm, or at least optimise, the viability of economically and environmentally sustainable Agarwood production. In addition, the mid-2005 ROM report mentions the lack of a clear exit strategy, which might eventually affect benefit sustainability; the last ROM report is more positive in this regard, pointing at the positive environment the project has created for the development and trading of Agarwood products. As the last project, a ROM mission (September 2004) states that it is questionable that the “Community Based Conservation of the Hoang Lien Son Mountain Ecosystem” project, because of its small size, can produce a significant impact on poverty. The monitors believed that it might, however, be able to present viable options for integration of poverty reduction and resource protection that can be used as a model for other similar projects. In this regard, the end-of-project technical report and the staff of FFI (in charge of project implementation) only pointed to a few changes in agricultural and agro-forestry practices and in the management of forest resources which eventually might lead to increased income.

Related facts, figures, and references:

- (1) ROM Report, March 2003.
- (2) ROM Report, June 2004.
- (3) In particular the two last reports of early 2006 and mid 2005.
- (4) Vietnam – Final Evaluation Mission Son La – La Chau Rural Development Project, Project ALA 97/18 (October 2005)
- (5) Final Evaluation of the Strengthening of Veterinary Services in Vietnam Project (ALA/VNM/96/20), Draft Final Report, April 2004

- (6) Cao Bang & Bac Kan – Rural Development Project – ALA/VNM/97/17 – Final Evaluation Report, March 2005
- (7) Social Forestry and Nature Conservation in Nghe An Province Project, End of Project Evaluation, October 2004

Indicator 3.1.2: Evolution in productive assets at household level

Indicator estimate

The projects that focused on increasing production and household income have mostly successfully dealt also with increasing productive assets at household level. Overall, projects have been more successful in creating sustainable productive assets in lowland areas. On the contrary, in highland areas (predominantly occupied by minority people) it has been much more difficult to install sustainable agricultural practices, which often require a considerable period to materialise both for technical and social/institutional reasons. An important nuance in this regard is the inclusion of the local population in the management of forest resources, which eventually can lead to increased productivity.

Most projects initiated promising changes but those changes had no time to really be absorbed and embedded as the project implementation period was too short (5 years on average) and local capacities and resources too limited to ensure proper continuation of the process. As a result, upland farmers in particular keep applying their traditional unsustainable cultivation practices. As was the case with the previous indicator, benefit sustainability is sometimes difficult to maintain.

- The SVS project produced little direct impact on livestock productive capacity; it was expected however that in as far as the project would be able, by the time of project closure (early 2004), to achieve some of its key outputs (upgraded veterinary services, enforcement of proposed legislation), productive capacity would be positively affected (1). It is, however, not clear whether this effect has been actually achieved, because in late 2003 the department concerned (Department of Animal Health) was not well supported by the GoV and only little government support for the project was foreseen after its completion (1). The end-of-project evaluation provided some indications in this regard: adequate veterinary legislation was ready in its draft form and submitted to the National Assembly, but no operational procedures were established yet; improved procedures for veterinary drugs and vaccines have been developed and preconditions established for improved procedures for veterinary hygiene inspection and safety assurance of food of animal origin. (5)
- The improvement of existing irrigation schemes and construction of new schemes (74 schemes in total, serving an estimated 1,800 ha of summer crop rice and 1,000 ha of spring crop rice) has been one of the most successful activities of the SLIC-RDP Project and led to the creation of significant areas of irrigated land across the project's 3 target provinces. The field visit indicated that farmers and local authorities succeed reasonably well in maintaining the schemes, even though technical problems have arisen at various sites, with adverse consequences on productivity and the acreage covered. (2)
- The CBBK-RDP has also engaged in important investments in irrigation. Programs for participatory water management have been introduced in the two provinces, leading to generally better water management practices and, hence, increased water availability for crop irrigation, leading, in turn, to important increases/improvements in irrigated land (about 1,790 ha) and rice production. (6)
- These irrigation schemes have mainly been beneficial for those living in the fertile valleys and lowlands (mostly not minority groups).
- The SLIC-RDP project has ensured that 61,909 ha of forestland have been allocated to villagers in 22 communes (8,717 ha being production forest and 309 ha grazing land). 1,298 ha of village forest plantations were established, of which 1,052 ha were of high quality with good sustainability prospects. The fact that farmers and government officers might lack appropriate support in terms of timing and intensity of forest thinning, however, might affect future timber production.

8,255 land tenure certificates were issued for a period of 50 years, which will likely ensure improved forest management (2).

- Both provinces covered by the CBBK-RDP project have also benefited from increasing quantity and quality of forest cover and improved community-based protection and management of critical watershed forests. An important number of farmers have received land certificates and have become more active in safeguarding the forest resources. The sustainability of these (and other) achievements is however substantially conditioned by the heavy subsidy to farmers for agricultural and forestry activities (3).
- About 11,000 households have been granted land use rights certificates, and about 23,000 hectares of smallholder plantations established through the SFSD.
- The 'Creating Agarwood Supplies' project has created 300 Ha of Aquilaria plantation and many farmers are now producing seedlings and planting Aquilaria, which is expected to provide a good income within a few years of time. The market for Agarwood is thought to be sustainable in particular because of the presence of a Ho Chi Minh city based company that is exploring domestic and overseas market opportunities. (4)
- The SLLC-RDP project has expanded improved the road network in the area (20 km bitumen or concrete running surface, 60 km gravel-surfaced and 61 km unpaved). Most of the gravel-surfaced and unpaved roads have however degraded in the meanwhile due to lack of funds to ensure proper maintenance and because heavy 6- and 8-wheeled trucks are allowed to use the roads that have not been designed for such vehicles. The tarmac roads constitute, however, an important asset for village-level development (see box).
- The CBBK-RDP project has also constructed 155 km of rural roads, producing clear impacts in terms of improved market access, diminished costs for agricultural inputs, better access to educational services.

Interview with Luong Van Lien (Pong village, Muong Dang commune, Dien Bien district)

The road linking our commune with the main road to Dien Bien capital city has brought many changes in our lives. Before the road has been improved, it took much time to reach the main road, now we save much time and can more easily and quickly go to the city to buy things and market our products. Trading activities have increased as many traders now come to our village to buy our products (rice, cassava, corn, timber and other forest products). Traders are now ready to pay the prevailing market prices for our products as they can reach our village easily. All this has made agriculture far more rewarding and I have in the meanwhile expanded my area under cultivation. Many other farmers in the village have done the same and opened land that has remained fallow for a long period. The only serious problem I see is that illegal logging has sharply increased because of the improved accessibility of our village.

- 88 water supply systems have been constructed by the SLLC-RDP. They have allowed the households, in particular women, to decrease the time needed to fetch water for household needs. Only in rare cases has the water been used for directly productive purposes. (2)
- The construction of up to 100 water supply systems has been envisaged by the CBBK-RDP. The final evaluation did not mention the number of systems actually constructed and referred to various technical problems (bad design, technical flaws) and understaffed provincial offices that were in charge of maintenance. (6)

Related facts, figures, and references:

- (1) Monitoring Report, October 2003.
- (2) Final Evaluation Son La – Lai Chau Rural Development Project, October 2005.
- (3) Final evaluation of the project, as quoted in the EC project description sheet.
- (4) Ex-post monitoring report, November 2007.
- (5) Final Evaluation of the Strengthening of Veterinary Services in Vietnam Project (ALA/VNM/96/20), Draft Final Report, April 2004

(6) Cao Bang & Bac Kan – Rural Development Project – ALA/VNM/97/17 – Final Evaluation Report, March 2005

Indicator 3.1.3: Evolution in durable consumer goods (furniture...) at household level

Indicator estimate

Only limited information has been found with regard to this indicator. However, during the field visit in the Dien Bien province, it was clear that increase in income has in many cases led to improvements at household level in terms of consumer goods. Greater availability of consumer goods was confirmed by evaluator's casual observation and by informant's responses to questions.

Related facts, figures, and references:

Indicator 3.1.4: Level of availability of food (in particular at the level of vulnerable groups)

Indicator estimate

The two major integrated rural development projects (SLLC-RDP and CBBK-RDP), both implemented in poor villages, provided the most significant contribution to increased food availability:

- The SLLC-RDP has resulted in an important increase in food production (wetland and dry land rice, maize, soybeans and cassava), which was mainly realised via productivity increases ranging from 10.3% (cassava) to 28.45% (soybeans); most food crop production is retained for home consumption (1). Another major effect has been the decrease of livestock mortality and, hence, an increase of horses, buffaloes and pigs in the area (the number of cows has however decreased). The sustainability of this achievement was, however, considered problematic, as farmers were unwilling to pay for veterinary services. The introduction of intercropping (in plantations) in the same project led to a production increase of an estimated 1,500 tons.
- The Cao Bang –Bac Kan RDP focused on intensifying and diversifying agricultural production. Documents available do not unambiguously indicate to which extent this aim has been achieved.
- The fact that SFNC practices have contributed to an increase of local farm production and revenues by 80% over the period 1998 to 2003, must nearly surely have contributed to an increase of food availability at the local level (2).
- Both the SFNC and other projects (such as the HSLP and SFSD projects and the rural development projects CBBK and SLLC) have been successful in promoting systems for co-management of forestry resources and/or ensuring property rights of the local population over such resources. Considering the acquaintance of local population with the management of forest resources, it can be reasonably expected that these achievements have contributed to income increase and, hence, increased food availability.
- A monitoring mission collected evidence that farmers involved in the 'Integrated community-based development strategy project in Phu Tho province' have been able to increase the quantity and quality of their products (agriculture, animal husbandry and fishing), though not all the poorest households have benefited from the project. (3)

None of the projects mentioned above has conducted an analysis to assess the differentiated effect of increased food availability on men, women and children.

Related facts, figures, and references:

- (1) Final Evaluation Son La – Lai Chau Rural Development Project, October 2005.
- (2) Monitoring Report, June 2004.
- (3) Monitoring Report, October 2006

JC 3.2: Environmentally, socially, and economically sustainable farming and forestry practices adopted due to EC-supported actions

JC assessment

There has been a decline in environmental resources, including forest cover, in Vietnam as a result of increased economic growth, population pressure, and gaps in good governance. Poor people are among the most affected by this development as they often depend on natural resources for their livelihoods. Various EC supported projects have succeeded in introducing environmentally, socially and economically sustainable farming and forestry practices, mostly via grassroots initiatives and but also via a institutional support to the agricultural and forest sector. The sustainability of the benefits created by these projects is, however, poorly guaranteed. The implementation period of most projects has been too short to create local sustainable practices and institutions in the areas characterised by isolation, weak technical and institutional capacity. In such areas, a prolonged presence over a longer period is required to ensure sustainability even when local authorities and the population are fully committed to safeguard the projects' benefits. In addition, projects strategies and approaches have not yet been able to devise and implement appropriate ways of dealing with the complex situation related to upland farming, where a combination of ecological, social, economic and political constraints make the development of sustainable farming systems an extremely complex and long-term task.

Overall, much progress has been made in terms of improving the legal and policy framework related to the environmental sector (to which EC actions have contributed), but effects at the local level remain limited, because of lack of consistent efforts of awareness raising (both at the level of local officials and the population) and weak supervision and enforcement mechanisms. In areas occupied by ethnic minorities, GoV officials refrain from intervening and stopping environmental destruction by fear of critique from the international community.

Indicator 3.2.1: Level of awareness of key stakeholders (including target groups) with regard to environmentally, socially and economically farming and sustainable forestry practices

Indicator estimate

Several projects have succeeded in increasing the awareness of key stakeholders with regard to sustainable farming and forest practices:

- The SLLC-RDP end-of-project evaluation notes an important shift in attitude of district level staff, which has turned in favour of including villagers in setting up and implementing sustainable farming and forestry practices. The ability of the GoV to continue and to spread these practices to other districts is, however, limited by budgetary constraints; in particular, the capacity to maintain strongly-rooted practices of providing financial incentives to government officials. The end of project evaluation mentions also the involvement of 5,700 farmers in trials related to erosion reduction. In addition and while the project has built considerable capacities in provincial and district institutions, in particular in the ecologically fragile and poor upland areas, the project implementation period has been too short to firmly embed awareness related to sustainable practices in such a way that viable livelihoods are ensured for local people. The CBBK-RDP has engaged in important Training of Trainers courses on (among others) design and implementation of upland Sloping Agricultural Land Technology (SALT) models, forest protection, and forest fire prevention. It also successfully introduced a community based forest management approach, which made local communities aware of the importance of safeguarding forest resources and provided them with adapted knowledge related to agro-forestry and natural forest management and watershed protection.
- The Social Forestry and Natural Conservation project has contributed to strengthen the national understanding of how a protected area (a national park with high ecological value) can be managed via an approach which improves upland forestry and people's utilisation of buffer zone resources rather than stricter enforcement. More locally, awareness on sustainable forest conservation has been

created among farmers and authorities (1).

- The “Community Based Conservation of the Hoang Lien Son Mountain Ecosystem” project has been able to increase the awareness of villagers and local authorities about the importance on natural resources (2, 3).
- The SVBC project has built awareness for Forest Law Enforcement Governance and Trade (FLEGT) related actions, so that local stakeholders have become better informed on changing timber market trends and start to explore ways of meeting demands for legal and sustainable timber products. Eventually, these efforts must improve the stakeholders’ engagement to curb illegal logging and trade. (4)

Related facts, figures, and references:

- (1) ROM Report, June 2004.
- (2) ROM report, September 2004.
- (3) Community Based Conservation of the Hoang Lien Mountain Ecosystem, Final Technical Report, late 2007 (est.)
- (4) SCBC Briefing Note, IUCN. The FLEGT plan aims, among other things, to develop licensing systems for legal timber through a series of agreements between the EU and major timber-producing countries.

Indicator 3.2.2: Presence of environmentally, socially and economically sustainable farming and forestry practices in project/programme design

Indicator estimate

Most, if not all, projects/programmes in the rural development and environment sectors have included environmentally, socially and economically sustainable forestry practices in their design:

- The SLLC-RDP aimed, among other goals, to introduce land use planning to demarcate land for food production and for forest regeneration. In particular forest regeneration activities seem to have been successful as villagers have adopted techniques to safeguard and regenerate forests (4,000 ha). In addition, 240 villages have adopted forest management plans. Government budgets seem, however, too limited to expand the interesting models developed by the project. Considerable efforts have been undertaken to also introduce ecologically sound and upland farming practices, but the results achieved have been less convincing, because of the complicated nature of the activities and the tendency of the GoV agricultural policies to overlook upland agriculture and prioritise irrigated rice production.
- The CBBK-RDP has identified the lack of cultivable land and subsequent increasing pressure on land resources as a key problem and developed a strategy that is designed to allow poor farmers to increase the productivity of their available land while farming on a sustainable manner and, hence, relieve pressure on the environment. In addition, specific measures have been designed such as the introduction of fuel conserving stoves, the improvement of agro-forestry and forest management skills, etc.
- The SFNC Project (Nghe An Province) aimed at reducing the destruction and degradation of forest resources in the Pu Mat National Park through community development and poverty alleviation in the buffer zone, via (among other strategies) encouraging adoption by the people living in the buffer zone of sustainable resource management techniques, encouraging adoption by state and non-state forest enterprises of sustainable forest resource management techniques, and strengthening the capacity of the local forest administration to design, implement and monitor forest conservation and management plans.
- The sustainable management of forests and the conservation of biodiversity are the main objectives of the Support for Forest Sector Development project. The project has a strong institutional focus and has been designed to achieve, among others, an improved efficiency and harmonisation of ODA

delivery to the forest sector, improved knowledge and understanding of the importance of forest law enforcement governance and trade-related issues as instruments to reduce illegal logging, and improved management of so-called special use forests. One of the sub-components of the project aims to strengthen the basis for provision of sector and sector budget support, via the development of an MTEF and the development and negotiation of a sector policy matrix.

- The project “Environmental Sustainability of Brackish Water Aquaculture aims to make shrimp brackish water aquaculture, an essential economic activity in the Mekong delta, sustainable in order to increase household revenues and reduce rural depopulation while protecting the ecosystem.
- The “Creating Agarwood Supplies in Vietnam” project follows in its design a similar approach of establishing economic and environmentally sustainable Agarwood production so as to prevent extinction of forest tress and support socio-economic development by improving rural people’s income.
- The ‘Strengthening Voices for Better Choices’ project (implemented by IUCN) aims to contribute to the development and implementation of improved forest arrangement that facilitate sustainable and equitable forest conservation and management.

Related facts, figures, and references:

Indicator 3.2.3: Number, scale and intensity of adoption of environmentally, socially and economically sustainable farming and forestry practices

Indicator estimate

Most projects supported have contributed to the adoption of environmentally, socially and economically sustainable forestry practices, both by working at the institutional and the grassroots level. Overall, observers state that the bottleneck in ensuring sustainable forest management practices is no longer situated at the policy and legal level, but at the local level where, for various reasons, the authorities and population are not yet aware of the necessity to stop environmental degradation and change practices.

- The SLIC-RDP has trained over 4,800 villagers in community-based forest management, and completed integrated and participatory land use planning in 22 communes covering 307 villages. The project has introduced intercropping in plantations. The end-of-project evaluation reported that villagers enthusiastically welcomed this innovation and that some villages have continued the practice without further project support. Practices to reduce soil erosion and increase soil fertility have also been introduced, but clear data on the actual sustainable adoption of these practices are not provided.
- The same project ensured that 61,909 ha of forestland were allocated to villagers in 22 communes (52,883 ha being protected forest). It realised Village Forest Management Plans in 261 villages in 19 communes and worked out an approach in this regard which was distributed to other provinces and districts. Its most significant achievement in the domain of forestry is, however, the capacity built in provincial and district institutions with regard to Land Use Planning and Land Allocation or LUPLA methodologies, which are now institutionalised after a laborious process and provide a foundation for further work.
- The above mentioned successes remain, however, quite limited in scope; overall the project has not been able to counter the degradation of the forests. Illegal logging practices seem on the increase and are not effectively countered by lack of an appropriate supervision system. The local population often continues (or resorts back to) slash and burn practices because of population pressure and the project’s failure to offer viable sustainable farming alternatives. Such practices are often encountered among ethnic minority groups; authorities often refrain from reacting to such groups for fear of antagonising international stakeholders (D4, D6, D9)
- The Cao Bang – Bac Kan RDP has contributed to improved community-based protection,

restoration of forest land and management of critical watershed forests (9,393 ha. according to project data that have, however, been questioned by the end-of-project evaluation). Via a community-based forest management approach and land use planning and land allocation, local communities are empowered and have adopted practices that avoid further unsustainable exploitation of forest resources. Some of the communities have, however, abandoned these practices after the project ending.

- The 'Community Based Conservation of the Hoang Lien Son Mountain Ecosystem' project has been effective in establishing a community-based monitoring group for biodiversity and in increasing the awareness of villagers about the importance of natural resources (1). It also has contributed to institutional development and capacity building, although stronger links need to be established with key stakeholders, in particular, with the agricultural extension service. As such, there is a risk that the above mentioned monitoring group will not be maintained once the project has ended.
- The SFNC Project has led to the adoption of sustainable resource management practices (including the rehabilitation of a production forest managed by social forestry enterprises). People in the buffer zone to the national park are more likely to more effectively manage allocated existing forestland and newly planted agro-forestry resources. The capacity of the local administration to design, implement and monitor forest management plans has been strengthened; more than 10,000 individual forest management plans have been prepared by households, so that the entire area of forestland is managed by its owners. In addition, various aspects of forestry policy, management and legislation have been strengthened in relation to protected area management, which will contribute to reducing the degradation of core zone forest resources. As such, the project has also been able to contribute to legislative revision, particularly the revision of the forest protection and development law. (4)
- However, biodiversity conservation could not be fully achieved due to the lack of enabling environment measures that would curb the increasing problem of the national and international trade in wildlife products (especially luxury wildlife foods). (5)
- The Support for Forest Sector Development project has produced a Forest Sector Financing analysis, which is expected to provide the basis for programme support to forestry in Vietnam and, as such, provide important resources for implementing the sector's policies. Three policy reviews have been initiated and good progress has been made in the formation of Farm Forest Groups.
- Under the FLEGT (Forest Law Enforcement Governance and Trade) sub-component of the same project, consultations with the GoV have been held regarding the draft report "Forest Law Enforcement and Governance." Delays in the study implied, however, that it could not have direct impact on the preparation of the GoV Forestry Strategy, which already awaited ministerial approval (2). Via the SVBC project, round tables were organised to improve engagement by Vietnam's forest stakeholders in international initiatives to curb illegal logging and trade. This process was triggered by GoV's intention to pursue cooperation with the EC aimed at developing a VPA to prevent illegal forest products entering the EU from Vietnam.
- The Vietnam Conservation Fund (VCF) sub-component of the same project has been effective in developing the capacity of the management boards in mobilising communities to become involved in management and preservation actions with protected areas and their buffer zones. By early 2009, the VCF has approved 46 SUFs grant proposals that are now under implementation. SUFs are now exploring co-management arrangements with local communities, which is a radical shift compared to earlier practices. However, a monitoring mission pointed to the quality of conservation management as pursued in these forests as being questionable, which risks to produce negative impacts on the livelihoods of poor households in and around the protected SUFs, impacts which would naturally reduce community-level support for conservation actions. (6).
- The SFSD project has also played a major role in the GoV's new Production Forest Development Policy (Decree 147) issued in 2007. This policy marks a government shift in the focus of public subsidies, which previously were directed at protection and SUF only. It stresses the need for land

allocation as a precondition for investment, promotes further decentralisation. (6)

- The SVBC project is building the capacity of stakeholders in government, industry and civil society to participate in and implement forest reforms more effectively. In this regard, it conducted an assessment of the state of forest governance in Vietnam, which will serve as a baseline for further government reform. The project has contributed to raising awareness and capacity of FLEGT processes via a series of multi-stakeholder round tables in support of Vietnam's nascent Voluntary Partnership Agreement (VPA) process under the EU's FLEGT action plan. (1) Although as a timber importer and processor, Vietnam differs from the timber-producing countries negotiating VPAs that focus on timber exports, the intended outcomes of VPAs (improved forest governance and improved market access, among others), are highly relevant to national policy objectives.
- The HLSP was able to establish additional priority protected area in the Hoang Lien Son mountain ecosystem, thereby including local communities in a participatory protected area management approach and in the monitoring of forest resources. The project also succeeded in establishing village regulations for forest protection under the national regulatory framework for conservation and management. (8)

Related facts, figures, and references:

- (1) ROM report, September 2004.
- (2) Monitoring Report, July 2007.
- (3) Ibid.
- (4) SFNC end-of-project evaluation, October 2004
- (5) Monitoring Report, June 2005
- (6) Second Mid Term Review FSDP, January 2009
- (7) IUCN brief on SVBC project, 2008 (est.)
- (8) Community Based Conservation of the Hoang Lien Mountain Ecosystem, Final Technical Report, late 2007 (est.)

JC 3.3: Non-farm employment and non-traditional forestry products developed by EC-supported actions

JC assessment

EC supported projects often have explicitly planned support to non-farm employment and the development of non-traditional forestry products; one project (focusing on Agarwood supplies) had this as its main objective.

However, the evaluation has been unable to assess the contribution of EC-supported actions in this domain. It has, however, become clear that the rural development projects have focused on agricultural development in the lowlands, thereby underestimating the potential of non-farm employment in a developing rural economy. Their actions in the highlands concentrated also on agricultural development, with mixed results (see above, JC 3.1 and 3.2) and on ensuring access, property and control of the local people over forest resources. They might have implicitly assumed that success in this regard would automatically lead to increased non-farm employment and non-traditional forestry products. This assumption might be true but has not been tested.

With the exception of the SFSD that also promoted the development of SUF, forest development projects have followed a similar approach and reasoning (focus on ensuring property rights with limited attention for employment generation).

Indicator 3.3.1: Number of economically viable employment opportunities identified and promoted

Indicator estimate

This output was explicitly included in the 'Initiative for pro poor development in the Northern Uplands' project, but this project has been closed down in its early stages. It is not entirely clear to which extent tangible outputs have been achieved in the short period of project implementation.

The SLLC-RDP via its community based forestry management approach has promoted non-farm employment and non-forestry products in the large forests in the project area.

Further, most projects did not explicitly engage in identifying and promoting economically viable employment opportunities, though the development of such opportunities might have been an unplanned effect of the projects' efforts.

Related facts, figures, and references:

Indicator 3.3.2: Quantity and quality of non-farm employment created

Indicator estimate

This output was also included in the 'Initiative for pro poor development in the Northern Uplands' project, but this project has been closed down in its early stages. It is not entirely clear to which extent outputs have been achieved.

The HLSP project succeeded in developing a small business/farmers association propagating medicinal plants for domestic and foreign herbal and aromatherapy markets. The business model already has been independently replicated.

It is supposed that all projects that contributed to improved access and control of local communities over forest resources and/or the improvement of forest plantations (CBBK-RDP, SLLC-RDP, SFNC, SFSD, Creating Agarwood Supplies, HLSP) have facilitated local sustainable access to forest resources and, hence, contributed to the creation or expansion of non-farm employment. The achievements in this regard have however not been adequately assessed.

Related facts, figures, and references:

Indicator 3.3.3: Number of economically viable non-traditional forestry products identified and promoted

Indicator estimate

The documentation available indicated that a few projects have contributed to this output:

- Improved forest management practices (SLLC-RDP) are expected to generate important effects and impacts on the longer term as they enhance the variety of benefits the forests can provide, in terms of non- timber forest production (besides firewood and timber). The fact that incentives for farmers might disappear in the future might condition the sustainability of these achievements to a certain extent.
- The CBBK-RDP had a similar objective stating that as a consequence of forestry development and reduced physical isolation, supplementary income earning activities would be generated. Monitoring and evaluation reports do not provide any evidence in this regard, which makes us to conclude that such activities have not been explicitly promoted.
- This output was included in the "Initiative for pro poor development in the Northern Uplands" project, but this project was closed down in its early stages. It is not clear to which extent outputs

have been achieved.

- The project “Creating Agarwood Supplies in Vietnam” aimed at re-organising, in an environmentally sustainable way, agarwood production⁶⁰ by assisting poor farmers and ethnic minority populations through establishment of communal research nurseries, introduction of improved production and processing techniques, etc.

Related facts, figures, and references:

Indicator 3.3.4: Number and scale of new product chains of non-traditional forestry products operational

Indicator estimate

The BCK-RDP has initiated new product chains as part of its community based forest management approach and facilitated market access.

The above mentioned agarwood project has, at least, started to initiate or improve the agarwood product chain. The last project ROM report, conducted after the project's end (November 2007), states that the project created a positive environment for the development and trading of agarwood products (1). The cooperation with a well established company which has initiated the export of agarwood products to Japan has been considered as an important asset in developing an international market for Vietnamese agarwood products.

Related facts, figures, and references:

(1) ROM Report, November 2007.

JC 3.4: Rural development and environment components of Poverty Reduction Strategy effectively dealt with through general budget support

JC assessment

The EC provided general budget support for the first time in 2004 under PRSC-3, which covered a broad range of programmes to support CPRGS implementation, related to, among others, environmental sustainability and land management; PRSC-4 (2005) continued to support reforms under the three pillars of the CPRGS: transition to market economy, social inclusion and environmental sustainability, and modern governance.

While rural development did not figure explicitly in the PRSC 1-5 policy matrix, the latter included the sectors of social protection, land and water, which are linked with rural development. Furthermore, the environment has been extensively incorporated into the PRSC process with the expansion of policy actions from PRSCs 2-5.

In the PRSC 6 to 10 cycle, policy actions have focused on strengthening policy and strategy related to natural resources. One policy action in PRSC 6 was to issue a strategy to strengthen linkages between protective and economic functions of forests, and promote local ownership and in PRSC 7 to issue guidelines for forest development based on participatory land-use planning and independent monitoring. Policy actions relating to the environment have been (i) mandate public consultation on environmental impact assessments at Commune level with public feedback incorporated in reporting to relevant authorities and (ii) strengthen incentives for solid waste management using economic instruments.

There are also numerous policy actions and triggers related to rural development and the environment

⁶⁰ Agarwood is a resinous wood, which sometimes occurs in trees belonging to the *Aquilaria Crassna*, a fast growing archaic tropical tree that is in danger of extinction because it has been logged and traded intensively for years. Agar chip is used as incense and in distilled form as perfume or perfume component.

which are included in PRSC 8-10 which reflects the increasing awareness of how crucial it is to deal with these issues, due to Vietnam's vulnerability to climate change in particular. To date it is not possible to assess how effective these measures have been, but their inclusion in the PRSC suggests a commitment to address these issues.

The EC has recently taken the decision to participate in Program 135 a sector budget support programme supporting one of Vietnam's principal National Target Programmes (NTPs) for poverty reduction: the Program for Socio-Economic Development in Communed Facing Extreme Hardship in Ethnic Minority and Mountainous Areas. The progress reviews, understandably, focus mainly on implementation issues and do not yet provide indications on sustainability and impact (focus of EQ 3). Overall the programme implementation seems on track and there is a major concern to enhance sustainability of programme investments (e.g. by earmarking a recurrent budget to poor communities for infrastructure maintenance, by devolution of investment ownership to the community level).

Indicator 3.4.1: Rural development and environment figure explicitly in the GBS Policy Assessment Framework (Policy Matrix)

Indicator estimate

Rural development

Rural development does not figure explicitly in the Policy Matrix for the PRSC Programmes 1-5. Nevertheless, these PRSCs, under the Social Inclusion and Environmental Sustainability pillar, attach attention to the sectors of Social Protection, Land and Water, which are evidently linked with Rural Development. These programmes dealt, inter alia, with a revision of the design, components and procedures of targeted poverty alleviation programs, the improvement of the Land Law, the transfer of land to households and communities, the adoption of a medium-term expenditure framework for agriculture and rural development, the issuance of a National Forest Development Strategy and of a decree on integrated river basin management.

PRSC 1-4 triggers included, among others, the submission of a bill for the revision of the Land Law and the issuance of a decree on the restructuring of state forest enterprise.

Numerous policy actions and triggers related to rural development and the environment are included in PRSC 8-10 which reflects the increasing awareness of how crucial it is to deal with these issues, due to Vietnam's vulnerability to climate change in particular.

Environment

The environment figures explicitly in the Policy Matrix for the PRSC Programmes 1-5, under the Social Inclusion and Environmental Sustainability pillar. The PRSCs have included a variety of measures aimed at enhancing the regulatory framework. The approval of the National Strategy for Environmental Protection was included as a policy action in PRSC-2. In PRSC-3 the "polluter pays" principle was to be established with the closure of the worst polluters. In PRSC-4 and 5, a Natural Disaster Mitigation Strategy was supposed to be developed as a policy action, as was an amendment to the Law on Environmental Protection. The environment was also included as one of the 15 triggers for PRSC-4. The GBS evaluation states that the environment has been extensively incorporated into the PRSC process with the expansion of policy actions from PRSCs 2-5. In addition, the EC's project description for support to Vietnam's Poverty Reduction and Growth Strategy under PRSC-4 refers to triggers and policy actions, which include 50 actions in 19 policy areas, among others covering water and environment.

The overall objective of the programme (as formulated in the EC project descriptions related to PRSC-5 till 7-9) is reduced poverty and sustained growth through support for the implementation of cross cutting and sectoral reforms as envisaged in the June 2006 approved Socio- Economic Development Plan (SEDP). The intended actions of this plan fall broadly in four pillars including reducing poverty and

ensuring social inclusion, and managing the environment and natural resources in a sustainable manner.

The limited information available on the 2005 – 2008 period suggests that EC support in the framework of this programme is not focusing on social inclusion and the environment. More particularly, so far we have no indication on the inclusion of rural development' in EC support to the SEDP via GBS. It is possible that rural development is not yet explicitly dealt with via the GBS mechanism. One of the reasons might be the fact that there have been limited opportunities to move away from project modalities, among others because of the lack of coherent sector policies.

As far as the environment sector is concerned, the improved capacity of public administration regarding enhanced environmental sustainability is mentioned as an envisaged result of support under PRSC-6.

Numerous policy actions and triggers related to rural development and the environment are included in PRSC 8-10, reflecting the increasing awareness of how crucial it is to deal with these issues, due to Vietnam's vulnerability to climate change in particular.

Related facts, figures, and references:

Indicator 3.4.2:

Indicator estimate

The EC has provided sector budget support through the Forest Sector Support Programme, which aimed at raising the capacity of stakeholders in the forestry sector to coordinate the sector and strengthen planning and implementation of GoV policy, but no specific quantified information has been obtained. No data have been found with regard of the budget share related to rural development.

Related facts, figures, and references:

EQ4 - Trade and economy: To what extent has the EC's cooperation programme, trade-related technical assistance, and trade dialogue, strengthened Vietnam's economic reform process and accelerated the country's integration into the regional and global economies?

We answer this EQ based on five Judgment Criteria – the EC's support for economic reform (JC 4.1), which we judge to have been very effective; EC support for Vietnamese entry into WTO (JC 4.2), which we judge to have been not only effective but decisive; EC support for Vietnam's integration into the regional economy, including support through ASEAN and Asia regional programmes (JC 4.3), which we judge to have contributed significantly; strategic links between the EC's support in trade and economy and poverty reduction, (JC 4.4) which we suggest could have been stronger; and the quantity and quality of EC trade and investment relations (JC 4.5), which we judge to have improved significantly although it is difficult to isolate the impact of EC cooperation.

The EC's multi-dimensional support to trade and economic reform has substantially contributed to Vietnam's integration into the regional and global economies; the first via ASEAN integration and the second via WTO accession. The interventions that were most successful were those that were most flexible and concentrated on "how, not what." (i.e. were most closely aligned to existing policy decisions rather than aiming to provide general policy advice). One way of interpreting this is that GoV ownership of EC support in trade and economy was extremely high.

EC interventions have been explicitly aimed at Vietnam's economic reform process and the country's integration in the regional and global economy/trading system and have effectively responded to the Government's and the emerging private sector's capacity building needs. There is ample evidence for aid effectiveness and the high impact of projects such as MUTRAP, VPSSP, and the tourism project, particularly because for most of the assessment period the cooperation programme was conducted parallel to trade negotiations and thus created important synergies for Vietnam's WTO access. Lessons learned were consistently incorporated, e.g. in the case of MUTRAP, which is now being formulated in its third phase and has consistently strengthened throughout. Yet, there were shortcomings, too, for example the ETV2 capacity project, where it proved difficult to establish a clear signal along the axis of national expression of need – donor response, largely for reasons internal to the Ministry of Finance.

Overall, the policy dialogue between the GoV and donors, including the EC, has been focused primarily on the "how" rather than the "what" – influencing the implementation of existing pro-market reform policies - rather than introducing new ones. While it is difficult to clearly quantify and qualify the specific impact of EC-funded interactions on legislative and policy-making processes, linkages clearly do exist; for example, the Institutional Support Programme (ISP) provided a great deal of support to the National Assembly on matters related to WTO. However, the PRSC has probably been the most significant contribution in this regard. Through the soft conditionality implicit in its policy matrix, the PRSC has been providing important incentives to keep the macroeconomic reform programme on track while supporting reform-minded political actors within the VCP and the Government.

The EC was instrumental in the development of Vietnam's WTO accession strategy and Post WTO Action Plan. As a very visible manifestation of support to Vietnam's WTO entry, in October 2004 the EU became the country's first major partner to conclude bilateral accession negotiations, a step which gave significant impetus to the overall accession process.

The Small Project Facility (SPF) was a flexible and effective way of responding to emerging and immediate needs among Vietnamese stakeholders, although the administrative costs to the EC were admittedly high. SPF, to which we devote Special Focus 3, has not only strengthened the capacity of SMEs, local government agencies and emerging civil society organisations but also increased the voice of non-state actors (or semi-independent groups) in the policy-making process. A number of SPF-financed activities dealt with surprisingly sensitive subjects, including several clearly in the domain of human rights.

Furthermore, and probably most importantly for a country that is in the process of forming a robust research infrastructure, the involvement of academic institutions in many SPF projects provided a valuable contribution to the training and capacity building of young academic researchers.

An important part of the EC's support for Vietnam's economic integration into the regional and global environment was via ASEAN-level EC cooperation programmes. These ran on a double-track, support to the ASEAN Secretariat through the APRIS project and support to ASEAN Member States through regional programmes such as the EC-ASEAN Economic Cooperation Programme on Standards, Quality and Conformity Assessment (2003-2005), ECAP I and II, Asia ProEco, AsiaInvest and the Asia Trust Fund. All regional programmes have stated the fostering of ASEAN integration as one of their overall objectives. Vietnam has participated in and benefitted significantly from all programmes.

JC 4.1: EC-supported projects, technical assistance, capacity-building, and EC funded support for policy dialogue strengthened VN's economic reform programme

JC assessment:

All EC interventions during the review period have supported Vietnam's economic reform programme. Overall, the policy dialogue between the GoV and donors being focused primarily on the 'how' rather than the 'what' – influencing the implementation of existing pro-market reform policies, rather than introducing new ones. While it is difficult to clearly quantify and qualify the specific impact of EC-funded interactions on legislative and policy-making processes, there is ample evidence for existing linkages. The PRSC has probably been the most significant contribution in this regard. Through its soft conditionality the PRCS has been providing important incentives to keep the macroeconomic reform programme on track while supporting reform-minded political actors within the VCP and the Government (I 4.1.1).

Among the EC's own interventions, the Vietnam Private Sector Support Programme (VPSSP, 2004-2008) and the Small Project Facility (SPF, 2004-2007) are likely to have had the strongest positive – either direct or indirect - impact on the on-going transformation and modernisation of Vietnam's economy and systems of governance (I 4.1.1).

A crucial aspect of any support to far-reaching economic transition towards a liberal market system is the provision of training and capacity building for both government officials and representatives of the emerging private sector. In this regard, it is clear from the available documentation that extensive training programmes for both groups have been provided, for example as part of the Multilateral Trade Policy Assistance Programme (MUTRAP, since 1998), the Small and Medium-sized Enterprise Development Fund – Phase II (2003-2008) and generally in view of Vietnam's WTO obligations. European businesses have generally benefited from the general drive to market opening and regulatory reforms as well as Vietnam's rapid integration into the regional and global economy. However, significant obstacles to the emergence of a market economy and the development of the private sector remain, which also affect market access for EU companies. (I 4.1.3.) As bilateral trade and FDI inflows show, EU firms are active across almost all sectors of the Vietnamese economy (see also JC 4.5)

Indicator 4.1.1: Policy dialogue and other means of interaction contributed to pro-market legislation and policies

Indicator estimate:

The support of the doi moi reformation process in general and pro-market reforms programmes in particular have been addressed by all EC interventions during the assessment period. Overall, the policy dialogue between the GoV and donors is focused on the 'how' rather than the 'what' – influencing the implementation of policies, rather than introducing new ones (1).

While it is difficult to clearly quantify and qualify the specific impact of EC-funded interactions on legislative and policy-making processes, there is ample evidence for existing linkages. The PRSC has

probably been the most significant contribution in this regard. Through its soft conditionality the PRC has been providing important incentives to keep the macroeconomic reform programme on track while supporting reform-minded political actors within the VCP and the Government. Various studies and reports on the PRSC process stress its influence on policy, particularly the content of sectoral policies, driven by the fact that the PRSC policy matrix is based on reform-linked policy actions. Among the targets of the policy matrix, the creation of “a legal environment for fair and competitive business” is the most explicit one directed at pro-market reforms. By that the PRSC has strongly supported moves to a more liberalised competitive economy, which involved a stronger role for the private sector and less government intervention. Progress was also made in moving towards trade liberalisation and World Trade Organisation (WTO) accession and various initiatives have been put in place to level the playing field for private companies through the establishment of laws and regulatory frameworks. At the same time state-owned enterprise (SOE) and financial sector reform made less progress even though a substantial number of policy actions have focused on these two areas (2). Yet, as the Vietnam Country Study of the Joint Evaluation of General Budget Support 1994-2004, points out, policy processes are generally “difficult to influence in Vietnam due to a complex and opaque institutional system” (3). A 2004 study by the Overseas Development Institute concluded that “the overall impression is that the CPRGS has played a modest but significant role in improving the Vietnamese policy and planning systems (4).”

The pre-2006 phases of the PRSC were somewhat marred by diverging interpretations of the relationship of the CPRGS to the existing indigenous planning processes and documents, notably the 10-Year Strategy and the 5-Year Development Plan. While the GoV was looking to the socioeconomic development plan as the embodiment of the country's development strategy, donors and the IFI viewed the CPRGS as playing this role. The two strategies were largely consistent, but their emphasis differed: the socioeconomic development plan placed more emphasis on industrialisation and modernisation, while the CPRGS emphasises social expenditures and poverty reduction (5). These differences were finally overcome with the formulation of the Economic Development Plan (SEDP) 2006-10, which incorporates the principles contained in the CPRGS and provides a framework for more effective links between the PRSC and the legislative/policy-making process. The SEDP emphasises, *inter alia*, accelerating growth and promoting modern governance and the policy reforms needed to attain these goals.

Among the EC's own interventions, the Vietnam Private Sector Support Programme (VPSSP, 2004-2008) was designed to strengthen the administrative capacity and operational effectiveness of local government and private sector associations to support SMEs development and enhance the process towards a market oriented economy in Vietnam. In the context of Vietnam's economic policy to support private sector development, the VPSSP was highly relevant and its overall approach contributed to the government's commitments to improve the overall business climate (6). However, the ROM reports do not allow any conclusion as to whether the programme directly contributed to pro-market legislation and policies.

In a similar vein, the Small Project Facility (SPF, 2004-2007) aimed to support the on-going transformation and modernisation of Vietnam's economy and systems of governance by facilitating the networking of European and Vietnamese policy makers and opinion formers (as well as enhanced interaction of European and Vietnamese civil society). All three identified cooperation areas were strongly linked with national legislative and policy making processes, e.g.:

- Governance, Administrative Reform, Decentralisation;
- Vietnam's integration into the regional and world economy;
- Strengthening of civil society and public interest organisations as a contribution to grass-root democracy, better governance, and the respect of the rule of law (7).

Quasi by definition cooperation in these thematic areas can be expected to have generated some direct linkages with legislation and policymaking. Indeed, “effectiveness was strong demonstrating the capacities of the Vietnamese organisations involved and their ability to engage the right group of persons that can action real change. The most common and important achievement is a range of new relationships stemming from facilitating meetings, introductions and dialogue among civil society and government and

private sector” (8).

Related facts, figures, and references:

- (1) Ann Bartholomew, Robert Leurs, Adam McCarty, Partnership General Budget Support in Vietnam, The Joint Evaluation of General Budget Support 1994-2004, Vietnam Country Report, May 2006, p. 33.
- (2) Ibid.
- (3) Ann Bartholomew, Robert Leurs, Adam McCarty, Partnership General Budget Support in Vietnam, The Joint Evaluation of General Budget Support 1994-2004, Vietnam Country Summary, May 2006.
- (4) Tim Conway, Politics and the PRSP Approach: Vietnam case study, Working Paper 241, London: Overseas Development Institute, May 2004.
- (5) Bartholomew et al, Vietnam Country Report, May 2006; World Bank, IMF, The Poverty Reduction Strategy Initiative. Findings from 10 Country Case Studies of World Bank and IMF Support, Washington, DC: The World Bank, 2005.
- (6) Monitoring Report, VIETNAM – VN – VIETNAM PRIVATE SECTOR SUPPORT PROGRAMME (VPSSP), MR-20441.01 – 10/06/06
- (7) Project Synopsis, EU-VIETNAM SMALL PROJECTS FACILITY, ASIE/2003/005-814.
- (8) Final Evaluation of the EU-Vietnam Economic Cooperation Small Projects Facility ASIE/VN/2003/5814, Final Evaluation Report 2 May 2008, p. 4.

Indicator 4.1.2: Quantity and quality of EC-technical assistance and training programmes for Vietnamese officials increased

Indicator estimate:

Extensive training programmes for both government officials and the private sector have been provided. For example, the Multilateral Trade Policy Assistance Programme (MUTRAP, since 1998), an initiative to support the GoV efforts in deepening and strengthening the policy of transition towards a market economy, and to contribute to Vietnam's integration into the regional (ASEAN - AFTA) and global (WTO) economic and trade frameworks, has had a strong focus on capacity-building activities (in addition to TA and research/dissemination of information) with the aim

- to strengthen Vietnamese expertise in specific WTO provisions, rules and disciplines of selected issues of the WTO agreements (e.g. market access, Trade Related Investment Measures) and in specific features of regional multilateral arrangements (AFTA-CEPT);
- to provide Vietnamese officials with the economic and trade tools conducive to a definition of sustainable trade policy, consistent with WTO and Vietnam's context;
- to deepen Vietnamese government officials' expertise in international trade policy related matters in a free trade environment (1).

The European Technical Assistance Programme for Vietnam (ETV1 pre-1999 and ETV2 from 2003-2008) addressed public sector financial management, a Government priority. ETV1 concentrated on accounting, insurance, and standards and quality. ETV2, which ran 2003-2008, fully reflected CPRGS priorities in the areas of (i) fiscal policy and legal advisory services, with the goal of improving the output and efficiency of the tax system, (ii) improving customs policy and advisory services with the goal of increasing the output and capacity of the Customs Service, (iii) improving policy and legal advisory

services in insurance and accounting / auditing, (taxation, customs, accounting, auditing, and insurance) (iv) improving data management and analysis / processing at the Ministry of Planning and Investment, and (v) improving quality control, standards, and quality aspects of fish products. While all of these have governance aspects, the most closely related is the first mentioned, on Public Financial Management. ETV2 achieved some results, however, the project did not always succeed in addressing national needs, a problem that arose due to management issues in the Ministry of Finance.

Training has been offered in line with the capacity-building needs of Vietnamese officials and state companies/private sector representatives with regards to developments and emerging challenges in the economic reform process (for example, banking sector reform) and vis-à-vis the international environment (economic integration within Southeast Asia and Vietnam's WTO accession). For example, the Small and Medium-sized Enterprise Development Fund – Phase II (2003-2008) has provided training to bankers and SME managers related to SME lending procedures, business planning, training and interview skills, etc. Since the project was planned, the investment climate in Vietnam as well as the private banking sector of the country have developed dramatically and loans are now available to any enterprise which fulfils the conditions that comply with international established good banking practice (sound business plans of the applicants, provision of collaterals and/or proven sound financial and management practices, history of strong company development) (2).

However, the available evaluation and monitoring reports are relatively silent on both the quantity of training programmes and the quality of the delivered capacity building. A rare exception are the business seminars conducted by EuroCham (European Chambers of Commerce, Vietnam), funded by the SPF, which have been singled out as a “strategic, well connected and pragmatic” approach and “an excellent example of a well-focused timely series of events that could reach nearly 2000 people across the country”. Significantly, the programme linked development, economic cooperation and trade sections within the Delegation. The seminar were high profile, drew attendees from across the country, generated improved networking including organisations that can further disseminate materials and, overall, contributed to capacity building of some of the smaller agencies (not just Ho Chi Minh City and Hanoi) seeking to support business and investment in several provinces (3).

Related facts, figures, and references

- (1) Project Synopsis, Multilateral Trade Policy Assistance Programme (MUTRAP), ALA/97/0294.
- (2) Project Synopsis, Small and Medium-Sized Enterprise Development Fund – Phase II, ASIE/2000/002-466.
- (3) Final Evaluation of the EU-Vietnam Economic Cooperation Small Projects Facility ASIE/VN/2003/5814, Final Evaluation Report 2 May 2008, pp 15, 23.

Interviews with EC Delegation officials.

Indicator 4.1.3: Regulatory reforms, market opening in sectors where EU firms have comparative advantages accelerated

Indicator estimate:

As bilateral trade and FDI inflows show (see under JC 4.5), EU firms are active across almost all sectors of the Vietnamese economy. They have therefore benefitted from the general drive to market opening and regulatory reforms as well as Vietnam's rapid integration into the regional and global economy. The turning point for Vietnam's development towards a market-based economy was the implementation of the new Enterprise Law in 2000, which simplified the process of founding a new business by easing application procedures. The law was followed by an amendment to the constitution granting the private sector the same status as Vietnam's public sector. Both the new legal conditions and a changed political

climate have triggered a boom in the founding of new businesses.

In 2007, around 59,000 private companies were established. This reflects the continued improvement in the business environment as a result of pro-business legislation such as the Common Investment Law and the Unified Enterprises Law that created a level playing field between local and foreign firms. Since 2000, more than 259,000 new companies have been set up, many of them Small and Medium Enterprises (1).

However, many obstacles to the development of the private sector remain. Discrimination in the implementation of state policies regarding credit, real estate and training results in the private sector and the public sector receiving different treatment. State monopolies are still common. While some forms of pricing have been liberalised, the state still sets many important prices, including the (foreign) exchange rate, interest rate and the prices of some goods. Some sectors of the economy are directed by the market, but many branches still depend on state plans (telecommunication, finance and banking, transportation, electricity and water supply). Among the main problem of Vietnam's economy is missing legislation in key areas. For example, lack of legislation leaves foreign companies unable to register local branches. A new decree announced by the government in July 2006 failed to provide guidance on the issue. At the same time, the implementation of new laws is sometimes hindered by the fact that disagreement between interest groups in the government and the CPV continues even after legislation had been passed by the National Assembly. It seems that many pieces of legislation in Vietnam are unveiled without proper evaluation of their impact. Foreign investment is hindered by a long screening process, non-transparent bureaucracy, and an unreliable legal system. The judiciary is weakened by widespread corruption, which inhibits the effective enforcement of contracts (2).

Related facts, figures, and references

- (1) European Union Economic and Commercial Counsellors, 2008 Commercial Counsellors Report on Vietnam (Vietnam Greenbook 2008), Hanoi May 2008, p. 13, http://www.delvnm.ec.europa.eu/eu_vn_relations/trade_economic/Greenbook_08.pdf
- (2) Bertelsmann Transformation Index 2008, Country Study Vietnam; Heritage Foundation/Wall Street Journal, 2009 Index of Economic Freedom, Vietnam, <http://www.heritage.org/index/Country/Vietnam>

Indicator 4.1.4: Projects implementing agencies and beneficiaries aware of the originating support of the EC co-operation and the logic behind it

Indicator estimate:

There is no explicit documentary evidence available on this indicator. EC visibility is generally adequate in Vietnam, although it must be kept in mind that there are many donors present. GoV officials interviewed were, however, very aware that the EC was a source of grants, as opposed to other major players such as the World Bank and Asian Development Bank.

Related facts, figures, and references

JC 4.2: EC-funded projects, technical assistance, capacity-building, and support for policy dialogue accelerated VN's entry into WTO

JC assessment:

The EC has played a decisive instrumental role in the development of Vietnam's WTO accession strategy and Post WTO Action Plan. As a very visible manifestation of support to Vietnam's WTO entry, in October 2004 the EU became the country's first major partner to conclude bilateral accession negotiations, a step which gave significant impetus to the overall accession process. Several projects have aimed at assisting Vietnam in its WTO-related obligations. Among them the Multilateral Trade Policy

Assistance Programme (MUTRAP) stands out (Indicator 4.2.2).

The liberalisation of foreign trade has been a main pillar and integral part of Vietnam's economic planning and policymaking process for the past two decades. The EU's approach to the support of Vietnam's global and regional economic integration is based on the notion of coherence between development and trade, e.g. the proposition that trade policy should advance the development of economic opportunities of Vietnam and support the export-oriented development strategy of Vietnam (Indicator 4.2.3). Within this context, the capacity of Vietnamese companies has been strengthened mainly through the Vietnam Private Sector Support Programme (VPSSP, 2004-2008) and generally the manifold activities of EuroCham (Indicator 4.2.4).

The SVSV project prepared the Department of Animal Health to function in the evolving livestock subsector and respond to Vietnam's new regional and international obligations (ASEAN, WTO). (1)

The SFSD (Support for Forestry Sector Development in Vietnam) supported diagnostic research to improve the understanding of FLEGT-relevant issues (Forest Law, Enforcement, Governance and Trade) and capacity building and facilitation of discussions and dialogue aimed at reaching consensus on priority activities needed. It also prepared detailed certification guidelines and communities for pilot certification to help secure market access (2). The 'Strengthening Voices for Better Choices' project has supported a series of multi-stakeholder round tables in support of Vietnam's Voluntary Partnership Agreement process under the FLEGT action plan. The plan aims, amongst other things, to develop a licensing system for legal timber through a series of VPA's between the EU and major timber producing countries. Though Vietnam, as timber importer and processor, differs from timber-exporting countries, the intended incomes of VPAs are still highly relevant to national policy objectives. (3)

- (1) End-of-project evaluation of the Strengthening Veterinary Services and livestock disease control project, April 2004
- (2) Mid-term Review of the Vietnam Forest Sector Development Project, January 2009
- (3) IUCN project brief on SVBC

Indicator 4.2.1: Relevant technical studies identified and prepared

Indicator estimate:

The role of the EC was instrumental in the development of Vietnam's WTO accession strategy and Post WTO Action Plan. See Indicators 4.2.2 and 4.2.3.

Related facts, figures, and references

Indicator 4.2.2: EC played leading role in the process of Vietnam's WTO accession negotiations

Indicator estimate:

As a very visible manifestation of support to Vietnam's WTO entry, in October 2004 the EU became the country's first major partner to conclude bilateral accession negotiations, a step which gave significant impetus to the overall accession process. A new Market Access Agreement in December 2004 lifted all EU quantitative restrictions for Vietnamese textiles as of 1 January 2005, a very important step to put Vietnam on a par with other WTO members such as China. In return, Vietnam agreed to open its market further in a number of areas of interest to the European Union. Adaptation to WTO rules and disciplines since January 2007 is putting considerable strain on Vietnam in manifold ways, ranging from the need for a wholesale revision of its system of economic regulation to the restructuring of its enterprise sector in order to allow it to compete in an increasingly integrated global marketplace. Several projects have aimed at helping Vietnam in creating a market economy and assisting it in its WTO-related obligations. Among them the Multilateral Trade Policy Assistance Programme

(MUTRAP) stands out.

MUTRAP was designed in 1998 as a joint initiative between the EC and GoV. The first phase lasted from 1998 to 2004 and supported the country in conducting in-depth and comprehensive research in domestic economic sectors and industries, laying the foundation for the country's negotiations for WTO membership. It also contributed to trade competition policy stakeholders during the country's negotiations for WTO.

The second phase was carried out from January 2005 to June 2008 and focused on post-WTO assistance. It helped Vietnam to address impacts from its WTO membership, increase policy-making capacity, and raise the competitive edge of Vietnamese-made products to meet foreign markets' requirements.

Under the recently agreed MUTRAP III (until 2012), signed in June 2008, Vietnam will receive assistance to implement its current Socio-economic Development Plan (SEDP) and post-WTO action plan for sustained pro-poor economic growth through stronger integration into the global trading system. The project will focus on capacity building for the Ministry of Industry and Trade (MoIT) in implementing WTO commitments as well as in developing a socio-environmental sustainable trade integration strategy through closer coordination with the private sector, training and research institutions. It will also assist the MoIT to effectively negotiate and coordinate regional trade related arrangements such as the ASEAN Free Trade Area (AFTA), dialogue with the ASEAN- plus partners and to engage in FTA negotiations with major trade partners, including the EU. The project is also expected to contribute to strengthening the capacity of competition policy stakeholders. The EC contributes € 10 million to MUTRAP III, while Vietnam contributes € 670,000 (1).

The monitoring report on MUTRAP I pointed out, that although the project is modestly funded and only one of many, it has become a key player due to the PMU [Project Management Unit] co-directors who have a strong working relationship and are well connected across ministries. They have been able to gain acceptance by the broad spectrum of players and have facilitated cross ministerial working forums (the research seminars). Interest has been generated beyond the project scope and ministries are approaching the project for assistance with specific work. Project also provides information, documentation and makes links to the relevant bodies when needed. The seminars are key forums that feed into the policy debates (2). During the field phase it will be investigated as to whether the significant contribution of MUTRAP to policymaking process was strengthened further in the second phase of the project.

MUTRAP also includes flexibility for small activities such as those formerly financed through the Small Projects Facility (SPF). Through MUTRAP, flexibility to support highly effective interventions strengthening capacity in the private sector, academic organisations, and civil society organisations will be maintained.

Related facts, figures, and references:

- (1) Project Synopsis, MULTILATERAL TRADE POLICY ASSISTANCE PROGRAMME (MUTRAP), ALA/97/0294; Vietnamese New Agency, EU commits 10m Euros to Vietnam multilateral trade project, 17 June 2008; Vietnam News Briefs. Trade EU introduces trade self-defence measures within WTO, Vietnam Law. 27 March 2008; Asia Pulse, EU says Vietnam has met requirements to join WTO, 11 September 2006; Delegation of the European Commission to Vietnam, http://www.delvnm.ec.europa.eu/eu_vn_relations/oveview/overview.htm; Press Release. Government of Vietnam and European Commission sign a 10M€ trade related technical assistance project, 17 June 2008, http://www.delvnm.ec.europa.eu/news/vn_news/vn_news45.html
- (2) MONITORING REPORT VIETNAM - VNM – Multilateral Trade Policy Assistance Programme (MUTRAP). MR-20037.01 – 31/07/02

Indicator 4.2.3: Trade issues effectively integrated into economic planning and policy making

Indicator estimate:

The liberalisation of foreign trade has been a main pillar and integral part of Vietnam's economic planning and policymaking process for the past two decades. Key events include Vietnam's accession to ASEAN in 1995 and APEC in 1998, the lifting of the U.S. trade embargo in 1994 and the concluding of a bilateral trade agreement granting Vietnam most favoured nation status with the United States in 2000. After long and complicated negotiations and delays, Vietnam joined the WTO as its 150th member on 11 January 2007. As a member of ASEAN, Vietnam joined the ASEAN Free Trade Area (AFTA) leading to sharp reductions in tariffs on imports from Southeast Asian states. Vietnam's trade openness as measured by its total trade in goods and services reached over 150 percent of GDP in 2005 from about 50 percent of GDP in 1991. Vietnam's weighted average tariff rate was 13.3% in 2006. The Government continues to make progress toward liberalising the trade regime, but import bans and restrictions, some services market access barriers, import taxes, some import licensing requirements, non-transparent regulations, state trade in some commodities, weak enforcement of intellectual property rights, corruption, and customs inconsistencies add to the cost of trade (1). Many of these issues are currently being addressed as part of the GoV's Post WTO Action plan, which provides "an excellent framework for harmonised donor support" (2).

Related facts, figures, and references:

- (1) Bertelsmann Transformation Index 2008, Country Study Vietnam; Heritage Foundation/Wall Street Journal, 2009 Index of Economic Freedom, Vietnam, <http://www.heritage.org/index/Country/Vietnam>
- (2) EU Blue Book 2008, European Union Development Cooperation Activities in Vietnam, June 2008, p. 22.

Indicator 4.2.4: Capacity of Vietnamese companies to benefit from global integration strengthened

Indicator estimate:

The capacity of Vietnamese companies has been strengthened mainly through the Vietnam Private Sector Support Programme (VPSSP, 2004-2008) and generally the manifold activities of EuroCham.

Ever since the launch of Vietnam's "strategy for accelerated industrialisation and modernisation along socialist lines" in April 2001, promotion of the private sector has one of the main components of the EC strategy to support integration of Vietnam into the international economy. The VPSSP's intervention logic was based on the assessment that increased numbers of small and medium-sized enterprises (SMEs) will be required to drive the modernisation of Vietnam's economy and to maximise export and industrial co-operation opportunities (1). In the context of Vietnam's economic policy to support private sector development, the VPSSP was relevant as its overall approach contributed to the GoV's commitments to improve the overall business climate (2). The VPSSP followed GoV policy in strengthening the position of SMEs towards the regional and global environment (3).

As part of various activities, the European Chamber of Commerce helped Vietnamese companies to benefit from international trade opportunities – mainly through facilitation contacts between European and Vietnamese companies. EuroCham has assisted around 600 European businesses to seek partners in Vietnam through its active operation in the country since its establishment a decade ago. The chamber has held up to 20 business seminars in big cities such as Hue, Can Tho, Nha Trang, Buon Me Thuot, Hanoi and Ho Chi Minh City, bringing EU and local businesses together since early 2007. Furthermore, EuroCham has hosted various events to provide information on the EU market to Vietnamese exporters, helping accelerate bilateral trade (4).

Related facts, figures, and references:

- (1) Vietnam Private Sector Support Programme Project Number: ASIE/2003/005-885
- (2) Monitoring Report. Vietnam – VN – Vietnam Private Sector Support Programme (VPSSP). MR-20441.01 – 10/06/06
- (3) Monitoring Report Vietnam – VN – Vietnam Private Sector Support Programme (VPSSP). MR-20441.02 – 12/12/07
- (4) Vietnam News Briefs, Trade – EuroCham plays key role in boosting Vietnam-EU trade, investment ties, 24 October 2008.

JC 4.3: EC-supported projects, technical assistance, capacity building, and support for policy dialogue enhanced VN's integration into the regional (ASEAN) economy

JC assessment:

The EC's contribution to ASEAN integration through TA and capacity building has followed a dual track: support to the ASEAN Secretariat (ASEC) through the APRIS project and support to ASEAN MSs through regional programmes such as the EC-ASEAN Economic Cooperation Programme on Standards, Quality and Conformity Assessment (2003-2005), ECAP I and II, Asia ProEco, AsiaInvest and the Asia Trust Fund. All regional programmes have stated the fostering of ASEAN integration as one of their overall objectives. Vietnamese officials have participated in all programmes (Indicators 4.3.1 and 4.3.2). In addition, the Vietnam-specific bilateral MUTRAP project has explicitly contributed to Vietnam's integration into the regional economic and trade frameworks ASEAN and the ASEAN Free Trade Area (AFTA) through the deepening Vietnamese officials' expertise in international trade policy related matters in a free trade environment (Indicator 4.3.1, 4.3.3). However, the available documents do not provide much information as to whether the quantity and quality of training/capacity building has actually increased over time.

In terms of complementarity between regional and national TA/capacity building needs and responses to these needs, Vietnam profited in particular from the ASEAN-level Standards and ECAP programmes, the latter of which dealt with intellectual property rights or IPRs. (Indicator 4.3.2). It has always to be kept in mind that one of the striking characteristics of the regional integration process in Southeast Asia is the gap between political rhetoric (the vision for economic integration as prominently spelled out in the ASEAN Economic Community Blueprint and the ASEAN Charter) and political reality. Regional integration and harmonisation in the field of tariffs, standards, IPRs, foreign investment regimes etc. has been advancing only slowly. The basic conditions for creating common regimes or even for harmonising national legislative frameworks and enforcement practises among ASEAN countries are not yet in place, considering disparities in technical and institutional capacities, levels of economic development, and political priorities. This a significant limiting factors when it comes to complementarities between EC regional programmes and projects (both directed at the ASEAN Secretariat and ASEAN Member States) on the one hand and national interventions on the other. Vietnam is no exception from the rule. However, preliminary evidence based on evaluation and monitoring reports suggests that both the national components of the ASEAN standard project and – to a somewhat lesser extent – ECAP I and II have achieved above-average outcomes in Vietnam as compared to other ASEAN member states.

These are explored in greater detail in the currently ongoing evaluation of the EC's ASEAN-level cooperation programme.

Indicator 4.3.1: Quantity and quality of training programmes on regional integration matters for Vietnamese officials increased

Indicator estimate:

The EC's contribution to ASEAN integration through TA and capacity building has followed a dual track: support to the ASEAN Secretariat (ASEC) through the APRIS project and support to ASEAN MSs through regional programmes such as the EC-ASEAN Economic Cooperation Programme on Standards, Quality and Conformity Assessment (2003-2005), ECAP I and II, Asia ProEco, AsiaInvest and the Asia Trust Fund. All regional programmes have stated the fostering of ASEAN integration as one of their overall objectives. Vietnamese officials have participated in all programmes (see also Indicator 4.3.2) but the available documents do not provide much information as to whether the quantity and quality of training/capacity building has actually increased over time. Apart from the Vietnam components of the mentioned regional programmes, the Vietnam-specific MUTRAP is of particular importance here as the project has explicitly contributed to Vietnam's integration into the regional economic and trade frameworks ASEAN and the ASEAN Free Trade Area (AFTA) through the deepening Vietnamese officials' expertise in international trade policy related matters in a free trade environment. The programme's components include training, specific technical assistance, research and information (1).

Related facts, figures, and references

- (1) Project Synopsis, MULTILATERAL TRADE POLICY ASSISTANCE PROGRAMME (MUTRAP), ALA/97/0294.

Indicator 4.3.2: Complementarity of EC-supported regional and national technical assistance and capacity building achieved

Indicator estimate:

As the Evaluation of the European Commission's Co-operation with ASEAN shows, EC assistance to ASEAN during the assessment period has resulted in high-level outputs with regard to the support of regional economic integration and trade initiatives, and there has been tangible progress towards regional trade and economic integration. Both officers at the ASEAN Secretariat and implementing agencies/beneficiaries in ASEAN Member States (interviews were conducted in Malaysia, Thailand and Lao PDR) highly valued the EC's assistance through both APRIS and regional programmes as a most significant contribution to the regional integration process. The general view was that EC assistance has provided capacity building, expertise and TA in areas central to integration; According to interviews, achievements towards the implementation of the ASEAN Free Trade Area, customs harmonisation, standards harmonisation, IP legislation, registration and awareness etc. would have been less tangible without the EC input (1).

In terms of complementarity between regional and national TA/capacity building needs and responses to these needs, Vietnam profited in particular from the Standards programme and ECAP, the latter of which dealt with Intellectual Property Rights (IPRs). The final evaluation report of the EC-ASEAN Economic Cooperation Programme on Standards, Quality and Conformity Assessment, presented the Vietnam component as one of the most successful ones of the project. According to the evaluation, in Vietnam's food sector, the common ASEAN requirements were developed on food safety, food hygiene and labelling. In the cosmetics sector, the ASEAN Directive was explained and assistance given for its implementation. In the pharmaceutical sector, the ASEAN Technical Common Dossier (ACTD) was adopted. In the EET sector, the ASEAN common regulatory regime was adopted. The food sector benefited from the programme support especially in the fisheries sector. Furthermore, a Vietnamese laboratory was selected as reference laboratory for the ASEAN region. Overall, the evaluation concluded that the standards programme was in line with the objectives of ASEAN economic cooperation and to in-country needs (2).

The EC supported two major IPR projects over the evaluation period. While ECAP I (1993-1997) focused on industrial IPRs, ECAP II (2000-2007) covered the entire spectrum of IPRs, with particular emphasis on enforcement. All ASEAN states except Burma/Myanmar were partners in ECAP II. With Euro 9 million of total funding, ECAP II was originally foreseen to run until the end of 2006. However regional activities as well as national activities for Malaysia, Cambodia, Lao PDR and Vietnam were extended until the end of 2007. ECAP II specifically responded to the needs of ASEAN countries in their bid to become more active players in the global market, where the use and protection of IPRs is a precondition for competitiveness (3). ECAP gained particular importance within the context of the 2005 EC Strategy for the enforcement of IPRs in third countries, which included ASEAN in the Priority Countries list (4).

Early monitoring reports on Vietnam's national components of ECAP II did not identify tangible impacts in the form of increased enforcement of IPRs: "the positive impact has been limited to supporting sharing of experiences between IPR professionals across all ASEAN nations. There is little evidence of ECAP II contributing to establish any IPR structures or policies at the regional level" (5).

Yet, the impact of ECAP national components has improved over time. The ECAP Final Evaluation report stated on the Vietnam component: "Legal framework complete and largely TRIPS compliant. However, legal mechanisms need to be refined, complemented and adapted to new developments in the field of IPRs. Also, implementing legislation need to be reviewed and adapted based on practical experience of implementing the new IP law." On the enforcement of IP rights the report stresses that courts and official arbitration tribunals were an important part of the enforcement system, yet not used for settling IP cases. The same was true for the Vietnam International Arbitration Centre (VIAC). The knowledge about IPR within enforcement agencies was still weak (customs, economic police, market management authorities, inspectorates (6). The current EC approach to cooperation on IPR does not aim at the introduction of new commitments, but instead encourages its partners to adhere to a series of existing (far-reaching) IPR agreements. The EC is also actively promoting adoption of its geographical indications approach (7).

Related facts, figures, and references

- (1) Evaluation of the European Commission's Co-operation with ASEAN Contract n° EVA 2007/geo-non-ACP, Draft Final Report, Version 1, December 2008.
- (2) EC-ASEAN Economic Cooperation Programme on Standards, Quality and Conformity Assessment, Final Evaluation Report, March 2006, p. 48.
- (3) <http://www.ecap-project.org/>
- (4) 2005/C 129/03, EC, DG Trade, http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122636.pdf
- (5) MONITORING REPORT REGIONAL - ASEAN – CAI – EC-ASEAN Intellectual Property Rights Co-operation Programme (ECAP II) - Vietnam. MR-20164.01 – 18/12/03, p. 2
- (6) HTSPE Consortium (UK), Final Evaluation of EC-ASEAN Intellectual Property Rights Co-operation Programme (ECAP II), Contract Number no 2008/157-270, Draft Final Report, 2 September 2008, p. 51.
- (7) Marc Maes, The EU Approach to the ASEAN, India, Korea FTA Negotiations, EU-ASEAN FTA Seminar. Bangkok, February 7-8, 2007, Reader, p. 17.

Indicator 4.3.3: Vietnam's participation in trade-related ASEAN cooperation mechanisms strengthened

Indicator estimate:

The main mechanism has been MUTRAP in addition to the regional programmes. However, because Vietnam's ASEAN and AFTA membership was already well advanced at the start of MUTRAP, the revised immediate objectives of MUTRAP I focused primarily upon WTO accession (1). See also Indicators 4.3.1. and 4.3.2.

As a footnote it should be mentioned here that the year 2007 saw a substantial increase of nearly US\$16 billion in Vietnam's import value from the other nine ASEAN countries. This represents up to 24 percent of the country's 2007 total import spending and a 46 percent year-on-year increase. Indeed, intra-ASEAN trading robustly developed during the year under the aegis of the ASEAN economic integration process. This has resulted in the impressive US\$23.7 billion worth of total trading between Vietnam and the remaining nine ASEAN economies in 2007. However, it is worth noting that Vietnamese trade with Singapore alone represents some US\$9.8 billion, thus accounting for nearly 41.4% of the total value in Vietnam-ASEAN trade flows. Here, again, Vietnam had a trade deficit as high as US\$5.4 billion (2).

Related facts, figures, and references

- (1) Project Synopsis, Multilateral Trade Policy Assistance Programme (MUTRAP), ALA/97/0294.
- (2) Vietnam Greenbook 2008, p. 16

Indicator 4.3.4: Vietnam's input to ASEAN meetings (position papers, draft strategies etc.) increased

Indicator estimate:

Vietnam's ASEAN membership, achieved in 1995, is widely regarded as a powerful symbol and the most significant result of Hanoi's new foreign policy as part of the Doi Moi renovation process. Since the completion of ASEAN-10 (Burma/Myanmar and Lao PDR joined ASEAN in 1997, Cambodia was admitted as the tenth member in 1999), Vietnam has actively aimed at narrowing the development gap between the old and new members (the so-called CLMV countries: Cambodia, Lao PDR, Myanmar and Vietnam) with the ultimate goal of committing ASEAN-6 to concrete action. Vietnam's efforts resulted in the *Hanoi Declaration On Narrowing Development Gap For Closer ASEAN Integration*, which was signed in July 2001. The Vietnamese government has never openly or officially claimed any leadership role in ASEAN but there can be little doubt that Vietnam as the largest and economically most powerful of the newer member states has emerged as *primus-inter-pares* in the CLMV subregion and has a strong input to ASEAN meetings. The Government has always seen ASEAN-membership as an essential part, if not a *sine qua non*, of the country's internationalisation and global integration strategy. According to Foreign Minister Nguyen Dy Nien, Vietnam's participation in the ASEAN Free Trade Area (AFTA) and other schemes of economic co-operation such as the ASEAN Investment Area (AIA) and ASEAN Industrial Cooperation (AICO) "paved the way for Viet Nam's participation in other cooperation mechanisms and organisations such as APEC, WTO...." (1)

Related facts, figures, and references

- (1) "We will successfully fulfil this responsibility". Interview with H.E. the Minister for Foreign Affairs, Mr. Nguyen Dy Nien in Ouoc Te, *International Affairs Review*, Vietnam, August 2000, pp. 7-9. For a more detailed assessment see Jörn Dosch, 'Vietnam's ASEAN Membership Revisited: Golden Opportunity or Golden Cage?' *Contemporary Southeast Asia*, vol. 28, no. 2, 2006, pp. 234-258.

JC 4.4: EC-supported initiatives achieved complementarities and linkages between poverty reduction and progress in Vietnam's integration into the world economy

While all programming documents on EC project activities directed at the support of Vietnam's economic reform process and, related, regional and global economic integration point to the overarching goal of poverty reduction, explicit linkages between *integration* and *poverty reduction* are not usually established. The project document for PRSC general budget support is the notable exception (Indicator 4.4.1)

Apart from PGBS/PRSC, which is obviously built on the purpose of poverty reduction, and the fact that the overarching objective of EC support to Vietnam is the sustainable reduction of poverty (in line with the European Consensus on Development), EC bilateral and regional programmes with a specific focus on integration discuss poverty as part of the respective context/background sections but explicit indicators related to poverty are do not usually find their way into monitoring (Indicator 4.4.2). Furthermore, positive and/or negative impacts of economic integration on poverty reduction are not expressly addressed by EC strategic documents, although the CSPs 2002-2006 and 2007-2013 hint at this aspect (Indicator 4.4.3).

Indicator 4.4.1: Programming documents take linkages between integration and poverty reduction into account

Indicator estimate:

While this is the case for all regional and bilateral EC interventions in this sector, linkages between economic development, of which regional and global integration (particularly WTO membership) is a significant part, are most explicitly taken into account in the general budget support which provides resources explicitly focused on poverty reduction through the PRSC process. As outlined in detail under JC4.1, the programme attempts to support nationally developed strategies rather than imposing external policy prescriptions. The programming documents of various activities under the World Bank-administered ASEM Trust Funds, to which the EC has contributed, have also established a clear linkage between economic integration matters and issues related to poverty reduction. For example, a project under ASEM 1 focused on the design of a social safety net programme to deal with labour displacements resulting from economic reforms.

Related facts, figures, and references

Indicator 4.4.2: Indicators related to poverty reduction built into project and programme monitoring for initiatives on Vietnam's global and regional economic integration

Indicator estimate:

Apart from PRSC, which is built on the purpose of poverty reduction, and the fact that the overarching objective of EC support to Vietnam is the sustainable reduction of poverty (in line with the European Consensus on Development), EC bilateral and regional programmes with a specific focus on integration discuss poverty as part of the respective context/background sections but explicit indicators related to poverty are do not usually find their way into monitoring.

Related facts, figures, and references

Indicator 4.4.3: Positive and negative impacts of economic integration on poverty reduction are addressed by EC strategy and projects and part of the policy dialogue with the government

Indicator estimate:

Strategic documents and project documents related to trade and economy are relatively brief on this aspect. For example, the EC-Vietnam CSP 2007-2013 just makes brief indirect reference to the impact of economic integration on poverty: “Vietnam needs to consolidate its integration into the international economy as it continues its transition to a market economy and accedes to the World Trade Organisation, while ensuring its WTO obligations are met and that the benefits of economic growth are available to all” (p 4) and, “trade-related assistance, with a strong focus on sustainable development and poverty reduction through economic reform, while supporting further opening of the Vietnamese economy and its deeper integration into the global trading system, will enable the EC to maximise the potential of its competence in the trade field” (p. 21). The CSP 2002-2006 was more explicit: “There must ... be complementarity and links among different EC-supported initiatives. Budgetary constraints compel concentration of activities and enhanced linkages between poverty reduction and progress in Vietnam’s integration into the world economy” (p. 22-23).

Related facts, figures, and references

JC 4.5: EC-VN trade and investment relations improved in both quantity and quality

All indicators point in the direction of quantitatively and qualitatively improved bilateral trade and investment relations. The volume of EU-Vietnam trade has almost doubled between 2000 and 2007; it grew much faster than the EU’s total trade with ASEAN which increased by about 15% from € 116.9 billion (2002) to € 135 billion (2007). In 2007, the EU overtook Japan to become the second largest trading partner of Vietnam and, followed China (the largest trading partner) closely (Indicator 4.5.1). The EU stabilised its trade deficit with Vietnam at around € 4.26 billion (US\$ 5.65 billion) in 2007, somewhat lower than the historical record of € 4.43 billion in 2006 (Indicator 4.5.3).

At the same time, any assessment of tariff and non tariff barriers and EU-Vietnam trade issues is not straightforward. On the one hand, market access for European businesses improved significantly due to the favourable WTO trade regime to which Vietnam committed itself. Since Vietnam’s WTO accession, concerns related to a small number of tariff and non-tariff issues have surfaced which, however, do not seem to have had a sustained negative impact on bilateral trade relations. Vietnam complained about the removal of the country’s footwear sector from the EU’s Generalised System of Preferences (GSP) which took effect on 1 January 2009, and has opposed the EU anti-dumping duties on leather footwear. The latter measure is currently under review (Indicator 4.5.4).

WTO accession largely contributed to increased foreign investors’ confidence in Vietnam’s business environment, the establishment of a level playing field with domestic companies and improved transparency and the quality of the regulatory framework. However, a large gap between commitments and disbursements remains. 2007 only saw disbursements of around US\$ 8 billion. While this implies more than the doubling of the absolute amount of disbursed FDI year-on-year, it still represents a 60% gulf between commitments and disbursements. While the EU has made only a modest contribution to new commitments in 2007 (the EU share of registered capital stood at only 2%), the contribution to total disbursed capital remains high. While actual figures remain unavailable from local authorities, it is estimated that the EU continues to rank second after Japan, in terms of total disbursements nearing US\$ 5 billion (Indicators 4.5.8.)

Vietnam’s rapid integration into the regional and global economic environment has been accompanied by both challenges and opportunities. Among them are the need for significant improvements to the country’s IPR regimes – ECAP made a significant contribution at least as far as the establishment of a legal framework and TRIPS compliance is concerned (Indicator 4.5.6) – and challenges faced by the fast

growing SME sector in an competitive international environment. While the EC has been supporting SMEs since 1998 through the Small and Medium-sized Enterprise Development Funds I and II, the documentary evidence does not provide any findings on the impact of activities funded under the programme on SME's export competitiveness (Indicator 4.5.7).

As it is usually the case, any empirically sound judgment on the specific impact on EC-funded programmes on the improvement of trade and investment relations is impossible to make as the EC's role towards reform processes in Vietnam cannot be analytically isolated from other factors. Another notoriously difficult issue is the evaluation of EU visibility. However, EU visibility in the trade and investment sector has been increased by the SPF, the EU's strong widely reported support for the country's WTO membership and the work of EuroCham (Indicator 4.5.8).

Indicator 4.5.1: Trade relations between EU Member States and Vietnam increased

Indicator estimate:

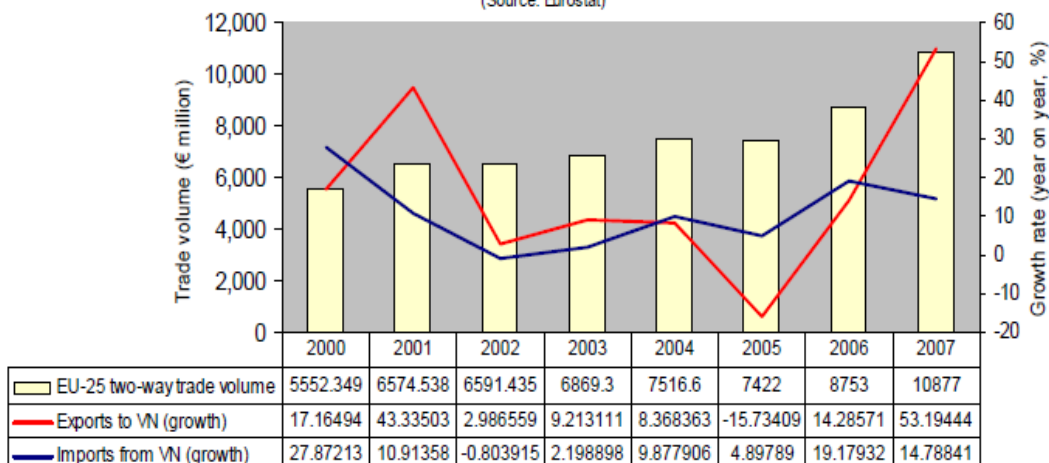
The volume of EU-Vietnam trade has almost doubled between 2000 and 2007; it grew much faster than the EU's total trade with ASEAN which increased by about 15% from € 116.9 billion (2002) to € 135 billion (2007). In 2007, the EU overtook Japan to become the second largest trading partner of Vietnam and, followed China closely - the largest trading partner - based on the data of the Vietnamese General Department of Customs (GDC). The EU's trading volume with Vietnam, as indicated by GDC's figure, was as much as US\$14.23 billion while that of China and Japan were respectively US\$15.86 billion and US\$12.25 billion. It should, however, be noted that, according to Eurostat bilateral trade between Vietnam and the EU in 2007 stood at more than €10.87 billion [approximately US\$14.44 billion, at the 2007 average exchange rate: €1 = US\$1.3274]. EU figures only take account of the "real" origin and "final destination" of the merchandise – whereas Vietnamese figures often record intermediate destinations where goods are re-grouped in larger cargo ships. Since one of the destinations for regrouping of Vietnamese goods (due to a lack of deep-water seaports) is Hong-Kong and Shanghai, it is not to be excluded that, in reality, the EU is actually the first trading partner of Vietnam, as some exports from Vietnam to the EU may appear, in GDC's data, as exports from Vietnam to China. Based on Eurostat data, Vietnam's share of overall EU trade with ASEAN increased from 4.7% in 2000 to 8% in 2007.

On the import side, China continued to be the largest partner of Vietnam since it overtook Japan in 2003. With respect to exports, the US maintained its top position in 2007 after overtaking the EU in 2004 (1).

Chart: EU-Vietnam Trade 2000-2007

EU-Vietnam trade

(Source: Eurostat)



Source: Vietnam Greenbook 2008, p. 17

Related facts, figures, and references

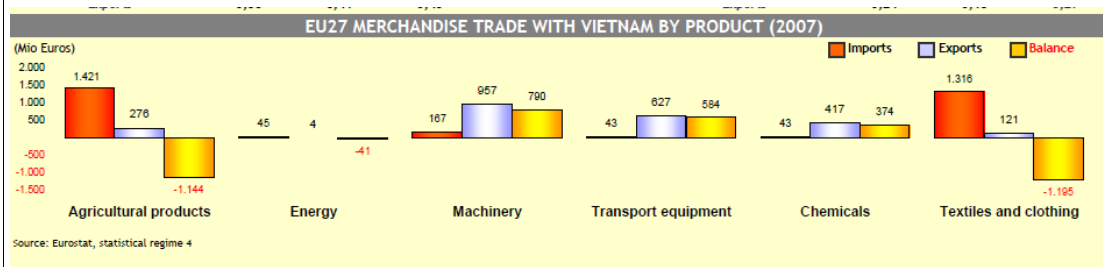
- (1) Vietnam Greenbook 2008, pp. 15-17; DG Trade,
http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113463.pdf

Indicator 4.5.2: Trends in proportion of Vietnam's exports sold to EU market, by sector

Indicator estimate:

EU imports from Vietnam continued to concentrate upon intensive-labour products, most of which enjoyed sizable growth: footwear [value: nearly € 1.97 billion; reduction: -1.10% versus 2006 figure], garments and textiles [over €1.16 billion; +10.57% year-on-year], coffee [€ 834.7 million; +36.72% year-on-year], seafood [€ 575.3 million; +22.76% year-on-year], and furniture [nearly € 738.2 million; +13.23% year-on-year] (1).

Chart: EU-27 Merchandise Trade with Vietnam by Product (2007)



Source: DG Trade, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113463.pdf

Chart: EU Imports from Vietnam (2007)

Products (Sic Sections) by order of importance	Mio euro	%	Share of total EU imports
TOTAL	7.852	100,0	0,6
Miscell. manuf. Articles	4.350	55,4	2,5
Food and live animals	1.291	16,4	2,0
Manuf goods classif. chiefly by material	645	8,2	0,4
Machinery and transport equipment	210	2,7	0,1
Crude materials inedible, except fuels	171	2,2	0,3
Mineral fuels, lubricants and rel. Materials	45	0,6	0,0
Chemicals and related prod., n.e.s.	43	0,5	0,0
Commodit. and transactions n.e.c.	8	0,1	0,0
Beverages and tobacco	2	0,0	0,0
Animal and vegetable oils, fats and waxes		0,0	0,0

Source: DG Trade, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113463.pdf

Related facts, figures, and references

- (1) Vietnam Greenbook 2008, p. 18; DG Trade, EU-ASEAN trade statistics, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113471.pdf

Indicator 4.5.3: Trends in proportion of Vietnam's imports originating in EU, by sector

Indicator estimate:

The EU stabilised its trade deficit with Vietnam at around € 4.26 billion in 2007 (US\$ 5.65 billion), somewhat lower than the historical record of € 4.43 billion in 2006. Redressing the deficit has been possible due to an unexpected (in light of the strength of the €) surge of EU exports to Vietnam, which grew significantly by 53.19%. This unprecedented large expansion of exports by the EU to Vietnam was attributed to the significant jump in high-tech products such as boilers-machinery and mechanical products [nearly € 838.2 million], electrical machinery and equipment [more than € 450.7 million], aircraft [more than € 335.1 million], ships [over €100.6 million], and vehicles [nearly € 228.6 million] (1)

Chart: EU Exports to Vietnam

Products (Sic Sections) by order of importance	Mio euro	%	Share of total EU exports
TOTAL	3.592	100,0	0,3
Machinery and transport equipment	1.661	46,2	0,4
Manuf goods classif. chiefly by material	419	11,7	0,3
Chemicals and related prod., n.e.s.	417	11,6	0,2
Food and live animals	210	5,9	0,5
Miscell. manuf. Articles	136	3,8	0,1
Crude materials inedible, except fuels	95	2,6	0,4
Commodit. and transactions n.e.c.	31	0,8	0,1
Beverages and tobacco	19	0,5	0,1
Mineral fuels, lubricants and rel. Materials	4	0,1	0,0
Animal and vegetable oils, fats and waxes	2	0,1	0,1

Source: DG Trade, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113463.pdf

Related facts, figures, and references

- (1) Vietnam Greenbook 2008, p. 17

Indicator 4.5.4: Tariff and non tariff barriers reduced and other EU-Vietnam trade issues resolved

Indicator estimate:

The assessment of this indicator is not straightforward. On the one hand, bilateral trade found its legal framework in the 2005 “Agreement between the European Community and the Government of the Socialist Republic of Vietnam on market access” provided and paved the way for Vietnam’s WTO membership (1). The Agreement was replaced by the WTO regime when Vietnam accessed the organisation in January 2007. On the other hand however, since then concerns related to a small number of tariff and non-tariff issues have surfaced which, however, do not seem to have a sustained negative impact on bilateral trade relations. The European side reported the emergence of some of the first difficulties of Vietnam regarding WTO implementation. Some of these were solved in 2008 but some remain open (2).

Vietnam on its part complained about the removal of the country’s footwear sector from the EU’s Generalised System of Preferences (GSP) on 1 January 2009. GSP was set up in 1971, providing developing countries with unilateral tariff preferences and a duty free quota regime. According to the EC, if GSP-covered import from one country represent 15% of all imports into the EU from all GSP beneficiaries, that country's sector is competitive enough not to need preferential treatment. In order to encourage diversification and not penalise over- dependence, the EU foresees that sectors that meet the 15% threshold shall continue enjoying GSP benefits if they constitute at least 50% of all GSP imports originating from the country in question. Vietnam's GSP-covered exports of shoes represented an average of 19% of all EU GSP shoe imports during 2004-2006. Furthermore, GSP-covered footwear represents an average of 49.1% of Vietnam's GSP-covered exports, according to figures presented by the EC (3). Vietnam has also called on the EC to end the EU anti-dumping duties of 16.8% on leather footwear, “denouncing the ‘hard’ impact it has on local companies and employment”. The anti-dumping measures were introduced by the EU in 2006 to combat an influx of leather shoes from Vietnam and China, where the EC said manufacturers were getting unfair state aid. The measure is currently under review.

Related facts, figures, and references

- (1) Vietnam News Briefs, Trade – EU decides to end preferential tariffs for Vietnam shoes form Jan 1, 2009, 16 June 2008.
- (2) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:075:0037:0039:EN:PDF>
- (3) For details see Vietnam Greenbook 2008, p. 13.
- (4) Agence France Press, Vietnam asks EU to end anti-dumping duties on leather shoes, 16 September 2008; Anti-dumping investigation into Chinese and Vietnamese leather shoes, Statement to the Press by Commissioner Peter Mandelson, Brussels, 23 February 2006, http://trade.ec.europa.eu/doclib/docs/2006/february/tradoc_127607.pdf

Indicator 4.5.5: Significant changes in customs, non tariff barriers achieved

Indicator estimate:

EC policy in this area has aimed at the liberalisation of trade and investment flows. Key objectives include the removal of tariff and non-tariff barriers to imports of specific goods, the removal of obstacles to investment (joint venture requirements, burdensome licensing procedures, outright closure of certain sectors to foreigners), and the improvement of the business environment (protection of intellectual

property rights etc.) (1). Through APRIS, the EC supports the creation of an ASEAN customs union. Significant changes to Vietnam's trade regime were mainly achieved as the result of the country's WTO accession.

Related facts, figures, and references

- (1) Delegation of the EC in Hanoi

Indicator 4.5.6: Significant changes in IPRs and Standards and Quality Assurance administration and enforcement achieved

Indicator estimate:

Violations of intellectual property rights are widespread, and IP protection is generally regarded as inadequate. Many illegal products are marketed (fake products as well as deceptive packaging) and the fight against them has been rather inefficient so far. At the request of the USA trade association PhRMA, Vietnam has been placed on the USTR Special 301 watch list for several consecutive years now. With WTO accession and with the acceptance of the TRIPs agreement, steps have been taken towards the implementation of WTO principles. Most notably, a new IP law has been in force since 1 June 2006. With a few shortcomings, the law is basically up to international standards but its enforcement is still poor and penalties have not been efficiently deterrent (1).

The EC supported two major IPR projects over the evaluation period. While ECAP I (1993-1997) focused on industrial property rights, ECAP II (2000-2007) covered the entire spectrum of IPRs, with particular emphasis on enforcement. The legal framework in Vietnam is now complete and largely TRIPS compliant but enforcement is still inadequate (see also Indicator 4.3.2.) (2).

Related facts, figures, and references

- (1) Greenbook 2008, p. 46.
- (2) Marc Maes, The EU Approach to the ASEAN, India, Korea FTA Negotiations, EU-ASEAN FTA Seminar. Bangkok, February 7-8, 2007, Reader, p. 17.

Indicator 4.5.7: Share of private sector/SMEs in Vietnam's exports rising

Indicator estimate:

Vietnamese economy remains on a steep growth path. This growth is mainly driven by small and medium enterprises (SMEs) which are classified as companies with less than 300 employees or a market capitalisation of less than VND 10 billion. The origin of the EC's support for SMEs in Vietnam dates back to 1997 with a project on SME development (the Small and Medium-sized Enterprise Development Fund I/SMEDF until December 2000) with the Ministry of Labour, Invalids and Social Affairs acting as the Executing Authority. Un-disbursed funds from this project were made available for a further phase (SMEDF II, until 2008) in order to continue addressing the main constraints that SMEs are facing, namely access to medium - and long-term credit for undertaking investments in the creation or extension of production capacities. Inter alia, SMEDF II assisted Vietnamese SMEs to export goods to the EU. The new fund was set up to be administered by the Vietnamese Development Assistance Fund (DAF) which was later transformed into the Vietnam Development Bank (VDB). The capital is lent to three private and one state bank at slightly concessional conditions with the objective to enhance the banks' operations in the SME sector. Additionally, SMEDF II provides training to bankers and SME managers related to SME lending procedures, business planning, training and interview skills, etc. The SMEDF II fund constitutes only 1-2% of the SME lending portfolio of Vietnamese banks and therefore remains marginal, but has improved the availability of medium and long term loans (1).

As the following table shows, the share of SMEs among Vietnamese firms has continuously increased from 94% of 42,000 firms in 2000 to 97% of more than 110,000 firms in 2005. SMEs employed a rather stable portion of total labour force of between 34%-38% each year, while the share of capital stock fluctuated with the peak of 38% in 2000. Gross output produced by SMEs was a constant trend at around 45%-49% share of total gross output. These figures indicate that SMEs are the backbone of Vietnam's economy and, consequently, the country's export sector (2). However, comprehensive figures on the share of SME's in Vietnam's export sector do not seem to exist. According to the 5 year SME Development Plan 2006-2010 the "ratio of SMEs having direct export is 3-6% (3)".

Table: Number and performance of Vietnamese SMEs 2000-2005

	Year	2000	2001	2002	2003	2004	2005
1. Total number of firms		42,288	51,680	62,908	72,012	91,755	112,952
2. SMEs (share of total firms)		39,897 (94%)	49,062 (95%)	59,831 (95%)	68,687 (95%)	88,222 (96%)	109,338 (97%)
3. SMEs' share of total labor force		36%	34%	35%	35%	36%	38%
4. SMEs' share of total capital stock		38%	29%	29%	31%	34%	33%
5. SMEs' share of total gross output)		48%	45%	49%	48%	45%	46%

Source: Enterprise Census 2000-2005 of General Statistic Office (GSO) of Vietnam

In: Anh Ngoc Nguyen; Ngoc Quang Pham; Chuc Dinh Nguyen; Nhat Duc Nguyen, Innovation and exports in Vietnam's SME sector, The European Journal of Development Research, Volume 20, Issue 2, June 2008.

Related facts, figures, and references

- (1) Project Synopsis, Small And Medium-Sized Enterprise Development Fund – Phase II, ASIE/2000/002-466; Monitoring Report Vietnam – VN – Small And Medium-Sized Enterprises Development Fund - Phase II. MR-20326.03 – 04/12/07; Monitoring Report Vietnam – VN – Small And Medium-Sized Enterprise Development Fund - Phase II. MR-20326.01 – 10/08/05; Monitoring Report Vietnam – VN – Small And Medium Sized Enterprise Development Fund - Phase II. MR- 20326.02 – 07/11/06; The Saigon Times, Vietnam, EU Mull Export Assistance Fund for SMEs, 1 March 2004.
- (2) Anh Ngoc Nguyen; Ngoc Quang Pham; Chuc Dinh Nguyen; Nhat Duc Nguyen, Innovation and exports in Vietnam's SME sector, The European Journal of Development Research, Volume 20, Issue 2 June 2008, pages 262 – 280.
- (3) Approval of the 5 year SME Development Plan 2006-2010, <http://www.business.gov.vn/uploadedFiles/Decision%20236-2006.pdf>

Indicator 4.5.8: European FDI in Vietnam increased and diversified

Indicator estimate:

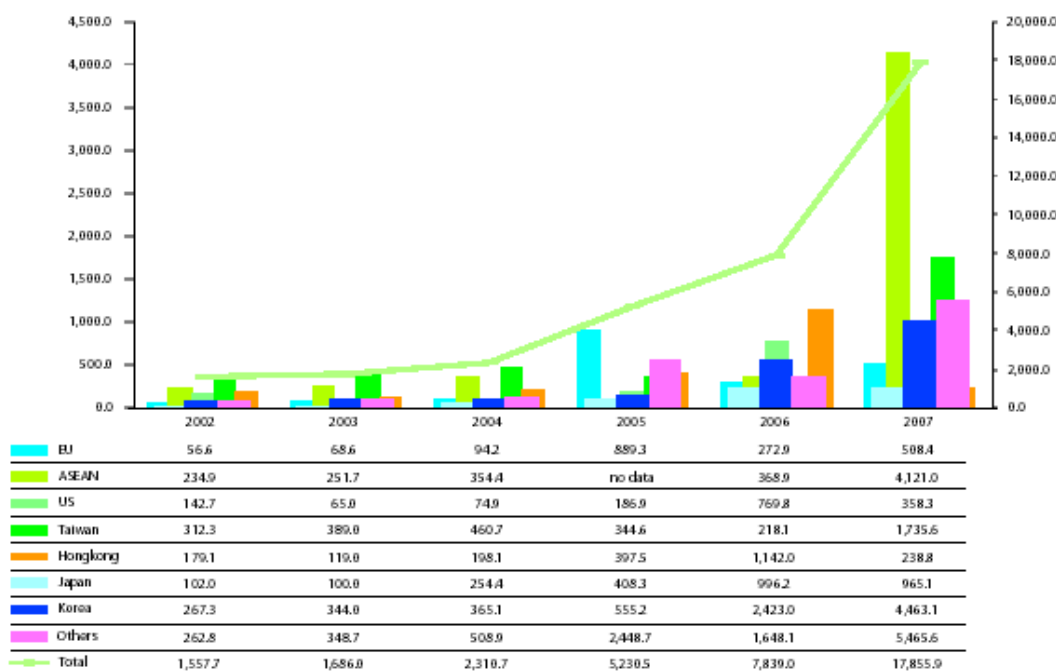
WTO accession largely contributed to increased foreign investors' confidence in Vietnam's business environment, the establishment of a level playing field with domestic companies and improved transparency and the quality of the regulatory framework. However, a large gap between commitments

and disbursements remains. 2007 only saw disbursements of around US\$ 8 billion. While this implies more than the doubling of the absolute amount of disbursed FDI year-on-year, it still represents a 60% gulf between commitments and disbursements. While the EU has made only a modest contribution to new commitments in 2007 (the EU share of registered capital stood at only 2%), the contribution to total disbursed capital remains high. While actual figures remain unavailable from local authorities, it is estimated that the EU continues to rank second after Japan, in terms of total disbursements nearing US\$ 5 billion. In 2007 total annual new FDI inflows (registered capital) increased more than eleven-fold, while FDI originating from the EU grew only by about nine times – however, since 2002 there have been significant fluctuations in EU FDI inflows. The 2007 increase was mainly the result of Vietnam's WTO membership.

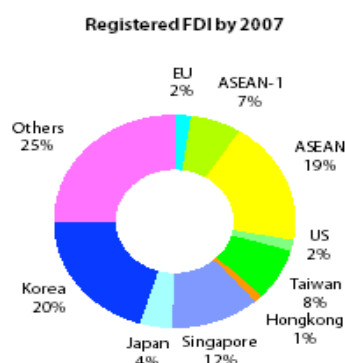
Over a period of almost two decades since the opening of Vietnam to FDI (1988-2006), FDI in Vietnam has been dominated by regional investors. Investors from the Asian region accounted for 67% of inward FDI flows in Vietnam. As a late comer in Vietnam, US FDI has increased significantly since the conclusion of the Bilateral Trade Agreement in 2001. EU investors accounted for a cumulated 10% of projects, 15% of total investment capital and 20% of registered capital over the 1988-2006 period. Research during the field mission will try to shed some light on the reasons for the significant fluctuations in European FDI inflows and share of total EU FDI as this phenomenon is not comprehensively analysed and explained in the existing documentation and literature.

Manufacturing has absorbed the bulk of FDI inflows in Vietnam - in terms of the number of projects, registered capital and implemented capital – followed by services and agriculture. According to figures published by GSO the Ministry of Planning and Investment (MPI), all sixty four provinces in Vietnam have received FDI. However, the distribution of FDI across provinces is very uneven with the South East region (covering Ho Chi Minh city and its surrounding provinces) accounting for the largest share of FDI. In the North, Hanoi and neighbouring provinces account for the second largest share of FDI, leaving a very small proportion for other regions (1).

New FDI inflows by registered capital in 2007 (USD mil)
(new projects only, excluding capital increases in existing projects)



Source: Ministry of Planning and Investment



Source: EU Vietnam Bluebook 2008, p. 26.

Related facts, figures, and references

Vietnam Greenbook 2008, p. 11; Nguyen Ngoc Anh and Nguyen Thang, Foreign direct investment in Vietnam: An overview and analysis the determinants of spatial distribution across provinces, Development and Policies Research Center, Hanoi, 10 June 2007, http://mpira.uni-muenchen.de/1921/1/MPRA_paper_1921.pdf

Indicator 4.5.9: EU visibility enhanced by its economic dialogue and co-operation

Indicator estimate:

While visibility is a factor that can never be analysed based on documents alone (unless a survey has been carried out which is not the case in Vietnam) and this indicator can only be sufficiently assessed after the field mission, it is likely that EU visibility in the trade and investment sector has been markedly increased by the following factors (not necessarily in the order of importance):

- At the project level especially the SPF, which explicitly aimed to improve the mutual understanding and joint visibility of the EU in Vietnam, and vice-versa, by promoting civil society dialogue and facilitating interactions in the priority areas of intervention (see Indicator 4.1.1). A small 10-project sample alone (that was chosen for final evaluation) engaged upwards of 5000 persons directly and 8000+ indirectly. With a budget of EUR 2 million over 4 years, the SPF encouraged a wide participation of civil society actors in the ongoing reform process and fostered the transfer of know-how from European partners. In this context, the SPF supported actions, often with a policy advice orientation, that included a dimension of Vietnamese-European partnership by involving qualified institutions, associations and/or expertise (1). In general terms – and this is almost common sense – “EC visibility is easier to ensure with ‘high level’ projects producing wider outputs (hence with large funds) than with a multitude of small ill-matched/too focused projects” (2).
- The strong and in the Vietnamese media widely reported EU support for the country’s WTO membership.
- The work of EuroCham given mainly the large number of high profile in-country seminars/workshops that the chamber has organised in its ten year existence. For example in September 2008 EuroCham hosted an event with Vietnamese Deputy Prime Minister Hoang Trung Hai on the future of the EU-Vietnam trade and the role of the European private sector in the nation’s continuing development (3).

Related facts, figures, and references

- (1) Final Evaluation of the EU-Vietnam Economic Cooperation Small Projects Facility
- (2) ASIE/VN/2003/5814, Final Evaluation Report 2 May 2008, p. 4. However, somewhat contradictory the report also notes that “visibility was well done for overall CfP promotion. Project level events were poorly done in the sample group. The SPF logo was infrequently

used on banners and project printed outputs. SPF PO notes that those projects outside the sample were done well so that overall project event visibility is at least adequate. When reviewing the outputs / results of the sample projects visibility is poor. Some publications included the EU logo and some barely mentioned the funding support at all” (p. 22).

- (3) Monitoring Report Vietnam – VN – EU-Vietnam Small Projects Facility. MR-20347.02 – 12/12/06.
- (4) Vietnam Briefing, Top Vietnamese Official Talks about EU Trade Relationship, 3 September 2008

EQ5 - Governance: To what extent has the EC integrated governance broadly considered (e.g.; public sector accountability and transparency, civil society, Rule of Law, human rights, corporate social responsibility, gender) into its cooperation programme both in terms of strategy and implementation?

We have approached this EQ based on the assessments of five Judgement Criteria. JC5.1 has to do with the EC's support for civil society development, which we judge to have been good given the limitations inherent in working in the Vietnamese context; Lessons from cooperation were reasonably well integrated into policy dialogue on governance (JC 5.2), more due to good lines of communication in the EC Delegation than due to explicit integration of governance-related indicators into monitoring frameworks. A number of EC-supported projects and programmes addressed governance issues high on the national strategic agenda (JC 5.3, and EC strategy took governance adequately into account (JC 5.4)). While applications from national NGOs and CSOs have been limited to date, there is reason to believe that the Non-state Actors / Local Authorities budget line will be a significant source of support for civil society, as well as local government institutions. There has been progress on institution building and, albeit slow, on public administration and financial management reform. (JC 5.5).

The GoV's own agenda places emphasis on improved governance, rooted in the SEDP's twin goals of a socialist market economy and socialist Rule of Law, but most closely tied to the aid effectiveness agenda as made concrete in the Hanoi Core Statement (HCS). We have found evidence of a great deal of EC support for, although not necessarily partnership with, civil society and the private sector (Judgement Criterion 5.1) through projects such as the SPF (see Special Focus 3) and MUTRAP (increasingly). We have evidence that governance issues feature prominently in policy dialogue related to the development partnership with the GoV, especially in the context of the aid effectiveness agenda discussed under EQ 8. Synergies were identified and exploited between the cooperation programme and policy dialogue (for example, in trade and economy), blending at the edges into the use of the cooperation programme to address sensitive issues including human rights. Another sign of EC support for progress in governance issues is the new additional action "Support to EU-Vietnam Strategic Dialogue," which has already committed funds a number of small, innovative activities.

The EC cooperation programme has tackled governance issues in concrete form (Judgement Criteria 5.3 and 5.5). This has occurred both via dedicated projects and programmes, such as the Institutional Support Project (which focused on legal and judicial reform, strengthening capacity at the National Assembly and in other judicial institutions) and the Small Projects Facility (which strengthened civil society and the private sector), by supporting UNDP-implemented governance projects (including anti-corruption), and by building governance components into sector projects. The latter is especially clear in the case of rural development and forestry, where issues of property rights were frequently dealt with in the context of projects. However, the survey of rural development projects underlying the answer to EQ 3 found (we discuss this under EQ6) that issues of gender and ethnic minorities were not dealt with well.

Not surprisingly, the area of human rights remains a difficult one in which to work in Vietnam. Civil society development is occurring rapidly in Vietnam, and there has been a striking widening of the space for non-state actors to make their voice heard; however, no autonomous "watchdog" civil society in the sense that European donors would understand it has occurred. The EC, needless to say, does not have the leverage to force this to happen, nor do the donors even taken as a whole. However, the SPF supported national NGOs to deal with a number of surprisingly "hot" topics in its governance component, and the emerging additional activity "Support to Strategic Dialogue" is supporting small activities in sensitive areas, as well (e.g., corruption and refugees). As evidenced by infringements of the freedom of the press in 2008 in the context of reporting on corruption, progress on governance in Vietnam often occurs with a dynamic of two steps forward, one step back. NGOs in the social sectors are assuming a greater role in rural and remote areas, but their impact on policy at the national level is very low. Apart from some groups promoting environmentally stable urban growth, the involvement of civil society groups in environmental issues has been surprisingly low. Nevertheless, civil society organisations

are increasingly associated with PRSC policy dialogue.

In noting the success of the SPF, we recognise that the time and financial costs to the EC Delegation in Hanoi were very high, leading to some institutional dissatisfaction with that approach.

EC strategic documents incorporated analysis of governance issues (Judgement Criterion 5.4). High-level strategic documents such as CSPs tended to deal with governance issues only in very general terms, however, project logframes dealt with them more explicitly.

Despite this, a theme that runs through the Judgement Criteria is that progress on Public Administration reform, and especially through the closely related area of Public Financial Management (PFM) has been much slower than the international partners would wish to see. The budget is now public, but it is still unconsolidated and opaque to all who do not wish to spend days deciphering it. In looking at EQ 1 and in Special Focus 1, we saw how complicated is the budgetary process in the health sector; the same theme arises in education in EQ 2 and Special Focus 2.

JC 5.1: Partnerships formed with NGOs, private firms, and decentralised government agencies

JC assessment:

The EC has financed dozens of projects implemented by both local and international NGOs. Many of the former have been described under EQ 4, where the economic component of the Small Projects Facility or SPF was discussed. However, SPF also had a separate and highly successful governance component which financed a number of innovative projects, including some on sensitive human rights issues. We discuss SPF in detail in Special Focus 3 and report on the results of a focus group discussion with recipients of SPF support in Special Focus 5. We note, however, that the SPF final evaluation presented a mixed view of impacts and that the costs to the EC Delegation were very large. The new MUTRAP3 project includes flexibility for supporting some activities that would previously have been candidates for SPF support.

As we explore in Special Focus 3 and to some extent in discussing Indicator 5.1.1 below, the role of civil society is somewhat ambiguous in Vietnam. Civil society has expanded and its freedom of action has improved. There is, as yet, no legal basis, although it is easy for an NGO to register if it wishes to do so (a number do not). Civil society groups have increased their involvement in policy making through informal contacts and indirect channels, and is increasingly represented in PRSC policy dialogue. Yet civil society in a European sense, consisting in large part of visible, issues oriented, autonomous organisations taking government, the private sector, and other reservoirs of power to task, has not developed in Vietnam, nor is there any sign that it will.

The EC has supported civil society in Vietnam, in large part because unlike other donors, it sponsors programmes that are open to NGOs and CSOs to apply for, a fact greatly appreciated by the beneficiaries. There are the usual warnings that procedures are complicated, project life cycles too short, etc., but by all accounts, the SPF was a highly successful intervention (but also highly labour intensive and expensive from the EC Delegation point of view). The final evaluation of SPF gave a mixed review of impacts. The EC has also supported civil society in Vietnam by sponsoring projects in which international NGOs partnered with national NGOs, building capacity. Going forward, the MUTRAP 3 project includes flexibility to support some activities that might formerly fall under SPF. The new Non-state actors and local governments budget line has potential to support civil society, although so far, national organisations have only limited capacity to successfully complete the application process.

“Support” is one thing. Whether the EC has really “partnered with” civil society, especially national NGOs, is more problematic. “Partner for what?” is not an irrelevant question. Yet, international NGO representatives interviewed stated that no other donor had engaged so extensively as the EC recently did, in outreach and consultations with the NGO community regarding strategic orientation.

We have largely ignored Provincial level governments in answering this EQ. Apart from working with District and Provincial agencies when called to do so in the implementation of development projects, no

real “partnerships” have been formed. The Mid-term Review of progress towards achieving the goals in the Hanoi Core Statement (referred to in detail in answering EQ 8) stated that progress towards implementing the goals of the HCS at the Provincial level is still in the beginning stages.

Indicator 5.1.1: Increase in CSO (Civil Society Organisations) participation in policy formulation and review

Indicator estimate:

In Special Focus 4 on civil society in Vietnam, we have commented that, while civil society has developed rapidly in Vietnam, it has never really taken on an autonomous or watchdog role. Civil society has been increasingly active, largely through informal channels, in policy formulation. Yet, some of the “natural” issues for NGO involvement have not given rise to much activity. Corporate social responsibility is not a burning issue (as it is, for example, in China) and, while there has been some civil society involvement with urban environmental issues, this has been mostly low-key (and has attracted relatively little donor interest, as environment in Vietnam is largely constructed as a rural issue). The few national NGOs that speak on environmental issues have little influence. While NGOs play some useful role in the social sectors in rural and remote areas, they have little impact on national-level policy.

There is agreement in the donor community that the process of putting together the SEDP 2006-2010 was far more inclusive and participatory, involving NGOs, academics, and the private sector, than as the formulation of the SEDP 2001-2005. However, a donor review suggested that the role of civil society in implementing and monitoring the Plan needed to be better elaborated, and cited the lack of a legal framework for civil society. And in terms of reviewing implementation, national NGOs have been less involved than in the past. However, more broadly speaking, other experts were of the view that overall, civil society has been increasingly active.

Civil society organisations themselves have expressed dissatisfaction with their level of involvement with the donors and cite a lack of “sustained and insightful support” (2). Yet in the course of the most recent Mid-Term Review (MTR) of the CSP, there were extensive EC Delegation and MTR Team consultations with NGOs. One international NGO representative interviewed expressed the view that no donor had made more effort to reach out to the NGO community in its strategic planning process than the EC.

An area which is just emerging is that of NGO involvement in service delivery, especially in health. Community service organisations are lobbying for an increased role, but this raises difficult issues of training, certification, etc. However, the scope for increasing involvement of CSOs in meeting the needs of vulnerable groups (frail elderly living alone, injecting drug users, etc.) is enormous. It is not clear that involvement in service delivery will, however, necessarily increase the impact of NGOs (especially in rural and remote regions) on national-level policy.

The EC, in its CSPs, has cited the need for a more concrete role for civil society, as well as for an overarching legal framework for its development (see Indicator 5.4.2).

Related facts, figures, and references:

- (1) CSP 2007-2013, p. 29.
- (2) International NGO Statement for the Vietnam Consultative Group Meeting, 4-5 December, 2008, p. 13.

Interviews with bilateral donor agency staff; international and national NGO representatives.

Indicator 5.1.2: Cooperation programme includes links with private sector organisations (national and international industry associations, chambers of commerce, etc.)

Indicator estimate:

Private sector organisations, including EuroCham, were beneficiaries of the Small Projects Facility (SPF). In discussing EQ 4 on trade and economy, the strong role of Eurocham was described, as was the general role of the Small Projects Facility in promoting the private sector. For information specific to SPF, see Special Focus 3.

A special attempt is being made through MUTRAP 3 to encourage national business associations to pair with European business associations to have input on trade policy, which is currently determined almost entirely by GoV.

Related facts, figures, and references

JC 5.2: Lessons learned from cooperation inform policy dialogue on governance issues

JC assessment:

We begin by clarifying that policy dialogue, which may, for example, have to do with strategic orientations within the GoV's development programme or have to do with issues of aid effectiveness, is to be distinguished from political dialogue. In theory, the cooperation programme is expected to result in the accumulation of institutional capacity and lessons learned which deepen and inform the EC-Vietnam policy dialogue.

In terms of the internal learning process by which policy dialogue related to cooperation incorporates governance-related lessons learned in implementing the cooperation programme, the picture is mixed. The incorporation of governance-related indicators into project monitoring frameworks is relatively weak (Indicator 5.2.1). Results-oriented Monitoring (ROM) Reports concentrate on governance issues of the project as such, e.g., lack of coordination between partners, not on overarching governance themes. Objectively Verifiable Indicators (OVIs) set forth in project log-frames tend to be output oriented.

Lines of communication between persons responsible for cooperation and persons responsible for policy dialogue are good at the EC Delegation level. There is concrete evidence of two-way flow of information relating to emerging issues, lessons learned, etc., between the Trade / Economic / Political Section and those in the cooperation group who are working on trade and economy projects. Some of this information flow has been explicitly related to governance issues, such as Intellectual Property Rights (IPRs). However, it must be kept in mind that the number of staff working on trade / economic / political issues is small compared to the number of staff involved in cooperation.

Moving to questions which are increasingly political, the cooperation programme has provided a useful venue in which issues raised in political dialogue may be pursued in a concrete, and less politically loaded, context. The SPF Project (Special Focus 3) dealt with a number of surprisingly "hot" topics in its governance component. The emerging "Support to Strategic Dialogue" additional activity will support small activities in sensitive areas, as well.

In the context of the pursuit of aid effectiveness (see EQ 8) we describe an institutional structure and process through which governance related issues are debated and incorporated into dialogue related to the evolving EU-donor partnership.

Indicator 5.2.1: Indicators related to governance issues built into project and programme monitoring

Indicator estimate:

Results Oriented Monitoring (ROM) reports

A full set of Results Oriented Monitoring reports have been examined. Project-level governance issues

affecting project implementation are discussed at length (coordination between partners, for example, or ownership). However, there is rarely explicit mention of general governance issues; when this is encountered, it is usually in the “Relevance and quality of design” section.

Logframes

In rural development, Objectively Verifiable Indicators (OVIs) tend to be highly output oriented. However, when the component being verified (typically at the level of “Major Activities”) explicitly has to do with consultative processes, local involvement, procurement, or the promulgation of legislation, indicators related to governance were incorporated. This is, for example, the case for the Cao Bang – Bac Kan Rural Development Project, the Strengthening of Veterinary Services Livestock Disease Control Project, the Son La and Lai Chai Rural Development Project, and others. No governance-related OVIs feature in the logframe for the Social Forestry and Nature Conservation in Nghe An project.

In the trade and economy sector, the logframe of the European Technical Assistance to Vietnam (ETV) project (see Indicator 5.3.1 for description) explicitly included governance-related indicators where appropriate.

In the logframe for Small Projects Facility, the subject of Special Focus and a project also described in answering EQ 4 on trade and economy, an explicit governance indicator is given relating to Overall Objective. One indicator for “enhanced involvement of civil society partners and the private sector” is “new legislation / regulations on governance issues and trade issues approved.” The other two indicators at this top level are trade statistics and the share of the private sector in GDP. At the level of Project Purpose, which includes civil society dialogue, grass roots democracy, better governance and rule of law, the OVIs given are exclusively output-oriented: number of direct beneficiaries, number of indirect beneficiaries; number of networks established, and media coverage. This is evidence that the number of projects financed, not their quality that was monitored. Not surprisingly, the monitoring at the Results Level is also output oriented.

In the logframe of the Health Sector Development Project, OVIs are exclusively output indicators, although some of them are tied to resolution of governance issues – e.g. “realistic annual plans prepared” (transparency). By contrast, the logframe of the Ministry of Education and Training Support Project (SMOET) includes quite a few OVIs that explicitly deal with governance issues. Examples include “increased efficiency in processing draft legal documentation and greater provincial compliance,” stakeholder feedback reports, “Information base for a policy debate. As one would expect, these OVIs are clustered at the higher levels of the matrix, with output-oriented OVIs attached at the level of Results / Activities.

Related facts, figures, and references:

ROM reports and logframes referenced above.

Indicator 5.2.2: Close communication between programme officers and EC officials responsible for policy dialogue

Indicator estimate:

The principal venue for policy dialogue related to governance is the annual dialogue on “Cooperation in institution building, administrative reform, governance, and human rights” convened by the Ministry of Justice but including the range of ministries with relevant responsibilities (1). This dialogue, a bilateral instrument, comes under the EC-Vietnam Cooperation Agreement of 1996. The CSP 2007-2013 recognises (p. 18) that failure to make further progress in Public Administration Reform and the

strengthening of Public Financial Management would exacerbate the main risks to the Country Strategy.

Governance-related lessons learned and expertise developed in the context of the cooperation programme is fed into policy dialogue through, for example, the Partnership Group on Aid Effectiveness (PGAE, see EQ 8 for discussion).

At the EC Delegation level, there are good relations between the Trade / Political / Economic Section and the Operations Section. Projects such as MUTRAP2 and 3 and SPF generated information that fed into trade and economic policy dialogue and were informed by such dialogue, as well. The ASEAN ECAP Intellectual Property Rights Project served as a strategic conduit for European policy views at a time when Vietnam was drafting its first intellectual property law. However, capacity constraints at the EC Delegation are a factor, as the Trade / Economic Political Section is stretched too thin to have fully effective input to the cooperation programme.

On the more political front, the cooperation programme has provided a venue where human rights issues and issues in other sensitive areas can be embedded in concrete activities, a strategy that may result in more progress towards achieving EC strategic goals than strengthened theoretical discussions. The emerging Euro 14 million “additional action” “Support to EU-Vietnam Strategic Dialogue” under the MIP 2007-2010 has already committed a modest amount of funding for, inter alia, a UNDP-implemented anti-corruption programme, a UNHCR activity benefitting montagnard refugees in the North and ethnic Cambodians in the South, an IOM study of human trafficking, and a Konrad Adenauer Foundation activity providing studies, seminars, and study tours related to human rights. The SPF Project, as noted at several places, supported a number of human rights related projects.

Related facts, figures, and references:

- (1) EC support to legal and judicial reforms in Viet Nam: the Institutional Support Project. In Ministry of Planning and Investment 2008 Special Edition, *15 Years of Cooperation and Development*, pp. 42-43. Hanoi, December 2008.

Interviews with EC Delegation officials.

JC 5.3: Cooperation projects incorporate components explicitly focused on relevant governance issues

JC assessment:

In the Indicators below, we first describe the GoV agenda for improved governance and then describe how the EC aligned with it. A number of EC interventions, for example, the Institutional Support Programme (ISP), the Small Projects Facility (SPF), and thematic budget lines, directly addressed aspects of the efforts to attain better governance (Indicator 5.3.1). Trade-related projects such as MUTRAP, ECAP, and ETV also addressed governance issues, as does the emerging Additional activity “Support for Strategic Dialogue”. A number of project interventions, notably in the rural development and forestry sectors, explicitly addressed governance problems, especially in the area of property rights (Indicator 5.3.2). However, as discussed under EQ 6, rural development projects generally did a poor job of addressing gender and ethnic minority concerns. We have found no evidence so far that project / programme design explicitly incorporated the related issues of corruption and transparency although the latter is, of course, a key component of the overall general budget support via its emphasis on improved Public Financial Management, an area in which the EC is associated with the Multi-Donor Trust Fund.

Indicator 5.3.1: Number of projects/programmes corresponding directly to a governance priority mentioned in Government's policies

Indicator estimate:

The Government's reform agenda

Government policy related to governance has two main aspects, the move to a socialist market economy (defined at the 10th National Congress in April 2006) and development of a socialist rule of law state (defined at the 8th National Congress in 1996 and refined in the 2001 Constitution of Vietnam).

The two components of governance reform are Public Administration Reform (PAR) and legal and judicial reform, which are regarded as inextricably intertwined.

Public administration reform. While PAR dates back to the mid-1990s, the main statement of government policy in the area relevant to this evaluation is the PAR Master Programme 2001-2010 adopted in September 2001. It focused on increasing the transparency and efficiency of administrative procedures, increasing the accountability of civil servants, and improving government structures. The key national strategy document relevant to this period is the Socio-economic Development Strategy (SEDS) 2001-2010 endorsed by the 9th National Party Congress in 2001, the strategic goals of which were the basis for the Socio-economic Development Plan (SEDP) 2001-2005 and the SEDP 2006-2010. The SEDP 2006-2010 is based on four pillars, namely sustainable economic growth, social development, natural resource and environmental protection, and governance. Closely aligned is the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) promulgated in May, 2002, one of whose the three pillars of the CPRGS is establishing modern governance; however, the 2006-2010 SEDP supersedes the CPGRS. The Communist Party of Vietnam's own assessment given in the Resolution of the Fifth Plenum of the 10th National Congress and dated 1 August, 2007, is that PAR progress has been slow and must be accelerated. This assessment was brought home to the evaluation team during the field phase, when multiple experts interviewed stated that the pace of PAR in Vietnam is extremely slow and that poor PAR is a constraint that cuts across all areas of donor engagement.

Legal reform. The basis for legal and judicial reform is again the SEDPs 2001-2005 and 2006 and 2010. Under the first, Resolution 48 of May 24, 2005 put in place the Legal System Development Strategy and Resolution 49 of June 2, 2006 put in place the Judicial Reform Strategy. The LSDS is focused on development of the socialist rule of law, a concept according to which all powers of the State belong to the people and the state coordinates the implementation roles of the National Assembly, the government, and the judiciary. The JRS aims at reforming the court system to make it more efficient as well as responsive to the people through improved access, independence of judges, enhanced legal services, etc. These were articulated in the 2001 Constitution as follows: (i) increasing citizen participation in the lawmaking process, (ii) improving the quality of legal documents, (iii) strengthening judicial review, and (iv) empowering district courts while laying the foundation for eventually putting higher appeals and specialised courts in place.

Corruption: A governance issue deserving special attention is corruption. The Law on Anti-Corruption 2005 set up special corruption courts, strengthened audit capacity, and encouraged media to be active in rooting out and reporting on corruption. The GoV is serious about combating corruption, but focuses on "headline" corruption such as the 2007 Project Management Unit 18 scandal in which a PMU official has accepted large bribes. Daily petty corruption, which has a much greater impact on the lives of the poor, is deeply ingrained in Vietnamese culture and not a major GoV concern.

The EC response

The EC Institutional Support Project (ISP). In the NIP 2002-2004, support to governance was under Focal Point 2 "Vietnam's Integration into the International Economy," and included Euro 30 million allocated to public administration, institutional reform, and good governance (plus Euro 10 million of support to

the private sector).

The flagship governance project initiated under NIPs 2002-2004 and 2005-2006 was the Institutional Support Project (ISP), a Euro 8 million project working with Ministry of Justice, Supreme People's Court, Supreme People's Procuracy, the National Assembly, and Provincial People's Councils (1). Two components were envisaged: (i) support for reform of the legislature directed at the National Assembly and Provincial Councils and (ii) support for legal and judicial reform directed at the Ministry of Justice, the Supreme People's Court, and the Supreme People's Procuracy. This broad project has engaged in activities across a wide front, including building capacity through training and study tours, supported legal drafting, provided IT equipment, and supporting databases. Many, albeit not all, activities, are related to Vietnam's economic reform programme and integration into the world economy, and the project logframe explicitly privileges international integration and the transition to a market economy.

ISP commenced implementation in 2005 and is scheduled to receive EC support until the end of 2009. To recap the results of the February, 2008 mid-term review (2) of the ISP, the project scored high on relevance, medium-low in preparation and design, medium in effectiveness, medium-low in overall outcome and impact, medium in sustainability, medium in coherence with EC strategies, and medium-high in terms of EC value added (the evaluators did not issue an explicit ranking for efficiency). In all areas, the MTR thought it feasible that the project could significantly improve its operation in its last two years.

Information gathered during the field phase largely confirmed this impression. Better coordination with Danish and Swedish activities would have helped, particularly at the stage of project formulation (a lesson being applied in the formulation of the ISP-follow on project). The project scored high points for being relevant to the needs of beneficiaries, which were, at the time, overwhelmingly concerned with the legal requirements for WTO accession. The project had a concrete impact on WTO accession. Support to the National Assembly was generally judged more effective than support to the other beneficiaries. The follow up project being formulated gives only very limited support to the National Assembly, but this is justified by the need to move beyond legal drafting to cover issues of implementation.

ETV2. The European Technical Assistance Programme for Vietnam (ETV1 pre-1999 and ETV2 from 2003-2008) addressed public sector financial management, a Government priority. ETV1 concentrated on accounting, insurance, and standards and quality. ETV2, which ran 2003-2008, fully reflected CPRGS priorities in the areas of (i) fiscal policy and legal advisory services, with the goal of improving the output and efficiency of the tax system, (ii) improving customs policy and advisory services with the goal of increasing the output and capacity of the Customs Service, (iii) improving policy and legal advisory services in insurance and accounting / auditing, (taxation, customs, accounting, auditing, and insurance), (iv) improving data management and analysis / processing at the Ministry of Planning and Investment, and (v) improving quality control, standards, and quality aspects of fish products. While all of these have governance aspects, the most closely related is the first mentioned, on Public Financial Management. ETV2 achieved some good results. However, the project did not always succeed in addressing national needs, a problem that arose due to management issues in the Ministry of Finance.

Multi-Donor Trust Fund on Financial Management.

In the context of PFM, the EC was a late joiner of the Phase 1 of the Multi-Donor Trust Fund on Public Sector Financial Management, and the formulation of Phase 2 is proving slower than expected. In general, while there has been improvement in PFM (described under EQ 7, it has been less than needed (see Indicator 5.5.2).

The Small Projects Facility. The Small Project Facility, which included a number of initiatives directly related to governance, accounted for Euro 2 million. Running from March 2004 – December 2007, the SPF had

three main components: (i) strengthening civil society; (ii) governance, administrative reform, decentralisation; (iii) and integration into the regional and world economy. There were three calls for proposals, and applicants were government agencies, NGOs, local authorities, chambers of commerce, business associations, CSOs, universities, and so on. Vietnamese-European partnerships were encouraged. The final evaluation of the programme ranked it generally high in terms of relevance and effectiveness, but was more mixed in the area of impact (3). We analyse the SPF in much more detail in Special Focus 3.

Thematic budget line activities. The EC has supported improved governance through a range of thematic activities covering democracy and human rights under the strategic dialogue Sub-group on “Cooperation in institution building, administrative reform, governance, and human rights,” a non-state actors thematic budget line, and others having to do with migration and asylum issues, environmental governance (CSP 2007-2013, p. 22).

General budget support. In the NIP 2005-2006, a substantial portion of the allocation to good governance was implicit in support for the PRSC (Euro 14-16 million) with explicit support for governance – through support for institution building, administrative reform, governance, and human rights, at Euro 1-2 million. The role of governance issues within the PRSC is examined below in Indicator 5.5.2.

Related facts, figures, and references

- (1) EC support to legal and judicial reforms in Viet Nam: the Institutional Support Project. In Ministry of Planning and Investment 2008 Special Edition, 5 Years of Cooperation and Development, pp. 42-43. Hanoi, December 2008.
- (2) European Commission Mid-term Evaluation of the Institutional Support Project in Vietnam.
- (3) Final Evaluation of the EU-Vietnam Economic Cooperation Small Projects Facility

Interviews with EC Delegation staff, ISP project staff and beneficiaries.

Indicator 5.3.2: Governance issues directly implicated in sector projects (Rule of Law in projects related to environmental sustainability; gender and ethnic minority issues in health projects, etc.)

Indicator estimate:

In general, governance issues were integrated. For example, in rural development and forestry, explored in EQ 3, we saw that issues of property rights were explicitly dealt with. We are on thinner ice in the area of gender issues and ethnic minority issues, although both were integrated into health sector interventions and, in the case of ethnic minorities, there were dedicated health and education interventions. In the area of rural development, gender issues were poorly integrated, and concerns of ethnic minorities were not properly taken into account (see also EQs 3 and 6). In education, by contrast, ethnic minority issues were well taken into account (see EQ 2)

We discuss the case of rural development in some detail. In the case of ethnic minority groups, the choice of the location of the rural development projects has been carefully made, in the sense that EC has consciously opted to work in poor, isolated and mountainous areas, where minority groups are living (these groups are however not the sole inhabitants of these areas). However, once the areas were chosen, there were very few actions to take the specific situation of these minority groups into account (both during design and implementation). This has not been a matter of unwillingness, but rather a lack of awareness related to the need for specific approaches, analyses, etc. to ensure that these groups would adequately benefit from the projects. The results have been that many ethnic minority groups have not been reached by projects and, in some cases, for those who were successfully reached, the project has

been less effective and sustainability lower. The result is that de facto the gap between these groups and other poor but “mainstream” ethnic groups has widened (though both groups might have made progress in absolute terms).

A quite similar picture -- relative lack of attention/awareness for the need to design and implement gender-specific approaches – applies to women. There have been attempts (e.g., via the use of external gender consultants) to rectify things during implementation (for example, in the SLLC project), but this is no substitute for genuine and effective gender-sensitive approaches, which were found in none of the rural development projects surveyed. At best, some data were generated/monitoring conducted with regard to participation of women in activities, but no analysis was done on the potentially differentiated impact of the projects on women and men.

Related facts, figures, and references

Indicator 5.3.3: Transparency / accountability / corruption explicitly taken into account in project / programme design and implementation

Indicator estimate:

The problems of fiduciary risk and transparency / accountability are at the heart of the general budget support instrument, discussed in detail under EQs 7 and 8.

The field phase did not result in any indication that the major shift from project-based approaches to general budget support in Vietnam was linked to corruption, even though in projects with a large amount of procurement, the potential for corruption is high.

Related facts, figures, and references

JC 5.4: Strategic documents identify and analyse relevant governance issues

We look her first at whether the EC strategic engagement in Vietnam aligned itself with the GoV’s own agenda for better governance and whether governance-related risks and assumptions were explicitly identified in EC strategies. Based on an examination of CSPs, NIPs, and project logframes, the general assessment is that the EC’s strategy took governance adequately into account. It should be pointed out, however, that at the overall strategic level, governance objectives are fairly hortatory, and assessments of progress made are mixed. At the finer grained level, there is some indication, especially in projects dealing with rural development, that EC strategy came to grips with the micro-level power relations which ultimately underlie governance issues, for example, property rights in the case of the forestry sector. However, the survey of rural development projects that underlies the answer to EQ6 found that gender and ethnic minority issues were poorly dealt with.

Indicator 5.4.1: EC objectives in the CSPs correspond directly to governance objectives outlined in main strategic documents

Indicator estimate:

For the GoV’s strategic objectives in the area of governance, see Indicator 5.3.1.

In the CSP 2002-2006 (p. 22), the EC’s overarching cooperation objective is taken directly from the SEDS: “to reduce poverty in an economically, socially, and environmentally sustainable manner.” Governance issues, implicit in this, are made explicit in a subsequent sentence: “Reform also need to address the improvement of human rights and civil society participation in decision making, as well as building modern and accountable agenda.” It would be difficult to encapsulate the governance agenda more succinctly.

Direct correspondence between EC strategy and the GoV governance agenda are found under Focal

Point 2, Integration into the international economy, in the form of “promotion of the private sector and promotion of good governance and best administrative processes.” In the context of the latter, specific reference is made to incorporating corporate governance into State Owned Enterprise (SOE) reform. Human rights and democracy are addressed under the non-focal point heading “Cross-cutting themes.” The strategy is rather diffident in expressing its goal to “when appropriate ... promote such issues on an ad hoc basis.” However, the availability of instruments (such as EIDHR) which are not part of the Country Strategy and hence require no agreement with the GoV is to be noted.

In the CSP 2007-2013, the EC strategy is considered to be in a state of evolution, still placing poverty reduction and global integration at its centre, but “shifting focus gradually” to sustaining economic and governance reform.” The response strategy therefore aims at “strengthening the government’s own systems.” The key focal area “Support for the SEDP” (general budget support) encourages transparency and better public management as described under Indicator 5.5.2. Non-focal areas include activities identified in the context of the dialogue sub-group “Cooperation in institution building, administrative reform, governance, and human rights”; in addition to which, as in CSP 2002-2006, the non-focal area “Cross cutting issues” includes democracy, good governance, and human rights.

Related facts, figures, and references

CSPs as referred to above.

Indicator 5.4.2: Governance-related risks to project / programme success explicitly identified and analysed

Indicator estimate:

CSPs / NIPs

Under Focal Point 1 of the CSP 2002-2006 – Improvement of human development, the emphasis is on access, particularly to health and education, with some attention to improved performance by institutions in the areas, but there is no specific reference to governance issues. Human rights and democracy and good governance are treated as cross-cutting themes to be promoted on an ad hoc basis. There is more attention to governance-related risks and assumptions at the level of project / programme analysis in the NIP 2002-2004. Under Focal Point 1 – Improvement of Vietnam’s human development, Activity 1, “Integrated rural development in Northern Uplands,” governance risks identified are political will at local level, weak institutional capacity at local level, fiduciary risk, trust fund management issues (a matter of governance within the donor community), and “vested interests related to illegal logging.” This is a fairly comprehensive list. “Support to rural health in the Northern Uplands and Central Highlands” (the HEMA Project discussed in answering EQ 1) mentions assumptions having to do with decentralisation and local capacity; the “Support for Improved Sector Management in the Ministry of Education and Training” (the SMOET Project discussed in answering EQ 2) identified decentralisation, budgetary transparency, and inter-ministerial cooperation as assumptions; lack of attention to governance issues at the strategic level is carried through to the project and programme analyses in the Revised NIP 2002-2004.

In the CSP 2002-2006, explicit support for improved governance is subsumed (pp. 23-26) under Focal Point 2 – Integration into the international economy. Yet at the level of the Revised NIP 2002-2004, governance-related risks and assumptions identified are only general (“political will,” “ownership of the reform process,” and “progress in legal and regulatory reform”). These risks are more explicitly identified in the case of support to the PRSC: as loss of momentum in reform, fiduciary risk, lack of progress on budgetary transparency, and wasteful lending by the GoV, among others. These risks are repeated in the NIP 2005-2006. In neither the NIP 2002-2004 or 2005-2006 are any risks stipulated all in presenting the interventions most closely related to civil society and human rights, namely the Small Projects Facility (NIP 2002-2004) and “Support for institution Building, Administrative Reform, Governance, and Human

Rights” (NIP 2005-2006).

The CSP 2007-2013 recognises (p. 18) that failure to make further progress in public administration reform and the strengthening of public financial management would exacerbate the main risks to the Country Strategy. There is little discussion of governance questions in the specific cooperation areas of support for PRSC, support for health, trade and economy, and thematic area support. However, risks related to governance are described in Annex 4, “Joint Analysis by the EU and Like-minded Donors of the Draft SEDP 2006-2010.” This highlights the improved consultative and participatory approach followed, but cautions that there are areas in which improvement is needed. These include better coordination of PAR and specific areas for reform identified, i.e., the need for a closer matching of what is to be done and who is to do it as reform proceeds. The needs for stronger treatment of legal and judicial reform and for a more comprehensive programme to fight corruption are specified. The relatively weak elaboration of a concrete role for civil society and the need and a comprehensive legal framework for civil society are identified and the wish for a stronger statement on the role of the private sector is expressed.

Logframes

A series of project logical frameworks, not all of which had the project name attached, were examined during the desk phase document review.

In two trade and economy projects (SME Development Fund and European Technical Assistance Fund for Vietnam or ETV1 and ETV2) governance-related risks and assumptions are given only in the most general terms – “reform path continues,” “favourable regulatory environment,” etc.). There is no “drilling down” to identify specific risks.

In rural development, environment, and forestry, many logframes did not have the project names attached. In general, however, there was a moderate level of specificity in the governance-related risks identified. An example is the logframe for the Cao Bang – Bac Kan Rural Development Project. While some assumptions identified are quite general (“Political will exists ...; GoV continues to give priority to the mountainous north in public investment planning”), others are finer grained. For example, “Community management resolves potential land use conflicts caused by intensification of production,” “Water Resources Law regulations conducive to joint water utilisation and management,” “Willingness by GoV and provincial bodies to review present sharing of responsibilities in maintenance and enter into alternative arrangements,” etc. Other logframes in the sector, none with project names attached, are similar in spirit, with problems related to property rights, coordination between agencies, and regulatory frameworks at least identified, albeit not analysed (it is possible they were analysed in detail in the main text of project documents, which have not been consulted). By contrast, the logframe for the Social Forestry and Nature Conservation in Nghe Ah Province Project is sparse and the passing references to governance issues are entirely general. Yet, forestry is an area filled with governance issues, and one would have expected more, even in a project whose inception dates back to the 1990s. The logframe of the Son La and Lai Chau Rural Development Project identifies local government interest and the availability of decentralised resources as risks where relevant. The Strengthening of Veterinary Services Livestock Disease Control project logframe makes frequent reference to legislative hurdles, implementation capacity, and the need for coordination and cooperation between different levels of government. In the event, as is clear from the review given in answering EQ 3, governance issues including, especially, property rights, were dealt with in rural development project interventions.

In the Small Projects Facility, governance risks identified are at a very general level – commitment of the GoV to reform, increased attention by GoV to inputs from civil society and the private sector, and smooth continuation of the EU-Vietnam partnership.

In the education sector the logframe for the Ministry of Education and Training Support Project cites “rigid centralism” as a risk at the level of the Overall Objective. At the level of Specific Objectives and Results, risks tend to be lack of availability of trained staff, a human resources issue not divorced from the

governance problem of over-centralism. The willingness of different MoET units to work together, both within-level and between levels (central, provincial, district), is also cited as a risk.

Cooperation between different levels and units also features strongly in the logframe of the Health Sector Development Project at the level of Project Purpose and Activities / Results.

Related facts, figures, and references

CSPs, NIPs, and logframes referred to above.

JC 5.5: Institution building and public administration reform undertaken

There has been some advance in Vietnam on improving public sector governance, but progress is slow. The December 2008 mid-term review of implementation of the SEDP 2006-2010 describes (pp. 98-110) achievements in the specific areas of improving the legal framework for economic institutions, administrative procedures reform, improving the performance of government organisations preventing corruption, strengthening public financial management at the sub-national level, ensuring better state budget management, and ensuring equality and transparency in state budget allocation at local levels. The World Bank's Quality of Regulatory Framework index (given on page 101 of the mid-term review), has shown continuous improvement in every component index in the years 2004-2007.

Public financial management reform antedates the 2006-2010 SEDP. The 2004 State Budget Law decentralised budgetary authority to the Provincial level, resulting in improved efficiency and effectiveness. While still at the pilot stage in four sectors, Medium-term Expenditure Reviews are being used to rationalise the observed imbalance between capital and recurrent expenditure.

In donor analysis of the SEDP 2006-2010, it was commented that there was need for a stronger link between PAR and legal and judicial reform, as well as specific areas such as the fight against corruption and development of independent media (CSP 2007-2013, p. 30).

The EC has supported stand-alone projects for PAR (Indicators 5.5.1) including contribution to the Multi-donor Trust Fund for Public Financial Management; PAR also figures in General Budget Support (Indicator 5.5.2, although the mid-term review expressed some concerns about the pace of progress. The progress achieved by this MDTF is described in more detail under EQ 7.

The field phase reinforced the reservations expressed by the review. Experts interviewed across the board identified the need for more effective PAR, especially but not only in areas related to PFM, as an issue that cuts across every area of donor engagement with Vietnam. What progress has occurred has mostly been at the level of policy making and passing laws; there is need now to move to concrete implementation.

Indicator 5.5.1: Stand-alone projects implemented for institution building and PAR

Indicator estimate:

International support to Vietnam in the area of legal and judicial reform has been the subject of a recent analysis (1). Several broad phases were identified:

- Starting with support for economic law reform in the early 1990s, donor support widened to encompass broader support for legal capacity building in the Ministry of Justice, with the emphasis being on legal drafting.
- In the mid-1990s, capacity building spread beyond the Ministry of Justice to include the Office of the National Assembly, the Supreme People's Court, and the Supreme People's Procuracy. UNDP was the main donor, but European bilateral agencies involved included Sweden, Denmark, France, and Germany.

- In the late 1990s, the emergence of the poverty reduction agenda, and the increasing trenchancy of Rule of Law and human rights issues in Viet Nam, brought access to justice to the centre of donors' cooperation. Legal aid and dissemination of legal information were the main concrete areas of intervention.
- Post 2000, the focus of support has been legal strategy development, as typified by the Comprehensive Needs Assessment for the Development of Vietnam's Legal System to the Year 2010. A major component, in line with the rapid integration of Vietnam into the global economy, has been legal harmonisation.

For EC stand-alone support for good governance via the Institutional Support Programme, see Indicator 5.3.2.

For EC support for good governance via the ETV2 project, see Indicator 5.3.1; this is also discussed under EQ 7 in the context of general budget support. EC participation in the subsequent Multi-donor Trust Fund for Public Financial Management is also discussed there.

For EC support via the Small Projects Facility, see Indicator 5.3.1 as well as Special Focus 3.

In the area of forestry, the EU Action Plan for Forest Law Enforcement, Governance, and Trade (FLEGT) is integrated into EC support to the forestry sector.

Related facts, figures, and references

- (1) Mapping of international aid to the legal / judicial area analysis. Report prepared by Prof. Mark Sidel, Consultant to UNDP Project VIE/02/015 "Assistance for the implementation of Vietnam's legal system development strategy to 2010. Included as pp. 75-90 of Vietnam Partnership Report 2008: Stabilising the Economy and Maintaining its Growth Potential; informal report prepared for Consultative Group Meeting, Hanoi, December 4-5, 2008.

Indicator 5.5.2: Institution building and PAR prominent in General Budget Support

Indicator estimate:

The World Bank-led Poverty Reduction Support Credit (PRSC), supported by the EC, was tied to the CPRGS until 2006, when it was aligned with the SEDP 2006-2010. Governance and institution building feature in both strategic frameworks. EC support to PRSC began with PRSC-3 in 2004.

Governance triggers in PRSC-3 include progress in implementation of the CPRGS planning process in one sector and at the Provincial level, progress in setting up an integrated treasury and budget management information system, and publication of legal documents in the Official Gazette as required by the Law on Laws.

Governance triggers in PRSC-4 were expanded implementation of the MTEF in the health sector, improved evaluation of the returns on public investment projects, approval of the Legal System Development Strategy based on the Legal Needs Assessment, issuance of a decree supporting community participation in investment projects, and submission for approval of revised criteria for measuring poverty and improved poverty targeting.

These are rather vague triggers, subject to negotiation and interpretation. Missed triggers have never led to a suspension of disbursements. In part, this is purposeful, as strict, classic conditionality had been found not to work in Vietnam in the past. The Vietnam Country Report of the Joint Evaluation of General Budget Support 1994-2004 concluded (1) (pp. S4-S7) that, while the CPRGS contributed, through the Working Group structure, to improved policy making process in Vietnam, general budget support per se had little impact. The PRSC did not include technical assistance and capacity building, limiting its impact on Government capacity. However, systems have been strengthened, particularly at the Provincial level. The evaluators concluded that PRSC improved budgetary transparency and access to

information, generally strengthening democratic accountability. They were agnostic as to whether the anti-corruption measures included in PRSC 3 and 4 had led to any changes.

In general the feeling gained from field interviews is that PAR, and equally the closely related area of Public Financial Management (PFM) reform has proceeded only slowly in Vietnam.

The EC joined the Multi-donor Trust Fund for Public Financial Management late in Phase 1, and current negotiations for Phase 2 are proceeding slowly. Nonetheless, as described under EQ 7, there has been some progress.

The GoV budget is released, an improvement over the past, but there is no consolidated budget and calculating how much is actually budgeted for some sectors, such as health, is a complicated and laborious process. The budget is decentralised over 62 units. When asked about the non-transparent nature of the budget, the GoV responds that a new budget law is in preparation and foreseen for 2010. ISP project staff, interviewed, was of the view that PFM and budgetary issues ought to be a high priority for the EC, as were beneficiaries from the National Assembly.

Related facts, figures, and references

- (1) Vietnam Country Report of the Joint Evaluation of General Budget Support 1994-2004, pp. S4-S7;

Interviews with EC Delegation staff, World Bank staff, UNDP staff.

EQ6 - Poverty: To what extent has the design and implementation of EC interventions adequately privileged the needs of the poor?

To answer this EQ, we ask whether the needs of the poor were stressed in strategic planning (Judgement Criterion 6.1), in implementation (Judgement Criterion 6.2) and whether the EC engaged in policy dialogue with the GoV regarding the needs of vulnerable groups (Judgement Criterion 6.3).

Vietnam is one of the world's great success stories in poverty reduction (see Indicators 6.2.2 and 6.2.3 below for a quick statistical summary). By aligning its programme with the GoV's poverty reduction strategy and providing general budget support, the EC has effectively aligned with a large body of strategic analysis and planning by the development partners and the GoV. We have no evidence of the EC explicitly contributing to analysis in this area, but that is probably not the EC's comparative advantage to begin with. Strategic planning at the macro level has emphasised the needs of the poor (JC6.1). The closer we get to the level of implementation, the less certain we are at this point, and we have an information gap at what might be called the meso-level, corresponding to project documents. One would wish to confirm that these dealt convincingly with poverty. Evidence from the rural development sector suggests that project design was not participatory. Based on the geographic distribution of a number of the EC's largest projects, it is fair to say that the needs of the poor took precedence in programming (JC 6.2). EC policy dialogue with the GoV has taken place in the context of the broader engagement of the partners with the GoV's poverty reduction strategy as discussed under EQ 8. This has certainly featured dialogue on the needs of the poor and vulnerable groups (JC 6.3).

Overall, there has been a poverty focus in the rural development and environment projects. However, in looking at JC 6.2, we express concern that the relatively better off (who may themselves be poor) have benefited more from the projects than the poorest and highly vulnerable. Specific approaches necessary to reach the poorest were not applied. In particular, in the post-project period, benefits have faded away for the poor/vulnerable, whereas the better off were able to work out coping mechanisms to ensure continued benefits. EC project interventions have suffered from the fact that effective and sustainable poverty reduction in marginalised areas cannot be achieved in short project periods (5 years), but requires a longer-term approach. We discussed, in looking at Indicator 5.3.2 under EQ 5, that there was in the rural development sector a lack of project strategies and implementation modalities to specifically reach women and ethnic minorities, with the effect that, while it is possible that everyone reached by the projects benefited, gaps actually widened. Ethnic minority issues were well integrated, by contrast, into the NGO-implemented education projects visited in the context of answering EQ 2.

While poverty reduction has been high and consistently on the EC policy agenda, the EC has not undertaken in-depth research to assess the effectiveness of its programmes in terms of poverty reduction and disparities, nor has this been a major issue in terms of reference for evaluations. Some end-of-project evaluations in rural development, however, provide indications of increased disparities. In the area of trade and economy, few linkages have been made between the EC's strategic focus and poverty. To the extent that the overall focus has been on economic integration, this may be defensible; Vietnam is competitive in most sectors and the theme of "losers from integration" which has great relevance in a number of southeast Asian countries, finds little traction in Vietnam.

A number of specific initiatives, programmes, and projects have strong poverty linkages. The HEMA Project focuses on health needs at the grassroots level in the poorest areas of the country, a welcome development as the predecessor HSDP Project focused on infrastructure and equipment, much of it at the level of provincial hospitals rather than facilities at the grassroots level. The key poverty-health nexus is out-of-pocket payments, which can be dealt with only through putting in place a reasonable system of health care finance. The Human Resources Development in Tourism project has the potential of making an important contribution to poverty reduction. By offering advanced vocational training for a large number of Vietnamese employees in the ever-growing tourism sector, there is a good chance that these workers can escape poverty on a sustainable basis (JC 6.2).

Sector budget support in education and, now being developed, in health, has permitted the EC to

maintain its commitment to poverty reduction through social sector development while participating via support for the PRSC in overall poverty reduction pursued in line with the GoV's own priorities.

We take this opportunity (see Indicator 6.2.2) to point out the lack of accurate, up to date data on poverty in Vietnam; a problem that has assumed rising importance in the economic crisis of 2008-present. Related to this is the fact that the positive trends that we document below have almost certainly ceased and a number of poverty measures may have worsened. This poses a significant public relations problem for the GoV, whose commitment to poverty reduction is not to be doubted, but whose extremely high-profile aggressive stance now requires it to engage in expectations management.

An important emerging pro-poor action is the EC's decision to support Programme 135, discussed in answering EQ 3. This decision marks a flexible pro-poor response to an emerging policy concern, namely the impact of the financial crisis on Vietnam's most vulnerable populations.

JC 6.1: Needs of the poor emphasised in strategic planning

JC assessment:

At the aggregate level, the needs of the poor are at the centre of the strategic planning process. In some sense, this emphasis comes by proxy, since the EC programme has now for some time been fully aligned with the GoV's poverty reduction strategy (Indicator 6.1.1). That strategy has, in turn, been informed by a prodigious amount of analytical work done by partners such as the World Bank, the Asian Development Bank, and UNDP. We have little evidence on participatory approaches at the project level (Indicator 6.1.2), and a field visit to a major rural development project left the impression that there had been little popular participation.

Indicator 6.1.1 Specific needs of the poor are analysed in key strategic documents and sectoral medium term expenditure frameworks

Indicator estimate:

MTEFs are not well established in Vietnam, and in sectors where they are established (e.g. education), national ownership is low. There is talk of EC support for an MTEF in health, but this would, in effect, have to be designed by consultants, as the requisite capacity is not available at the Ministry of Health.

The overall EC programme is fully aligned with the SEDPs 2001-2005 and 2006-2010, so analysis of the needs of the poor will be found in the background documentation to this plan. We refer at several points to the EU joint analysis of the draft SEDP 2006-2010; below (Indicator 6.3.2), we comment on specific references to the needs of vulnerable groups. An examination of logframes available (see EQ 8) leaves the impression that the needs of the poor were taken into account. However, in rural development projects, the needs of the poorest, including ethnic minority groups, were not dealt with adequately. In the trade and economy sector, as described in EQs 4 and 5, links with poverty could have been made more explicit. However, since Vietnam is relatively competitive in all sectors, the theme of "losers from integration" is not terribly relevant.

General strategic documents, such as the Vietnam Development Report, focus closely on poverty and present analytical results.

Related facts, figures, and references:

Indicator 6.1.2 Participatory approach to designing strategies and interventions targeting the poor

Indicator estimate:

Apart from the consultative process with GoV, civil society, and other donors, we have little evidence at

this point on the use of participatory approaches to design interventions.

The field visit to the SLLC-RDP did not provide any evidence of the use of participatory approaches targeting the poor. At the local level, the design process has been considered as essentially an EC affair. In addition, the long period between the design phase and the actual start of the project implied that part of the programme proposal had become outdated, whereas it proved extremely difficult to derive from initial planning during implementation. This had a negative impact on the project's relevance and efficiency, in particular with regard to its capacity to reach the poor.

Related facts, figures, and references

JC 6.2: Needs of the poor take precedence in programming and implementation

JC assessment:

A number of EC projects have focused on relatively poor regions (Indicator 6.2.1). However, based on the review of projects in rural development and environment, projects were not particularly pro-poor in terms of the implementation modalities chosen (Indicator 6.2.4). In Indicators 6.2.2 and 6.2.3, we give summary documentation of the much-studied success of the GoV's programme of poverty reduction, with the greatest reductions having come in the regions that were initially the poorest. We are not in a position to attribute causality, but the EC's interventions at all levels were strongly aligned to the GoV poverty reduction agenda, and it is plausible that the EC interventions made some contributions there.

SEDP does not indicate how the grassroots (including the poor) can be associated to planning, implementation and accountability of implementation. Rural development and forestry projects have foreseen the inclusion of the poor in their programming and considered "reaching the poor" as a priority. However, for a number of reasons, discussed under Indicator 6.2.4, within generally poor regions, it is the relatively better off (who may themselves be poor or near-poor) who have benefited more than the poorest.

While we recognise that activities on the Human Resources Development in Tourism project did not begin until 2008, this important initiative deserves a few remarks. The €10.8 million project provides support to upgrade the standard and quality of human resources in the tourism industry and to enable the Vietnamese government and industry to sustain the training quality and quantity at the project's completion. There are some early indications that the project has the potential of making an important contribution to poverty reduction. By offering advanced vocational training for a large number of Vietnamese employers in the ever-growing tourism sector, there is a good chance that these workers – many of whom have on-the-job experience, but lack formal qualifications and training – can escape poverty on a sustainable basis.

An important emerging pro-poor action is the EC's decision to support Programme 135, discussed in answering EQ 3. This decision marks a flexible pro-poor response to an emerging policy concern, namely the impact of the financial crisis on Vietnam's most vulnerable populations.

Indicator 6.2.1: Geographical distribution of project interventions corresponds to mapping of poverty

Indicator estimate:

A number of EC project interventions have focused on poor regions:

- Major rural development projects in Cao Bang and Bac Can, both poor mountainous provinces in the North.
- Integrated rural development in Son La and Lai Chau, both in Northern Vietnam

- Social forestry in Nghe An, part of the relatively poor North Central Coast region.
- Health Programme for the Northern Uplands and Central Highlands (HEMA)

However, apart from working in poor regions, there is no evidence that the geographical distribution of projects took into account poverty related indicators or was also coordinated with the GoV and other donors to maximise poverty impacts. As pointed out above, rural development projects have tended to concentrate on less challenging and less costly lowland areas rather than upland areas where the poorest live.

Related facts, figures, and references:

Indicator 6.2.2: Decrease in the percentage of population living in extreme poverty

Indicator estimate:

“Poverty” and “extreme poverty” are defined by various groups in various ways in Vietnam, but overall long-term trends are clear. According to the GSO household surveys (1), total poverty fell from 58 percent to 16 percent between 1993 (out of the range of the assessment period, but still relevant to establish a long-term trend) and 2006; in urban areas from 25 percent to under 4 percent and in rural areas from 66 to 20 percent. While the proportional decline in urban poverty is greater, it is rural poverty declines that are driving the national average. Despite improvements, ethnic minority groups continue to suffer disproportionately from poverty. There has been some slowdown in the pace of poverty decline, but this is not surprising as rates overall become lower and “easy wins” are used up.

	1993	1998	2002	2004	2006
Poverty rate					
Total	58.1	37.4	28.9	19.5	16.0
Urban	25.1	9.2	6.6	3.6	3.9
Rural	66.4	45.5	35.6	25.0	20.4
Kinh / Chinese	20.8	10.6	6.5	3.5	3.2
Ethnic minorities	52.0	41.8	41.5	34.2	29.2

The same source provides data showing improvements in food poverty and a narrowing of the “poverty gap” (how far poor people are beneath the poverty line).

To put these figures in international comparison, the World Bank has recently issued revised estimates of the population living in extreme poverty based on International Comparison Project (ICP) estimates of the cost of living (2). These data show that, between 1993 and 2005, extreme poverty as defined by the World Bank index declined from over 60 percent to 20 percent. Interestingly, in 2005, China, Indonesia, the Philippines and Vietnam all clustered around 20 percent – but in 1993, the extreme poverty rate in Vietnam was 60 percent, whereas it was about 50 percent in China and Indonesia and only 25 percent in the Philippines. These data suggest that Vietnam has been one of the most successful countries in the world in reducing poverty.

This begs the question of where poverty has not been reduced; where it persists. A few generalisations have emerged from studies:

- Poverty is largely rural, although urban poverty persists.
- Recent migrants to urban areas are more likely to be poor than long-established urban residents.
- Families disconnected from economic growth are at higher risk of poverty.

- Natural catastrophes and, especially, adverse medical events, can be impoverishing.
- The elderly, especially the very old, are at elevated risk of poverty.

The story told above is largely a favourable one, despite persistent gaps. However, a number of issues are arising in the context of the economic crisis.

One is the lack of availability of data. As one expert interviewed put it “We are waiting with bated breath for the Vietnam Household Living Standards (VHLSS) data,” referring to 2007[1]. Despite the existence of excellent capacity in Vietnam (for example, at the Vietnam Academy of Social Sciences) there are no accurate up to date data. Therefore, in the current economic turbulence, policy makers and donors find themselves hanging on anecdotal evidence relating to factory closings, return migrants, the slowdown in construction, etc.

The second issue that has come to the fore, not entirely unrelated to data, is the problem of expectations management. The commitment of the GoV to poverty reduction is not to be doubted. But by pursuing MDGs so aggressively, by broadcasting every advance and advancing targets, the GoV has opened itself to a public relations challenge. Targets will not be met. Too often, data have been, if not massaged or miss-used, then at least interpreted liberally, and always on the side of progress. In the social sectors – education and health – many GoV statistics are subject to doubt, and in education, this was in 2008 the cause of tension between the GoV and the donor community.

Related facts, figures, and references:

- (1) Vietnam Development Report 2008, p. 3. GSO household survey data from the Vietnam Living Standards Survey VLSS.
- (2) Taking Stock. An update on Vietnam's recent economic developments. Prepared by the World Bank for the Annual Consultative Group Meeting, Hanoi, December 4-5, 2008.

Interviews with EC Delegation staff, UNDP staff, Ministry of Planning and Investment officials, bilateral donor agency staff.

Note: Multiple definitions of poverty are applied in Vietnam, but the most frequently used definition is income poverty, defined as the income necessary to purchase a minimum food and non-food consumption basket. Unless otherwise specified, we use this measure. Another common measure is “food poverty,” defined as the income required to purchase a diet of 2100 calories per day for each household member on the assumption that all income is spent on food. Since even the very poor must buy some non-food items, households who are food-poor may be expected to suffer from hunger, at least at some times of the year. For further information (and further measures), see the Vietnam Development Report 2008, pp. 3-5:

http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2008/06/04/000333038_20080604015001/Rendered/PDF/436530WP0REV1S1ction1final01PUBLIC1.pdf

Indicator 6.2.3: Improvements in family / household income across geographical locations

Indicator estimate:

Poverty in Vietnam runs from North to South, with the mountainous regions of the North much poorer than the lowland south. Data from the same source as above indicate marked regional convergence in poverty, with very rapid declines in the Northern Mountains and the Central Highlands, but slower improvement in the Red River Delta and the Southeast.

	1993	1998	2002	2004	2006
Poverty rate					
Total	58.1	37.4	28.9	19.5	16.0
Northern Mountains	81.1	64.2	43.9	35.4	30.2
Northeast			38.4	29.4	25.0
Northwest			68.0	58.6	49.0
Red River Delta	62.7	29.3	22.4	12.1	8.8
North Central Coast	74.5	48.1	43.9	31.9	29.1
South Central Coast	47.2	34.5	25.2	19.0	12.6
Central Highlands	70.0	52.4	51.8	33.1	28.6
Southeast	37.0	12.2	10.6	5.4	5.8
Mekong Delta	47.1	36.9	23.4	15.9	10.3

These trends are subject to the caution expressed in discussing Indicator 6.2.3 above. We note, again, that 1993 is out of the range of this evaluation, but the data are useful nonetheless to establish the long-term trend.

Related facts, figures, and references

See (1) above

Indicator 6.2.4: Project management procedures adapted to the poor (conditions for participation; localisation of project staff, etc.)

Indicator estimate:

We answer this EQ largely on the basis of the work described under EQ 3 on rural development.

While overall there has been a poverty focus in the rural development and environment projects, the relatively better off have benefited more from the projects than the truly poor and the most vulnerable. This can be explained by the fact that most rural development projects have not been able to work out specific approaches allowing them to effectively reach the poorest and improve their conditions. These projects in practice had to focus also on the relatively better off, who in practice have absorbed most of the project resources. As such some projects actually might have increased the gaps between the relatively better off and the poor (to be confirmed). The necessity to approach the poor in a different way, focusing more on developing their capacities and autonomy, has not been sufficiently addressed. Specifically,

- As a rule, projects cooperated with local institutions and the commune and village leadership that are not ready to discriminate between the poor farmers and the better off; these institutions follow an egalitarian approach which consider that projects ought to be beneficial for the population at large;
- Projects were mainly interested to work with the “mainstream poor,” i.e. those poor who have some resources (land, equipment, skills), not with the “poorest of the poor,” who can be reached only using very specific approaches.
- Irrigation schemes are more costly to construct in hilly areas (inhabited by the poor); for efficiency reasons, the construction of schemes in these areas has often been excluded in favour of cheaper schemes in the lowlands.
- The rural development projects have – de facto – concentrated on the lowlands that are relatively better resourced, have more access to key services (extension, but also health and education), have better market access and dispose of better formal and informal institutions. This de facto concentration on lowland areas can be explained by their relative proximity, by the fact that these areas present agro-ecological conditions (possibilities for wetland agriculture) key local actors such as MARD are most familiar with and by the fact that the uplands are inhabited by ethnic minorities that

often do not speak Vietnamese;

The gender element was not effectively integrated, and ways of effectively reaching ethnic minority populations were not in evidence.

See also our discussion of the failure to adequately take account of gender and ethnic minority issues in rural development projects under Indicator 5.3.2 above.

Related facts, figures, and references:

JC 6.3: EC policy dialogue with government regarding needs for most vulnerable groups

JC assessment:

We have no evidence of direct EC support to poverty analysis (Indicator 6.3.1), but as a major participant in policy dialogue revolving around the SEDPs 2001-2005 and 2006-2010, the EC has engaged the GoV in dialogue related to poverty and vulnerable groups (Indicator 6.3.2). As an example, we cite the joint EU analysis of the SEDP 2006-2010.

Indicator 6.3.1: Support to Government in poverty analysis

Indicator estimate:

We are not aware of EC direct support to poverty analysis.

Related facts, figures, and reference

Indicator 6.3.2: Needs of women, ethnic minorities, disabled persons, adolescents, the aged addressed in dialogue with Government

Indicator estimate:

Through the mechanisms described under EQ 8 in the context of coordination and the aid effectiveness agenda, the EC is engaged in ongoing policy dialogue with the GoV regarding its poverty reduction policies. The EU joint analysis of the SEDP 2006-2010 flagged (1), among other issues,

- The needs of ethnic minorities, women, the rural poor and newly emerging impoverished groups such as urban migrants.
- The need to prioritise gender objectives and assess progress related to the Plan of Action for the Advancement of Women
- The need for a more effective response to HIV/AIDS and, in particular, the need to move beyond the counterproductive “social evil” approach.

These comments all address the needs of vulnerable groups in a concrete fashion. At the same time, the analysis praises the Plan for its clearly articulated orientation towards poverty reduction and eliminating hunger, citing in particular its targets for developing a social security system and its subsections focusing on women and ethnic minorities.

Under Indicator 5.3.1, we have discussed the failure to address gender and ethnic minority issues effectively in the context of rural development projects, as well as the successful addressing of ethnic minority issues in education via the small NGO-implemented projects examined in the process of answering EQ 2.

Related facts, figures, and references

- (1) Joint Analysis by the European Union and Like-Minded Donor Group of the Draft Socio-economic Development Plan (SEDP) 2006-2010.

EQ7 - To what extent was the EC mix of approaches, in the form of projects, General Budget Support, and SWAPs appropriate to the national context and EC-cooperation objectives?

Overall, the EC mix of approaches has been appropriate to the national context and EC cooperation objectives. The EC program has been aligned with the Government of Vietnam's (GoV) aid policy under Decree 131 and the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) which was the PRSP from 2002-2005, which was replaced by the GoV five year plan, the Socio-economic Development Plan (SEDP), from 2006-2010. In particular, the EC has supported the GoV objective to move towards a liberalised market-based economy, while at the same time maintaining equity through sector support to the social sectors (health and education).

When the opportunity arose, the EC moved from using a project-based approach to general budget support, sector budget support, multi-donor trust funds, and other joined-up approaches. Since 2004 the EC has been giving general budget support through the World Bank Poverty Reduction Support Credit (PRSC), sector budget support to the GoV national target program (NTP) in education from 2006-2008, assistance through the Multi Donor Trust Fund for Public Financial Management (PFM) reform and parallel support to the Forest Sector Support Program (FSSP). This is in line with the EC's objective, stated in the CSP of 2002-2006 and 2007-2013, to use budget and sector support wherever possible; this is coherent with the EC's commitment to aid effectiveness under the Paris Declaration and Hanoi Core Statement. Sector support in education (and soon health) has permitted the EC to express its special commitment to the social sectors while supporting broad poverty reduction in line with GoV priorities through general PRSC-based budget support. The EC's evolving support to Program 135, a key National Target Programme discussed under EQ 3, represents the use of a joint approach to provide continuing support in a sector (rural development) where the EC has decided to withdraw from bilateral, traditional project-based support.

This strategic evolution has had the added advantage of strengthening GoV systems, as general budget support and sector budget support use GoV budget, planning, reporting and implementation systems, rather than establishing parallel mechanisms as with projects. This focus on system strengthening and capacity building is particularly relevant given Vietnam's imminent accession to middle-income country status, as the likelihood is that concessional lending will fall, making the sustainability of donor interventions important.

There is evidence that general budget support reduced GoV transaction costs, which are high under project modalities. The evidence for this is weaker in the case of sector support in education, where MoET capacity was low. The 2002-2006 EC CSP also stated that where possible there should be "complementarity and links among different EC-supported initiatives." This is judged to have occurred mainly through budget support dialogue and development of policy actions which have been used to enhance the sector policy and institutional framework in which other EC programmes operate. Also, EC support to various PFM initiatives have helped in strengthening GoV budgetary systems, lowering fiduciary risk and increasing transparency which might be expected to have a positive impact on other EC programs that use GoV systems. However, as we have noted at a number of places, progress in PFM has been slower than the donors would like to see.

To summarise, general budget support through the PRSC has been effective in achieving EC programme aims, while sector budget support for education has been less so, mainly due to problems with MoET's capacity to implement the programme and the vertical nature of the NTP supported. These issues have been much more deeply discussed in answering EQ2 and, especially, in Special Focus 2 at the end of this volume. The MDTF has been a learning experience and has made progress in supporting PFM reforms, with a second phase planned to begin in 2009, although progress towards designing the second phase has been slower than expected. Given that the opportunities for budget support in Vietnam are limited, it can be judged that the EC has taken a pragmatic approach and engaged in general and sector budget support when the opportunity has arisen and has used both projects and trust funds effectively where appropriate. Thus the mix of approaches has been appropriate to EC program aims and the national context.

JC 7.1: Approaches responded to needs and capacities of the partner

JC assessment:

The EC has used a mix of approaches which has broadly responded to the needs and capacities of the GoV aid policy outlined in Decree 131. This takes the pragmatic view that a variety of aid modalities are needed in order to respond to the challenges of the Vietnamese context. The EC has responded to this by using a mix of projects, multi-donor trust funds, sector budget support and general budget support, with an emphasis on pooling funds and joint ways of working wherever possible.

EC support has been aligned with the main GoV policies which were the CPRGS (2002-2005) and the Socio-economic Development Plan (SEDP) 2006-2010. The EC's program of assistance has been relevant as it has provided support to the key areas of the GoV reform program. This includes assisting in the transition to a market economy through the Multilateral Trade Policy Assistance Programme (MUTRAP I and II), the Vietnam Private Sector Support Programme (VPSSP), the Institutional Support Programme, and the Small Projects Facility in the areas of governance, civil society, and human rights.

The GoV has also been keen to ensure that the social sectors are strengthened and the EC has supported education through the National Targeted programme for Education for All, Support to the Renovation of Education Management (SREM) and health through the Health Care Support for the Poor of the Northern Uplands and Central Highlands (HEMA) and the health Sector Development Project (HSDP). The EC is now responding to the GoV's expressed desire to move towards a sector approach in health by joining other European donors in a capacity building project designed to put in place the prerequisites for budget support. An expert Working Group at the EC Delegation is attempting to ensure that lessons learned, especially in the context of sector budget support for the education sector, are taken into account.

Although institutional constraints have prevented the EC from going as far as some other European donors in this direction, there has been an emphasis by the EC on using GoV systems and processes whenever possible when providing support. In order to do this the EC has looked for ways of moving away from projects that use parallel systems towards those that use GoV planning, financial and reporting. These interventions have also aimed at strengthening the capacity of the GoV and improving government leadership and ownership. This has been undertaken through a mix of different aid modalities. Evidence of this can be seen through the EC providing general budget support through the World Bank Poverty Reduction Support Credit (PRSC), sector budget support to the GoV national target program (NTP) in education, the Multi Donor Trust Fund for PFM reform and support to the Forest Sector Support Program (FSSP). A new sector support program, as mentioned, is also being planned in health, with a capacity building project about to be implemented in 2009 by the EC and other donors, to prepare the way for a future sector budget support program. There has also been a focus on institution strengthening which has occurred through projects such as support to the National Assembly (the ISP) to strengthen legislative oversight and assistance to the Ministry of Finance (ETV1 and ETV2) to help in meeting fiscal objectives.

General budget support under PRSC reduced transaction costs for the GoV, which are quite high under the project approach. Transaction costs for the MoET remained high under sector budget support, however, because capacity was low. There is no evidence regarding the impact on GoV transaction costs for the FSSP and for the Multi-donor Trust Fund on PFM.

Overall, it is possible to make a judgement that EC support was relevant and effective in most cases. Even when there were problems such as with the sector budget for education and in the MDTF on PFM, where progress has been slow, this was mainly due to the fact that the initiatives could only go at the same speed as the government and as these were new ways of working it took longer than expected to overcome initial problems with design and implementation.

Indicator 7.1.1: Alignment with Government of Vietnam policies and processes

Indicator estimate:

The EC program is broadly in alignment with Decree 131 which outlines the GoV aid policy and the main GoV plans. Decree 131 was published in 2006 and does not express an explicit preference for a specific type of aid modality, but acknowledges that a mix of project, program and sector and budget support will be appropriate according to the context.

The EC's program of assistance has been relevant as it has provided support to the main areas of the GoV reform program. A key part of this has been the EC's support to the move by Vietnam to a liberalised market economy which has been highly relevant as it has consisted of the Multilateral Trade Policy Assistance Programme (MUTRAP) which began in 1998, the Small and Medium-sized Enterprise Development Fund, Phase II from 2003-2008 and the Vietnam Private Sector Support Programme (VPSSP) from 2004-2008 and the Small Project Facility (SPF) between 2004-2007.

At the same time, the GoV has been keen to ensure that the social sectors are strengthened and the EC has been active in supporting education through the National Target Programme for Education for All (2006-2008) and Support to the Renovation of Education Management (SREM) from 2005 to 2008, support to health through Health Care Support for the Poor of the Northern Uplands and Central Highlands (HEMA) from 2006-2010 and, earlier, the Health Sector Development Project (HSDP).

There has been considerable effort by the EC to use GoV systems and processes when providing assistance. In order to do this the EC has looked for ways of moving away from projects that use parallel systems towards those that use GoV planning, financial and reporting and entail joint ways of working with other donors. Evidence of this can be seen through the EC providing general budget support through the World Bank PRSC, sector budget support to the GoV National Target Programme on Education for All, the Multi Donor Trust Fund for PFM reform and support to the Forest Sector Support Program. A new support phase in health is also being planned that will begin as a capacity building project and then move towards sector budget support. This will assist the Ministry of Health (MoH) in developing a more coordinated approach to health, in a sector that has traditionally been very fragmented. A Working Group has been installed in the EC Delegation to ensure that some of the lessons learned in support to the education sector are not lost (see EQ 2 and, especially, Special Focus 2).

The issue of alignment is further explored in EQ 8 in the context of coordination and aid effectiveness.

Related facts, figures, and references:

- (1) Decree 131/2006/nd-cp of the government dated November, 09, 2006 promulgating regulation on the management and utilisation of official development assistance.
- (2) Socialist Republic of Vietnam (2002), Comprehensive Growth and Poverty Reduction Strategy (CPRGS)
- (3) Ministry of Planning and Investment (2006), The Five Year Socio-Economic Development Plan, 2006-2010, Hanoi.
- (4) EC-Vietnam CSP 2007-2013
- (5) EU Blue Book 2008, European Union Development Cooperation Activities in Vietnam, June 2008

Interviews in EC Delegation, Ministry of Planning and Investment, World Bank, Ministry of Health. Ministry of Education

Indicator 7.1.2: Promotion of Government Vietnam leadership and ownership

Indicator estimate:

The EC has made efforts to enhance GoV leadership and ownership in order to promote the sustainability of interventions through strengthening GoV systems and capacity. This is particularly relevant as it is envisaged that around 2010 Vietnam will move towards middle income country (MIC) status and grants and concessional lending will probably decline, making it even more necessary for current interventions to be sustainable and for future ones to be efficiently implemented.

The EC's support to the PRSC through budget support, sector support to the education sector through Education for All and the Multi Donor Trust Fund for PFM are all examples of an approach that have aimed to promote GoV leadership and ownership.

The EC has contributed to general budget support through the World Bank led PRSC since 2004. The EC co-financed the third World Bank Poverty Reduction Support Credit (PRSC 3), along with 6 other donors and has continued to give general budget support through this mechanism, providing support for PRSC 3 to 7. The PRSC is designed to support key areas of the GoV reform program and is aligned with the objectives of the CPRGS and the SEDP 2006-2010. Prior actions are agreed with the GoV and a policy matrix outlines the actions to be undertaken by the GoV in order to qualify for funding. Donor funds are channelled directly to the State Bank of Vietnam and therefore become part of GoV domestic resources with the GoV having complete autonomy in terms of how they are spent. Although the funds provided constitute a small percentage of the GoV budget, this gives the GoV leadership and ownership as compared to using a project or programme modality and has proved to be an efficient way of supporting the Vietnamese reform process.

In the education sector the EC gave sector budget support from 2006-2008 to support Vietnam in the implementation of selected sub-components of the National Target Programme devoted to the Education for All initiative. (see Special Focus 2). The goal was to enhance the quality of basic education, including the strengthening of the administration of the NTP in the sector. This was a joint initiative with other donors including the World Bank, DFID, New Zealand, CIDA, Belgium, EC and Spain. Donor funding was channelled through the Government of Vietnam budget and Ministry of Education and Training (MOET) systems and procedures were used. This was designed to promote GoV ownership and leadership as it was funding a GoV led program. However, the evidence discussed under EQ 2 and in Special Focus 2 at the end of this volume suggests that the MoET did not have sufficient capacity to implement all the elements of the programme within the indicative time frame, so in this case sector budget support did not prove to be an effective way of supporting GoV leadership and ownership in the education sector and the assistance is not being continued. Another problem is that, in the education sector, the NTP is vertical. Supporting it was not a particularly effective way of promoting capacity building for sector-wide policy making or encouraging a broad, holistic view.

There has also been EC support for the Multi Donor Trust Fund for public financial management reform. This program was designed to support GoV policy and promote leadership. The MDTF allowed the MoF to request technical assistance and funding for areas in which it felt support was needed; in this way the trust fund was designed to meet the needs of the government as they arose. Although there were initial problems with the fund, a second phase is about to begin and progress has been made in supporting PFM, a sensitive area for the government. However, there were delays in getting Phase 2 underway and it is broadly agreed that PFM continues to be a weak area, and one that cuts across all aspects of donor engagement in Vietnam.

The issue of ownership / leadership is further explored in the context of EQ 8 on coordination and aid effectiveness.

Related facts, figures, and references

- (1) World Bank, Program Document for a Proposed Credit in the Amount of SDR 92.1 million to the Socialist Republic of Vietnam for a Seventh Poverty Reduction Support Operation, May 27,

2008

- (2) World Bank, Program Document for a Proposed Credit in the Amount of SDR 66.2 million to the Socialist Republic of Vietnam for a Fourth Poverty Reduction Support Operation, May 23, 2005
- (3) Bartholomew, A. & C. Dom, Using Aid Well: Experience and Opportunities with Vietnam's PRSC, November 2006.
- (4) Effectiveness of Donor Support in Supporting TBS-EFA', May 2009.

Interviews in EC Delegation, Ministry of Planning and Investment, World Bank, Ministry of Health. Ministry of Education

Indicator 7.1.3: Strengthened Government of Vietnam capacity to formulate policy, plan, budget and implement, at central and Provincial level

Indicator estimate:

A number of EC interventions have been aimed at strengthening the capacity of the GoV to formulate and implement policy, as well as strengthening budgetary and reporting systems. This has been undertaken through a mix of different aid modalities with differing results, suggesting that although support was relevant it may not have been effective in all cases.

An example of this was the MDTF for PFM which was funded by seven bilateral donors and the EC. This consisted of a World Bank executed trust fund began in 2003 and a Ministry of Finance (MoF) executed Trust Fund which began in 2004, with the original intention that administration would be handed over to the MoF after 18 months. The objective of the fund was to support the reform of public financial management in Vietnam. The mid-term review of the MDTF in 2006 highlighted various concerns regarding the way the fund operated and argued that it had not assisted the MoF's capacity to plan, implement and operate the reform process. Although a final evaluation of the MDTF was not undertaken, progress was better in the second half of the implementation phase and a second phase is planned to begin in 2009. The program was designed to support the GoV and much of the delay was due to the time taken by Government to consult internally and get the programme up and running.

As noted in the assessment of Indicator 7.1.2., sector budget support for the NTP for Education for All was designed to increase GoV capacity to implement EFA and raise quality standards in education, but it experienced considerable problems in achieving this goal. Although the program was relevant, funding a national targeted program may not have been the most effective approach to take. As discussed in answering EQ 2, a more effective approach, which the MoET requested to be continued was SREM, which assisted in strengthening education management.

The Forestry Sector Support Programme (FSSP) was also intended to raise the capacity of stakeholders in the forestry sector to coordinate the sector and strengthen planning and implementation of GoV policy. Although the EC has parallel-funded the FSSP as there were concerns about joining the joint funding mechanisms, EC support has been aligned with support to the forestry sector as a whole and has been effective in funding forestry studies and supporting the forestry sector reform process overall. In the area of health, capacity building for sector support is just beginning. As discussed in Special Focus 1 and in the context of answering EQ 1, MoH capacity for policy making and prioritisation is weak at the central level and practically non-existent at the Provincial level. In view of the complex nature of health sector finance, with multiple sources (out-of-pocket payments, the state budget, the VSS insurance fund), a very complicated budgetary process, a strong degree of de-centralisation, and poor centre-province-district communication, stiff challenges need to be surmounted.

The alignment of capacity building with the GoV programme is further explored below in EQ 8, in the context of coordination and aid effectiveness.

Related facts, figures, and references

- (1) Like Minded Donor Group & EC, 'Mid Term Review of the Multi Donor Trust Fund in support of the Public Financial Management Reform Initiative', Feb 2006
- (2) TBS II Progress Report, September 2007
- (3) World Bank, Project Appraisal Document on a Proposed Credit in the amount of SDR27.2 and Grant from the Global Environment Facility Trust Fund in the Amount of US9 million to the Socialist Republic of Vietnam for a Forestry Sector Development Project, May 19 2004.

Interviews in EC Delegation, Ministry of Planning and Investment, World Bank, Ministry of Health. Ministry of Education

Indicator 7.1.4: Reduction in transaction costs for the Government of Vietnam

Indicator estimate:

There are currently a considerable number of aid agencies operating in Vietnam and dealing with each of these organisations individually has proved to be a heavy burden on a government which has limited capacity. A study of transaction costs undertaken in 2000 (Fozzard et al) estimated that they were quite significant for the GoV. In this context, for the EC programme to be appropriate, it would be expected that it would move towards more joint ways of working with other donors and limit as much as possible the use of structures parallel to those of GoV. This would be expected to lower the transaction costs for the GoV as negotiation would be undertaken jointly and harmonised systems for budgeting and reporting would be used.

In practice, the EC has actively looked for joint ways of working with donors and opportunities to use GoV systems. To a certain extent these are limited in Vietnam as there are no SWAp's and very few pooled funding arrangements. However, the EC as noted above was instrumental in funding the NTP for EFA and has participated in the general budget support since 2004. It has also been involved in the FSSP and joint funding through the MDTF for PFM. Their next phase in support to the health sector involves a capacity building project which will be undertaken jointly with a number of donors in the sector.

Evidence points to general budget support provided through the PRSC, as an aid modality that has lowered the transaction costs for the GoV when compared to project modalities. For EFA, transaction costs remained high for MoET due to the increased workload as a result of donor demands and limited capacity. It is unknown what the impact on transaction costs are for the MDTF. Given that the rest of the EC programme is project based, it can be assumed that there has probably been little reduction in transaction costs in these activities.

This issue is also explored below in EQ 8 in the context of coordination and aid effectiveness.

Related facts, figures, and references

- (1) Fozzard et al (2000) Aid Transaction costs in Viet Nam, CAPE, ODI.
- (2) Bartholomew et al (2006), Evaluation of General Budget Support, Vietnam Country Report.

JC 7.2: Approaches assisted in the achievement of EC-cooperation objectives

JC assessment:

In the 2002-2006 CSP it was stated that "whenever possible, sector-wide approaches will be favoured over individual projects," while in the 2007-2013 CSP this was reinforced with the statement that "EC assistance will be provided wherever possible through budget and sector support." The EC appears to have been successful in achieving this aim as the EC used general budget support in the PRSC, sector

budget support through the EFA in education and in the forestry sector, has used a MDTF in its PFM program, and is preparing the groundwork for budget support in health. Therefore, the EC has actively looked at ways to move away from project modalities, despite limited opportunities to do this to date in Vietnam. Given this, a preliminary assessment would be that the EC has an appropriate balance of aid modalities given the context in Vietnam and has been prepared to implement activities through new aid modalities where the opportunity has arisen.

Participation in these programs has also moved the EC towards joint ways of working with development partners. The EC has also become more involved in donor working groups and harmonisation initiatives, through membership of the Partnership Groups for Aid Effectiveness (PGAE), active involvement in PRSC and sector working groups, taking a particularly active role in health. It has also funded an advisor to the Ministry of Planning and Investment (MoPI) on ODA harmonisation and developed EU cost norms.

In the 2002-2006 EC CSP it also stated that where possible there should be “complementarity and links among different EC-supported initiatives.” This has occurred mainly through budget support dialogue and development of policy actions which has been used to enhance the sector policy and institutional framework in which other EC programs operate. Also, EC support to various PFM initiatives have helped in strengthening GoV budgetary systems, lowering fiduciary risk and increasing transparency which might be expected to have a positive impact on other EC programs that use GoV systems. That said, we have noted at many points that progress on PFW, a sensitive issue in Vietnam, has been disappointingly slow.

The EC has also decided to streamline its program by moving out of rural development and education. This would seem to make sense given the large number of donors already operating in each area and the need for a strategic focus in the EC program. However, as pointed out in the discussion of EQ 3, there are doubts about the process by which the EC pulled out of rural development, which has put sustainability at risk and does not appear to have been based on a well-thought out exit strategy.

On a brighter note, the EC's evolving support to Program 125 in rural development (a key NTP for the poorest areas of the country discussed under EQ 3) represents the use of a joint approach to ensure support to a key sector in which the EC ceased traditional bilateral project-based support. Sector budget support in education (and soon in health) permit the EC to express its special commitment to equity while still providing general support to the GoV's poverty reduction strategy and the national priorities implicit in it.

The EC program seems to have become more coherent, with strong links between the different aid modalities used. Given the stated objective to move towards more joint ways of working, the approach undertaken has been effective, in achieving EC program aims.

Indicator 7.2.1: Appropriateness of balance between budget support, sector budget support and projects

Indicator estimate:

The EC has been successful in moving towards using more general budget support and sector-wide approaches in line with its strategy as stated in the CSP 2007-2011 (see JC.7.2), but at the same time has retained the use of projects as an aid modality in some instances. As noted in JC7.1 the EC is participating in general budget support through the PRSC, sector budget support through the EFA in education and has used a MDTF in its PFM program. It is exploring opportunities for sector budget support in health and as far as it can be discerned, with the rest of the programme implemented through project support.

Although the EC has actively looked at ways to move away from project modalities, there have been limited opportunities to do this to date in Vietnam. There are few sector budget support initiatives due to a lack of coherent sector policies and institutional fragmentation in many areas (e.g. health, economic integration); as a result it has not always been possible to undertake anything other than a project approach. In some cases the evaluation has found cases in which there could have been better alignment

between EC projects and other donors' activities in the same area (e.g. the Institutional Support Program and MUTRAP).

Given this, the EC has an appropriate balance of aid modalities given the context in Vietnam and has been prepared to implement activities through new aid modalities where the opportunity has arisen. We do not reach any strong conclusion on which approach was better than others, within each instrument, some interventions were more successful than others. Some projects and programmes have been effective and others not, but it appears that the aid modality used is not necessarily a factor. More important, it appears, is the extent to which there is demand for the assistance from the government, whether it is appropriate and the extent to which capacity exists on the government side to implement effectively.

More detail on EC, and donor moves towards Programme Based Approaches is given below in answering EQ 8 on coordination and aid effectiveness.

Related facts, figures, and references

- (1) EC-Vietnam CSP 2007-2013
- (2) EU Blue Book 2008, European Union Development Cooperation Activities in Vietnam, June 2008

Indicator 7.2.2: Promotion of complementarity, coherence and synergies within the EC programme

Indicator estimate:

The main way in which this is being achieved within the EC programme is through the EC's participation in general budget support dialogue. Currently the EC is active in the PRSC working groups on economic integration, health, education and PFM. These working groups provide a forum through which policy issues can be clarified and actions can be agreed to that assist in implementation of EC projects and programmes in the different sectors. Examples of this are in PRSC 4 where one of the prior actions was to issue a new law on forest protection and development. This assisted in providing the institutional and regulatory framework for the FSSP. Similarly there have been many PRSC policy actions related to trade integration that have reinforced activities being undertaken through MUTRAP.

Other areas of synergies between programmes are, for example, technical assistance which has been provided by the EC to support PFM reform in the MoF. Through the European Technical Assistance Programme for Vietnam (ETV, 2005-2008), the MoF has been assisted to raise domestic revenue and improve auditing and accounting (although this program did not live up to expectations in practice) and through the EC-supported Multi Donor Trust Fund the GoV has been able to procure technical assistance in the areas of PFM. These activities have helped to strengthen the overall GoV PFM system, lowering fiduciary risk and increasing transparency which may be expected to have a positive impact on all EC programs that use GoV systems. The Institutional Support Programme (ISP) which aimed to strengthen the National Assembly and the judiciary also helped by clarifying laws and increasing legislative oversight and the capacity of the legal system as a whole. The EU-Vietnam Small Projects Facility (SPF) complemented the rest of the EC program as it provided flexible funding to organisations and could respond to the needs of the government and other organisations quickly, complementing other programs such as MUTRAP which were not so flexible. MUTRAP 3, now being developed, contains flexibility to allow the continuation of SPF-type interventions, particularly those involving partnership with the private sector and building on the EC partnership with Eurocham.

The issue of synergies achieved by improved coordination of EC and Member States' ODA is explored, as well, below in the context of EQ 8 on coordination and aid effectiveness.

Related facts, figures, and references:

- (1) World Bank (2008) Programme Document for a Proposed Credit in the amount of SDR92.1 million to the Socialist Republic of Vietnam for a Seventh Poverty Reduction Support Operation, May 27.
- (2) World Bank (2006) Programme Document for a Proposed Credit in the amount of SDR68.4 million to the Socialist Republic of Vietnam for a Seventh Poverty Reduction Support Operation, May 24.

Indicator 7.2.3: Increased synergies and coordination with development partners

Indicator estimate:

The EC has committed through the Paris Declaration and the Hanoi Core Statement on aid effectiveness, which aims to operationalise the Declaration's key principles, and through the recent Accra Agenda for Change, to increase coordination with development partners. As noted in the JCs above, the EC has been successful in moving towards joint ways of working with development partners. This has been through general budget support, sector budget support for EFA in the education sector, sector support in forestry through the FSSP, and the MDTF for PFM.

On the other hand, there have been some instances where projects have not been well-coordinated with other similar donor activities. For example in MUTRAP and the Institutional Support Program there are / were other donors undertaking activities that overlap. However, it is intended that if there is another phase of the ISP, it will be undertaken in conjunction with other donors, while the new health capacity building program will be funded by a number of donors.

The EC has become more involved in donor working groups and harmonisation initiatives. It is a member of the Partnership Groups for Aid Effectiveness (PGAE) which was instrumental in drawing up the Hanoi Core Statement; it is actively involved in key PRSC working groups and has funded an advisor to the Ministry of Planning and Investment on ODA harmonisation and developed EU cost norms.

Related facts, figures, and references:

- (1) EC-Vietnam CSP 2007-2013
- (2) Hanoi Core Statement on Aid Effectiveness: Ownership, Harmonisation, Alignment and Results

Indicator 7.2.4: Evidence of the effectiveness of approaches in achieving EC program aims

Indicator estimate:

It is not possible to point to particular approaches being more successful than others, as some projects have been successful in achieving EC aims while others have been less successful. Similarly, budget support has been more successful in some instances rather than others. Also, there have not been evaluations of all initiatives so a judgement is not possible to make in all instances. Some technical assistance programmes (e.g., MUTRAP) were very effective; others (e.g., ETV) less so. The Multi-donor trust Fund for PFM has made progress, but not as much as was expected. The SPF was highly successful in achieving strategic goals, but came at the expense of very high transaction costs for the EC Delegation.

Evidence points to some successes in using general budget support to further EC sector aims through policy dialogue as outlined in 7.2.2. This is despite the fact that there has also been frustration due to differences of opinion among the EC and other development partners regarding the assessment of prior

actions and because the inputs of some sector working groups in developing sectoral prior actions (e.g. education) have been ignored. To a certain degree, this has led to a sense that there are constraints to the effectiveness of general budget support policy dialogue, but it is still very useful to keep key issues such as PFM reform and PEFA on the table and in providing a forum for high level policy dialogue. At the same time, as discussed at several points above, sector budget support in education and (soon) in health permitted the EC to express its commitment to these key sectors while aligning with overall GoV priorities through general budget support, and the EC's evolving support for Program 135 will permit it to continue to be involved in a key sector despite having phased out project support.

As a result, some projects and programs have been effective and others not, but it appears that the aid modality used is not necessarily a factor, more the extent to which there is demand for the assistance from the government, whether it is appropriate and the extent to which capacity exists on the government side to implement effectively.

Related facts, figures, and references:

- (1) EC-Vietnam CSP 2007-2013
- (2) Like Minded Donor Group & EC, 'Mid Term Review of the Multi Donor Trust Fund in support of the Public Financial Management Reform Initiative', Feb 2006
- (3) Bartholomew et al (2006), Evaluation of General Budget Support, Vietnam Country Report.

JC 7.3: Mix of approaches shifted flexibly over time in response to changing conditions and lessons learned

JC assessment:

The EC has appeared to shift smoothly from a project approach to a budget support approach and has been prepared to experiment with different aid modalities. There has been a shift away from project modalities towards sector and general budget support, with these aid modalities evolving as a result of experience. The EC has responded to opportunities to use new aid modalities and also to be involved in joint ways of working with both development partners and the government. The EC moved towards general budget support, financing the PRSC in its third phase and has been active in the sector working groups relevant to the EC country program. Sector budget support was attempted in the education sector and when this experience was not judged to be completely positive it was decided to exit this sector and a sector budget support program is now being developed in health. There has also been more co-financing of projects by the EC and use of trust funds.

There is evidence of a significant amount of sharing of experiences between the EC, government of Vietnam and development partners. Recently the EC has consulted with the NGO community (both Vietnamese and International) to gain feedback on their country program and future directions. They are also involved in consultations on the form that the mid-term review of the PRSC and were also a participant in the stock take of PRSC 1 to 5. This involved both the government and development partners.

The EC has also been involved in a review of the sector budget support to education and is also involved in a range of partnership groups that are related to their areas of interest (health, education, PFM and global integration) which operate as information sharing forums in the different sectors. The EC is also active in the technical working groups related to the PRSC. The other main forum for sharing experiences is the consultative group meetings which occur biannually which the EC also participates in.

Indicator 7.3.1: EC demonstrated flexibility in adapting approaches and financing modalities as circumstances changed

Indicator estimate:

The EC has adapted its approaches and financing modalities as circumstances change. This is evidenced by the move from projects to general and sector budget support. The EC moved towards general budget support, financing the PRSC in its third phase and has been active in the sector working groups relevant to the EC country program. It has also recently committed to giving funding to the PRSC on a multi-year basis, providing more predictable funding for the government. After having withdrawn from bilateral project support to rural development, the EC has demonstrated its willingness to support the key 135 National Target Programme aimed at rural development in the poorest areas.

Sector budget support was attempted in the education sector and when this experience was not judged to be completely positive, it was decided to exit this sector. While a sector budget support programme is now being developed in health, this initiative has benefited from the experience of education, where progress was slow due to weak capacity in MoET and failure to put in place enough capacity for sector-wide policy making, coordination, and prioritisation. As a result, in health a capacity building project is being initiated before sector budget support begins and a Working Group is in place in the EC Delegation to ensure that lessons learned elsewhere, including in education, are taken on board.

Also, over the course of the EC country programme there has been a move towards more joint ways of working as well, with the use of different financing modalities such as trust funds and co-funding of projects. We have cited many examples, from joint projects (the follow-up to ISP; the capacity building project in health) to the Multi-Donor Trust Fund for PFM.

There are some instances where it has been difficult to fully align with development partners due to restrictions in EC guidelines. A number of bilateral agency representatives interviewed expressed frustration that the EC was unable to align as easily with national systems as they were, but nonetheless recognised that this was due to institutional rules and procedures beyond the control of the EC Delegation in Hanoi. An example of this is in the forestry sector support program where it was not possible to join the trust fund for forestry due to EC headquarters concerns regarding fiduciary risk, so a hybrid project was developed.

Related facts, figures, and references

- (1) TOR EC Support to the Health Sector
- (2) Interviews with EC Delegation officials, staff of EU MS bilateral aid agencies.

Indicator 7.3.2: Evidence of sharing of experiences between the EC, Government of Vietnam and development partners

Indicator estimate:

There is evidence of a significant amount of sharing of experiences between the EC, government of Vietnam and development partners. Recently the EC has consulted with the NGO community (both Vietnamese and International) to gain feedback on their country program and future directions. They are also involved in consultations on the form that the mid-term review of the PRSC will take and will participate in the review process with other development partners and the government. They were also a participant in the stock take of PRSC 1 to 5.

The EC has also been involved in a review of the sector budget support to education which is co-funded by the Like Minded Donor Group. The EC is also involved in a range of partnership groups that are related to their areas of interest (health, education, PFM and global integration) which operate as information sharing forums in the different sectors. The EC is also active in the technical working groups

related to the PRSC. The other main forum for sharing experiences is the consultative group meetings which occur biannually which the EC also participates in.

Related facts, figures, and references

- (1) Interview with Steve Price-Thomas, Oxfam, GB
- (2) Consultative Group Meeting Report, 2006 and 2007
- (3) Partnership Group Report 2008

EQ8 - To what extent has the EC coordinated and cooperated with EU member states ' cooperation agencies, international financial institutions, and non-member state bilateral donor cooperation agencies to achieve improved aid effectiveness in line with the Paris Declaration and Vietnam's status as a pilot country?

We answer this question based on three Judgement Criteria: to what extent the EC contributed to establishing and participating in coordination processes (JC 8.1), EC participation in joint initiatives (JC 8.2), and EC efforts at harmonisation (JC 8.3).

Vietnam is regarded as a leading country in implementing the aid effectiveness agenda commonly identified with the Paris Declaration of 2005. The EC has committed, through the Paris Declaration, the Hanoi Core Statement on aid effectiveness aiming to operationalise the Declaration, as well as through endorsement of the recent Accra Agenda for Change, to increase coordination with development partners.

The EC has fully participated in the drive for aid effectiveness in Vietnam (JC 8.1) via coordination and cooperation with EU member states and other actors in the donor field. The quality of coordination appears to have been good (although this view is not universally held; see comment by the GoV below) and the EC is highly visible. The EC has become more involved in donor working groups and harmonisation initiatives such as the Partnership Group for Aid Effectiveness (PGAE), PRSC and sector working groups in health, education, PFM and global integration. It has also funded an advisor to the Ministry of Planning and Investment (MoPI) on ODA harmonisation and developed cost norms. These groups have been of varying effectiveness. The Partnership on PFM is generally judged to have been rather weak and the PGAE largely reflects the view of the host ministry the MoPI.

The actual impact of coordination and cooperation on aid effectiveness in Vietnam can be questioned. The positive analysis of the Partnership Group on Aid Effectiveness is not credible because all of the indicators favourably assessed are based on aggregate statistics that are dominated by a handful of major donors such as the World Bank and Japan. Use of national systems, for example, is nowhere near as widespread as the analysis in that document makes it appear. EC procedures impose tighter limits on the use of national systems than the rules of other EU donors such as the UK and Denmark, making it difficult to join up. Data uncertainties, in particular problems of double-counting, abound.

Field phase interviews revealed a substantial level of dissatisfaction with aid effectiveness on the part of donors. The limits to coordination must be set in the context of the GoV's mixed views on the subject. Ultimately the Division of Labour / Code of Conduct has to be enforced by GoV, which still accepts too many offers of assistance. There is reluctance to co-mingle donor and GoV funds because of the consequences for oversight and audit, and there are fundamental incompatibilities in the incentives faced by line ministries, the Ministry of Finance (MoF), and the Ministry of Planning and Investment (MoPI). However, one area where GoV commitment is assured is in increasing disbursement rate.

While the interview base was very limited, the GoV itself does not appear to be entirely satisfied with the performance of the donors in the area of coordination, complaining about donor competition. As ODA declines and donors increasingly phase out their traditional cooperation programmes in favour of trade and economic cooperation, these problems may gradually be reduced on their own. Yet, as ODA becomes scarcer, the issue of how to use it most effectively will assume growing importance.

As described in answering EQ 7 and re-affirmed below, the EC has definitely moved towards joint donor initiatives, not only general budget support, but other programme based approaches, as well (JC 8.2).

It has, by pooling its analysis with that of other donors, and through limited but significant progress in joint missions, exploited synergies and reduced transaction costs for the GoV (JC 8.3). Contributing to this, the EC has managed to get round the normal EC procedures on general budget support (fixed and variable tranches), which has been a positive move as it has allowed the EC to harmonise their approach with other donors.

JC 8.1: EC contributed to establishing and participated in coordination mechanisms with member states, international financial institutions, and non-member state bilateral donors

JC assessment:

In looking at the Indicators below, we find a commitment to coordination and the aid effectiveness agenda on all sides, and a great deal of EC participation in coordination processes (Indicators 8.1.2 and 8.1.3). A number of EC activities in coordination, such as its hosting of the monthly Development Counsellors' meeting and its chairing of the Working Group on Health, are well-regarded.

The question of the impact of coordination, and activities related to aid effectiveness more generally, is germane. If the recent Partnership Group on Aid Effectiveness Report is taken as a proxy of the donor community's (including the EC's) assessment of aid effectiveness in Vietnam, then there has been tremendous progress.

However, a systematic analysis of that report, which we present under Indicator 8.1.1, is rather troubling. Judged by the average donor dollar, progress towards the goals of the HCS is substantial and the targets set for 2010 are attainable. This is cause for satisfaction. But looked at in terms of the average donor, the situation is far less reassuring. This is because lack of progress, or even backsliding, by most donors can be masked by progress made by a handful of very large donors. While there is no overall generalisation, the empirical fact is that improvements by the World Bank and Japan carry so large a weight as to dominate movement in the average donor-dollar statistics.

Field interviews with donors revealed a view far more negative than would be expected after reading the report or, for that matter the OECD's 2007 DAC assessment of aid effectiveness in Vietnam. The GoV's commitment to aid effectiveness is viewed by donors as broad but shallow. While we did not conduct a comprehensive survey of the GoV's perception on coordination, there appears to be dissatisfaction on that side, as well, with donors viewed as competing against each other.

Indicator 8.1.1 EC and its partners consider existing coordination meetings and mechanisms to be of high quality

Indicator estimate:

In field interviews, opinions differed. All donors active in health that were interviewed considered that the EU Health Working Group meetings and activities were extremely useful, and compared them favourably with the meetings of the broader Health Partnership Group. By contrast, the Partnership Group on Public Financial Management appears to be ineffective. The sub-Working Group on Institution Building and Human Rights, a sub-group of the EU-Vietnam Joint Committee, chaired by the Ministry of Justice, has been a valuable venue for discussion of sensitive issues. However, the Donor-Government anti-Corruption Dialogue held every six months and chaired by Sweden and the Government Inspectorate has disappointed some donors. An informal "Friends of PRSC" group convened by DfID attempts to informally resolve issues concerning the World Bank's management of PRSC budget support.

The EC is unfortunately unable to participate in one of the most effective, because broad, consultative groups, namely the Like-minded Donors Group. Within the European donor community, however, the EC is able to coordinate effectively through chairing the regular meeting of EU Development Counsellors.

On trade/economy matters the EC and member states coordinate project activities mainly through the EU SME-Group chaired by Denmark and the EU group on SME and TRA chaired by the EC. Coordination also takes place between the EC and the Member State Embassies' commercial councillors through monthly meetings chaired by the EC Delegation. The aim is information-sharing and to maximise impact in the dialogue of EU stakeholders with the GoV. However, if national economic interests of MSs

are at stake (for example concerning market entry for national enterprises) Embassies normally do not involve the Delegation but use direct, bilateral communication channels with the GoV (3).

While we did not conduct a comprehensive survey of the GoV's perception of coordination between the EC and member states, several interviewed stakeholders offered their views based on – in many cases – long-term experiences in cooperating with the EC and MS donors. A senior official in the Ministry of Foreign Affairs (MoFA) explained, “There does not seem to be much of a consensus on ODA between the EC and EU member states. Vietnam is reflective of this situation. Some member states have a long tradition of relations with Vietnam, among them France, Germany and the UK. And we have the unique situation here in Vietnam that, more than in other ASEAN states, some of the new EU member states, mainly Poland and the Czech Republic have long-standing bilateral relationships as well. The multitude of interests seems to be creating problems in the coordination among member states. Ultimately they compete against each other and the government has to make choices” (4).

Field interviews in general revealed a nuanced, in some senses a fatigued, view of aid effectiveness in Vietnam. Despite commitment to aid effectiveness, many donors feel, the GoV is still too eager to accept aid even when it is redundant or ineffective. Commitment to aid effectiveness is much stronger at Ministry of Planning and Investment, (MoP) and even there only among a relatively small group, than in line Ministries, which profit from project management units (PMUs) and are reluctant to see their own funds co-mingled with donor funds. “Broad but shallow,” was one characterisation of the GoV commitment to aid effectiveness; “transposition, not reflection and prioritisation” was how one multilateral agency official described the GoV response to the Paris Declaration and the Accra Agenda for Action.

Feelings on the quality of GoV systems and procedures, and assessments of the wisdom of operating through them, differ. A number of European MSs are more willing than the EC to work through national systems and express frustration at the institutional constraints that prevent the EC from doing so. The view that national systems can only improve when they are used finds more currency among other donors than at the EC.

A good overview of the quality of the coordination mechanisms and processes in place is available from the Partnership Group on Aid Effectiveness (PGAE), described below in Indicator 8.2.4 (1). Based on an extensive survey of donors and GoV agencies, this review examined progress in 2005-2007 and assessed needs if 2010 targets related to the Hanoi Core Statement or HCS (also described under Indicator 8.2.4) are to be met.

First, we summarise the conclusions reached by the PGAE based on aggregate statistics. Then we argue that these optimistic conclusions, while correct at the macro level, need to be heavily qualified.

The review's overall findings

We group findings according to the major categories of the HCS goals.

Ownership

- Donor alignment with GoV strategic priorities, as embedded in the SEDP, is complete.

Alignment

- The number of parallel Project Management Units (PMUs) was essentially cut in half, from 111 to 58, but further progress is needed to achieve the goal of eliminating parallel structures altogether by 2010.
- While there was progress on integrating capacity building into the GoV programme, the pace of progress will have to pick up considerably if the 2010 target of having all capacity building led and coordinated by the GoV is to be met. The GoV needs to articulate a capacity building strategy at the

sub-national level.

- There was good progress on the use of GoV procurement systems; the share of ODA using government systems increased from 33 percent in 2005 to 59 percent in 2007 (in excess of the 2010 target). The proportion of donors channelling at least half of their ODA through Government systems increased from 25 percent to 33 percent, but is targeted to increase to 50 percent by 2010. In other words, large donors are meeting the goal, but smaller ones are not; hence good progress when measured by proportion of ODA, less progress if measured by proportion of donors.
- The same phenomenon – good progress by large donors, less by smaller donors – was also observed for the indicator on public financial management. The proportion of ODA subject to GoV PFM has risen to 53 percent, but only 17 percent of donors responding were using GoV PFM systems for more than half their ODA. This reflects the fact that large donors are participating in General Budget Support and Programme Based approaches (PBAs).
- There has been little change since 2005 in the proportion of aid disbursed on schedule. The GoV records only 70 percent of aid as having been disbursed on schedule in 2007, whereas donors estimated their on-time disbursement rate to be over 90 percent. The gap indicates a clear need to improve the consistency of GoV and donor accounting systems.
- Virtually unused by donors in 2005, about half of all Environmental Impact Assessments and Social Impact Assessments used GoV systems in 2007, and the proportion was even higher at sub-national level. This puts donors and the GoV well on track to meet the 2010 target.

Harmonisation and simplification

- The coordination of analytical work, using joint approaches and eliminating overlap, has improved dramatically. By 2010, it is expected that 75 percent of all Country Analytical Work will be joint. While the proportion of joint missions doubled, this was only from 10 to 20 percent; the target for 2010 is 40 percent.
- About a third of donors were using the common project / programme management tools. While against which to judge this, the mid-term review suggests that the target of 50 percent of donors is likely to be met in 2010.
- While the amount of aid channelled through Programme Based Approaches (i.e., either General Budget Support or Sector Programmes) has increased from 34 to 58 percent (with a 2010 target of 75 percent), PBAs are little used at the Provincial level, in addition which, the share of General Budget Support in PBAs declined from 51 to 44 percent.
- Mostly due to the increasing role of budget support, the 2010 target of having 75 percent of all ODA managed at the decentralised (country office) level has been achieved.

Results based management

- The review noted progress at both the provincial and central levels in instituting results-based monitoring and evaluation frameworks.

Mutual accountability

- The Mid-term Review expressed strong endorsement of the quality of the GoV-donor mechanisms in place in pursuit of aid effectiveness. The Consultative Group process and the contributions of the PGAE were singled out for special praise.

Qualification of the Review's findings

The findings above relate to overall progress towards achieving HCS goals, and can be interpreted as a reasonable proxy for the average partner's assessment of the quality of the mechanisms. Presumably, if the partners thought them of low quality, they would make little effort to participate in them.

However, some of these findings must be taken with a very large grain of salt, as they may reflect, in the case of monetary indices, the behaviour of a few large donors. The question, in a nutshell, is whether we should look at the average partner or the average donor dollar?

To underscore this point, we look at the EC's own performance in 2005-2007, which we benchmark against overall donor performance (2). To anticipate our assessment, this unpacking of the aggregate averages which form the basis for the PGAE's findings appears to weaken the foundation for the generally upbeat assessment. At the very least, it suggests caution and qualification.

Ownership

- All EC support is aligned with the SEDP, as is all donor support. On this, there is no doubt.

Alignment

- The EC virtually eliminated its parallel PMUs, from 11 to 1, as compared to donors' reduction from 111 to 77.
- Whereas the donor community as a whole increased the share of TA delivered through Gov-led programmes from 66 to 70 percent, the EC's share dropped from 100 to 29 percent. In fact, a number of donors experienced a decrease, and the aggregate increase is due entirely to increases in a few large providers of TA: the World Bank, the Netherlands, Australia, and Canada. Nonetheless, the large drop in the share of EC TA delivered through GoV-led programmes deserves to be looked at more closely during the field phase. The coordinated TAs with EC support were via the Forestry Trust Fund, Health Sector Support in the Northern Uplands and Central Highlands, the Institutional Support Programme, the Labour Market Project, and the Multi-Donor Trust Fund for Public Financial Management.
- Whereas donors as a group increased the share of their ODA using GoV procurement systems increase from 33 to 59 percent, the EC's share increased from 44 to 58 percent. Although this represents an increase, another interpretation would be that the EC slipped from better-than-average to average performance on this indicator. But averages can be deceptive, and in this case, the trend in the aggregate measure is driven by large increases for two massive donors, Japan and the World Bank.
- Whereas the share of the average donor dollar using GoV Public Financial Management systems rose from 32 percent to 53 percent, the EC share fell from 40 to 26 percent. Again, though, the aggregate average is driven by a few large donors, in this case Japan (from 31 percent to 92 percent) and the World Bank (23 percent to 50 percent).
- The proportion of EC aid disbursed on schedule and recorded by the GoV fell from 43 percent to 35 percent, while the proportion of overall ODA disbursed on schedule and recorded remained stable at 68-70 percent. In fact, the stability of the average is driven entirely by Germany, the Global Fund, and UNDP; virtually every other donor experience deterioration while the World Bank's performance was essentially unchanged.
- No meaningful information is available on EIAs and SIAs

Harmonisation and simplification

- In 2005, 20 percent of EC missions were shared; in 2007 30 percent were shared. In the donor community as a whole the increase was from 10 to 20 percent.

- The proportion of donors using common project / programme tools is a complicated indicator as there are a large number of such tools, each with their own “score.” One out of five donors used a common F/S format in 2007, the EC did not; 59 percent used the Development Assistance Database reporting format, the EC did not; 27 percent adopted AMF reporting, the EC did not; 6 percent of projects adopted AMT, EC projects did not. These statistics do not leave the impression that the EC is particularly well aligned with common frameworks. The picture is very patchy, however, for other donors, as well, and no information is given for the World Bank.
- Probably a more significant indicator is the proportion of IDA national or sector programme based. The donor-wide average increased from 34 to 58 percent, representing significant progress towards the target of 75 percent. The EC was relatively stable (a decline from 46 to 42 percent between 2005 and 2007). In fact, the average increase is driven by World Bank (23 to 54 percent) and Japan (33 to 98 percent), with minor contributions by a few other significant donors such as the Netherlands and Norway. The EC's main PBAs, in addition to General Budget Support to the PRSC, are the Multi-donor Trust Fund for Public Financial Management, Sector Budget Support for Education, and Support to the Forestry Sector.
- Both in 2005 and 2007, all EC support was managed at the country level.

Summary

To summarise this discussion, the essential question is “Do you look at the average donor, or look at the average donor dollar?” The proper answer is, of course, “Both, as both are significant.” However, the upbeat findings of the PGAE were based largely on the average donor dollar, which of course increases considerably the weight to be attached to a few large donors. This issue was followed up in field phase interviews, where there was agreement that problems of double counting and other data difficulties make statistical analysis of the type presented in the PGAE report very difficult to interpret. Along similar lines, suspicions were voiced about the accuracy of the OECD's 2007 DAC survey's optimistic findings on aid effectiveness.

Related facts, figures, and references:

- (1) Chapter 2, “Achievements and Challenges,” of the Partnership Group on Aid Effectiveness Mid-term Review on Implementation of Paris Declaration and Hanoi Core Statement on Aid Effectiveness; report presented at the 2008 Consultative Group Meeting, Hanoi, December 4-5, 2008.
- (2) Ibid., Annex 1.
- (3) Interviews with the Commercial Councillor of the French Embassy, senior officers at the EC Delegation and the Executive Director of Eurocham Hanoi

Interviews with officials at Ministry of Foreign Affairs and Ministry of Planning and Investment, multilateral donor agencies, bilateral donor agencies, EC Delegation.

Indicator 8.1.2 Monitoring and feedback systems for coordination and mutual adjustment among EU Member States and EC exist and are regularly used

Indicator estimate:

The EU Member States and the EC meet regularly for coordination and information exchange. They also participate in Consultative Group (CG) meetings jointly organised by the GoV and the World Bank.

Related facts, figures, and references

Indicator 8.1.3 Number of overall and of sectoral coordination meetings

Indicator estimate:

No information obtained.

Related facts, figures, and references

JC 8.2: EC participated in effective joint donor initiatives including trust funds

JC assessment:

The EC has participated in a number of joint initiatives, both general budget support and at the sector level (Indicator 8.2.2). EC has, in general, been visible in these initiatives (Indicator 8.2.1). The effectiveness of these efforts has been analysed in the process of answering EQ 7 (General Budget Support and the Multi-Donor Trust Fund for Public Financial Management, EQ 2 (education; see also Special Focus 2) and EQ 3 (forestry sector support). The EC has been a major player in the institutional architecture of improving aid effectiveness (Indicator 8.2.3).

Indicator 8.2.1: EC visibility with externally managed facilities

Indicator estimate:

EC visibility in PRSC budget support is assured by its regular participation in related dialogue. In other areas that do not feature regular dialogue, such as the Global Fund, EC visibility can be more problematic. Moving beyond externally-managed facilities. EC visibility in joint activities in general, such as the new capacity building project in the health sector, has been excellent.

One of the highest-visibility EC activities is the annual publication of one of the flagship reference documents on foreign assistance in Vietnam, namely the "Blue Book." While not identifying individual MSs, the Blue Book published information on the progress of EU donors relative to the indicators specified in the HCS (see Indicator 8.2.4).

Related facts, figures, and references:

Indicator 8.2.2: Number of EC joint-financing projects / programmes donor initiatives

Indicator estimate:

The EC is strategically committed to reduce its reliance on individual projects in favour of sector approaches and general budget support (1). We have discussed the EC's increasing reliance on joint approaches in answering EQ 7.

The EC currently co-finances

- PRSC (with Denmark, Germany, Ireland the Netherlands, Spain, and the UK)
- A sector programme in education (with Belgium, Spain, and the UK)
- A Forestry Trust Fund (with Finland, the Netherlands, and Sweden)
- A capacity building project to lay the foundation for budget support in the health sector (with Luxemburg, Germany, Sweden, Netherlands, and Belgium)
- A follow-up to the ISP project, which is now being formulated (with Sweden and Denmark)

Commitments to general budget support account for 40 percent of total commitments in the period 2007-2010, commitments to sector-wide approaches for another 40 percent, and commitments to projects for

the remaining 20 percent (2).

Related facts, figures, and references:

- (1) CSP 2002-2006, p. 22.
- (2) EU Blue Book 2008, p. 103.

Indicator 8.2.3: Effectiveness of joint financing projects / programmes.

Indicator estimate:

For information on effectiveness of joint initiatives, see EQ 7 (budget support and the Multi-donor Trust Fund for Public Financial Management), EQ 1 (capacity building for sector budget support in health), EQ 2 (education sector support), and EQ 3 (forest sector support).

Related facts, figures, and references.

Indicator 8.2.4: Existence of harmonised procedures and monitoring mechanisms

Indicator estimate:

The EC's efforts to achieve aid effectiveness may be seen in the context of the GoV's strong commitment to this goal (1).

The basic document in this area is the Harmonisation Action Plan (HAP) drawn up by the GoV following the OECD/DAC High Level Forum in Rome in 2003, itself a precursor to the 2005 High Level Forum that resulted in the Paris Declaration of 2005 (2). Vietnam's formal endorsement of the Paris Declaration occurred in September 2005 in the form of the Hanoi Core Statement (HCS). The HCS specifies 14 targets falling into four broad areas: alignment with GoV systems and procedures, harmonisation and simplification, managing for results, and mutual accountability (3). The EC publishes information on EU donors' progress against these indicators (see Indicator 8.2.1 above).

Yet, the EU's commitment to the aid effectiveness agenda in Vietnam antedates the Paris Declaration. Vietnam was identified as a pilot country for EU coordination and harmonisation in 2002, an EU Action plan was agreed to by Member States in 2002. In early 2004, the Partnership Group for Aid Effectiveness (PGAE) was formed, with EC participation, to bring together the GoV and members of the international donor community. The PGAE, chaired by the GoV and, on a rotating basis, one donor, concentrates on strategic issues related to aid effectiveness and provides information and advice to the Inter-Ministerial Task Force on ODA, which coordinates across ministries. Concrete details and procedure are dealt with by Thematic Groups (4). Concrete achievements of the Thematic Groups are spelled out on p. 24 of the EU Blue Book 2008 and on p. 16 of Ministry of Planning and Investment, 2008 Special Edition, *15 Years of Cooperation and Development*.

The European Consensus on Development added four additional commitments to those in the Paris Declaration, namely that the EC and Member States

- Will share information on capacity building and strive for coordinated and multi-donor arrangements,
- Will strive to channel 50 percent of assistance through Government by 2010
- Will not establish new parallel Project Management Units (PMUs)
- Will enhance the coordination of missions in order to reduce transaction costs.

The "Road Map for Closer Coordination and Harmonisation among EU Members" was put in place in February 2005. The basic ingredients are the Road Map are:

- Joint analysis of the SEDP (see Indicator 8.3.2)
- Support to the PGAE
- Use of GoV systems
- Continued publication of the Blue Book (see Indicator 8.2.1)
- Participation in EU Working Groups in PRSC policy dialogue on health, private sector development, and higher education.

The European Code of Conduct on Complementarity and Division of Labour in Development Policy of May 2007 commits Member States to, inter alia, avoiding duplication within sectors, and the EC Delegation in Hanoi has contributed to implementation of the Code.

Progress has been made towards harmonisation of EU and UN cost norms and eventual alignment with GoV cost norms (5).

Related facts, figures, and references:

- (1) For an overview of the GoV's position on aid effectiveness, see Ministry of Planning and Investment, 2008 Special Edition, 15 Years of Cooperation and Development, pp. 15-20. Also a basic source is Chapter 1, "Aid Effectiveness Overview" of the Partnership Group on Aid Effectiveness Mid-term Review on Implementation of Paris Declaration and Hanoi Core Statement on Aid Effectiveness; report presented at the 2008 Consultative Group Meeting, Hanoi, December 4-5, 2008.
- (2) The basic source for this summary of the basis for aid coordination in Vietnam is the 2008 EU Blue Book, pp. 23-24.
- (3) EU Blue Book 2008, p. 34.
- (4) Communications, Procurement, Public Financial Management (PFM), ODA on Budget, Cost Norms, Environmental and Social impact Assessment, and Independent Monitoring.
- (5) "UN-EU Guidelines for Financing of Local Costs in Development Cooperation with Vietnam," October 2007.

Indicator 8.2.5: EC encouraged and coordinated co-funded projects

Indicator estimate:

We have identified co-funded projects above under Indicator 8.2.2. Whenever possible, the EC has moved towards joint funding and joined-up working arrangements; this is discussed in greater detail in answering EQ 7.

Related facts, figures, and references.

JC 8.3: EC took steps to harmonise project/programme formulation, monitoring, and evaluation with other donors

JC assessment:

The EC has significantly increased its participation in joint donor ventures, joint missions, and joint analyses (Indicator 8.3.1). By consolidating analyses of the GoV's SEDP into one jointly produced analysis, the EC and EU Member States successfully exploited synergies (Indicator 8.3.2) and, one suspects, reduced transaction costs for the GoV, as well. The EU Code of Conduct has reduced over-concentration of donors at the sector level (Indicator 8.3.3), however, there are still sectors in which too

many donors are active. Some of this may be due to donor competition, but ultimately, it is up to the Gov to enforce the Code of Conduct.

In a significant step, the EC has managed to get round the normal EC procedures on general budget support (fixed and variable tranches), which has been a very positive move as it has allowed the EC to harmonise their approach with other donors.

Indicator 8.3.1: Number of joint planning and evaluation exercises led by the Government

Indicator estimate:

See discussion under Indicator 8.1.1.

Related facts, figures, and reference

Indicator 8.3.2: Records of the EC's having achieved synergies between its co-operation programmes and / or policy dialogue and the cooperation programmes and policy dialogues of Member States or other donors

Indicator estimate:

EU Member States Development Counsellors and members of the Like-minded Donors Group met and drafted a coordinated analysis of the GoV draft Socio-economic Development Plan (SEDP) 2006-2010 (1). The EC participated actively in this process, through which the comparative policy expertise of the various donors was combined and synergies were exploited. Through the Code of Conduct, the EC and EU seek to encourage the development of deeper sector expertise in the donor community, maximising efficiency, improving the quality of policy dialogue, and encouraging the development of sector approaches, as in the case of education in Vietnam (2).

The EU has issued a Joint Statement on the occasion of each Consultative Group Meeting, as well as on other issues such as corruption and human rights.

Field interviews with Development Counsellors of EU Member States generally revealed a high opinion of the EC's openness to cooperation and dialogue. An example of exploiting complementarities is the HEMA project, which focuses on the commune and district levels while a sister World Bank health project focuses on the provincial and district levels.

Related facts, figures, and references

- (1) CSP 2007-2013, Annex 4
- (2) EU Blue Book 2008, p. 25
- (3) Interviews with bilateral aid agency officials.

Indicator 8.3.3: Actions taken to ensure minimisation of overlap

Indicator estimate:

The 2007 EU Code of Conduct, described above under Indicator 8.2.4, has as its main purpose the minimisation of overlap by eliminating over-concentration of donors in sectors. In addition, the EC participates in some of the 24 joint GoV-Donor Sectoral Partnerships Groups that have been formed (1,2,3). In addition to contributing to other goals, these partnerships have the effect of reducing overlaps (as well as identifying gaps).

However, in a number of field interviews, it emerged that there are still sectors in which many donors are active. The Division of Labour is difficult to enforce. In art, this is because it may be difficult to precisely categorise an integrative project with components across a broad front. Second, and more importantly, it

is ultimately the responsibility of the GoV to enforce the Division of Labour. Despite commitment to improved aid effectiveness, GoV still finds it difficult to respond in the negative when assistance is offered.

However, the Code of Conduct also needs to be put in historical perspective. The problems it seeks to address may be of diminishing significance as many donors began to scale down or even leave Vietnam.

Related facts, figures, and references

- (1) CSP 2002-2006, p. 21
- (2) Ministry of Planning and Investment, 2008 Special Edition, 15 Years of Cooperation and Development.
- (3) For a full list of Partnership Groups and a summary of their recent activities, see Vietnam Partnership Report 2008, Informal Report Prepared for the Consultative Group Meeting, Hanoi, December 4-5, 2008.

EQ9 - To what extent, in its cooperation programme, has the EC effectively used its unique position as a supranational European institution?

This EQ is closely related to the concept of EC value added, itself a close relative of the principle of subsidiarity. We answer the EQ based on three Judgement Criteria: EC specialisation in areas in which it has a comparative advantage over EU MSs (JC 9.1), GoV attitudes towards Europe as a source of experiences and insights (JC 2), and EC actions to coordinate the activities of EU MSs (JC 9.3).

Among the areas where the EC has a comparative advantage over MSs are trade and economic integration and dealing with sensitive issues which MSs might be reluctant to grapple with. We conclude that there is some evidence that considerations of comparative advantage played a role in the evolution of the EC's strategic engagement between the CSPs of 2002-2006 and 2007-2010. Our strongest conclusion is that the EC explicitly and aggressively exploited its comparative advantage in the area of trade.

GoV officials, as well, conspicuously referred to EC value added in regional trade integration (JC 9.2). In the area of civil society, stakeholders also expressed very positive views of the EC, and project beneficiaries from the Institutional Support Programme (ISP) had a positive view of their experience of gaining familiarity with EU MS legislative structure and processes. The EC supported civil society work on sensitive issues through the SPF (see Special Focus 3) and civil society groups specifically stated that the EU MSs were a source of inspiration in the area of human rights. GoV officials also expressed the view that the EC's work in institution building through, for example the ISP, was in some senses more in line with national aspirations than the work of major non-EU donors. However, there was no evidence that the EC speaks out on sensitive issues which European MSs would be reluctant to raise on their own (Indicator 9.1.2).

Coordination is often singled out as an area in which the EC adds value (JC 9.3). The EC's participation in the aid effectiveness agenda, closely related to coordination, was examined at length in EQ 8. We have detailed the EC's close participation in coordination efforts, joint initiatives, and the like. From the standpoint of this EQ, probably the most important contribution of the EC to adding value was in coordinating Member States, where the EC Delegation has made a substantial and appreciated contribution.

JC 9.1: EC focuses on areas in which it has a comparative advantage (e.g., regional integration, politically controversial subjects)

JC assessment:

We have found that the EC heavily exploited its comparative advantage in trade and economic integration (Indicator 9.1.3). Not only does it aggressively assert its role as a lead donor on trade, but it explicitly bases this strategy on European comparative advantage and value added. The EC has supported civil society (Indicator 9.1.4; see also EQ 5 above) and NGOs supported have a very positive view of the EC/EU. Sensitive subjects such as the death penalty feature in EC strategic documents, and through the SPF (see Special Focus 3) the EC supported Vietnamese NGOs to work on a number of surprisingly sensitive subjects. There is no evidence, however, that the EC adds value by speaking out on subjects that European MSs would not wish to broach (Indicator 9.1.2) nor that cross-cutting issue were mainstreamed more effectively than would have been the case in the absence of the EC (Indicator 9.1.5).

Continuity, not abrupt change, have characterised the EC's strategy since 2002. However, within sectors, such as health and trade, EC comparative advantage may have played some role in shifting strategic emphasis (Indicator 9.1.1).

Indicator 9.1.1 EC strategically moves into and out of sectors where it perceives that it does or does not add value

Indicator estimate:

As a “test case,” we compare the CSP 2007-2013 and the CSP 2002-2006.

CSP 2002-2006

The initial cooperation strategy, agreed in 1996, focused on transition to a market economy and mitigating the social consequences of transition. In the CSP 2002-2006, the largest focal point was enhancement of human development, with major interventions in rural development targeting the poorest provinces, in education (Support to the Ministry of Education and Training) and health (the Health Sector Development Programme, which also focused on poor provinces). The second largest focal point was integration into the international economy and involved MUTRAP technical assistance and capacity building in trade, SME development, and private sector development. Falling into this focal area, but broader in remit, was the Institutional Support Programme, which supported legal and judicial reform across a broad front. Finally, a non-focal point area of assistance, “Cross-sector support,” supported the PRSC and, through the Small Projects Facility, encouraged civil society dialogue and facilitated interventions in areas such as democracy, Rule of Law, administrative reform, and decentralisation, as well as in trade.

CSP 2007-2013.

The new CSP has moved gradually away from direct poverty reduction to sustaining economic and governance reform (1) to ensure the GoV to maintain momentum in its own poverty reduction efforts. It seeks to achieve this by working with and strengthening the GoV's own systems for development; thus associating the EC's strategic stance with the aid effectiveness agenda.

In concrete terms, there are again two focal areas, support for the SEDP (General Budget Support) and support for the health sector. The latter seeks to provide the groundwork for a sector support and aims to share European experience in the area of health care finance. Non-focal area support is foreseen in trade related assistance and activities arising in the context of the sub-group on “Cooperation in institution building, administrative reform, governance, and human rights.”

Analysis

There is no question that the EC has adjusted its intervention mix over time to adapt to changing needs – recall that the first engagement of the EC in Vietnam was related to the return of refugees. Between the 2002-2006 and 2007-2013 CSPs, we see no major sectoral shifts which could be assessed in terms of the role played by European value added. Continuity, not abrupt dislocation, is observed.

However, shifts in emphasis within sectors, suggest that considerations of value added played some role:

- Increasing importance was accorded to health care finance within the health sector. However, while field interviews revealed increasing concern over health care finance, there was less awareness of the value added dimension that arises from the EU's experience with the European Social Model in its various forms.
- The overall programme was more closely aligned with the with the aid effectiveness agenda., which is in turn closely tied to coordination, an area in which the EC adds value through its role vis à vis the Member States.
- In the area of trade and economy, the EC's strategic engagement moved from issues of transition to a market economy to a tighter focus on concrete implementation issues related to WTO and ASEAN

integration. The EC's unique experience in regional trade integration allows it to add value in these areas. Field interviews confirmed that the EC explicitly views its lead role in trade as a reflection of comparative advantage and hence value added.

- The EC's engagement in governance issues continued. There is mention of a wish to focus more closely, but we are not in a position to judge how the EC's governance portfolio changed.
- In giving a generally positive analysis of this indicator, we do not forget the problems pointed out in the context of EQ 3 on the more of exit from rural development.

Related facts, figures, and references:

(1) CSP 2007-2013, p. 16

Interviews with EC Delegation staff

Indicator 9.1.2 EC is engaged in policy dialogue in controversial areas where other donors are reluctant to speak or where they are perceived to be less neutral than the EC

Both the CSPS 2002-2006 (p. 6) and 2007-2010 (p. 5) discuss a range of politically sensitive issues in Vietnam, including the death penalty, prisoners of conscience, issues related to ethnic minority groups, human trafficking and illegal migration. However, European bilateral MS officials interviewed flatly denied that the EC is speaking out on issues so sensitive that they dare not raise them themselves. To judge from the tenor of European MS reactions to last year's clampdown on freedom of the press, most MSs are quite willing to speak up on their own account. In some areas (e.g., HIV-AIDS and corruption), the role of provocative interlocutor may have fallen more to UNDP than to the EC.

Related facts, figures, and references

Interviews with EU MS bilateral aid agency officials.

Indicator 9.1.3 Trade and regional integration play a prominent part in the EC's support to Vietnam

Indicator estimate:

We need not summarise here the information given in general terms under Indicator 9.1.1 and analysed in detail in answering EQ 4. While resources devoted to trade and integration issues have been smaller than resources devoted to human development (whether through projects or through general budget support), the centrality of these issues to the EC's engagement is not in doubt. The EC is a lead donor and explicitly bases this on considerations of European value added.

Related facts, figures, and references

Interviews with EC Delegation staff.

Indicator 9.1.4 EC supports the strengthening of civil society and works with civil society partners where appropriate

Indicator estimate:

That the EC has supported civil society development is not in question; these activities were discussed in answering EQ 5. Inter alia, we discussed the constrained nature of civil society in Vietnam and pointed out that supporting is not necessarily the same thing as forming partnership with. However, not many bilateral donors have funding windows that are open to either international or national NGOs, so if not actually adding value, this at least carves out a special niche for the EC.

Related facts, figures, and references

Interviews with international NGO representatives.

Indicator 9.1.5 Issues such as environment, human rights, etc. mainstreamed more successfully than would have been possible absent EC action

Indicator estimate:

In assessing Indicator 5.3.2, we found that, generally speaking, cross cutting issues often placed under the umbrella of “governance” were incorporated into EC sector projects. Rural development projects mainstreamed issues related to property rights, closely related to the rule of law, although we expressed the view that gender and ethnic minority rights were poorly integrated. Environment was generally present in rural development projects. Transparency and accountability aspects of Public Financial Management were incorporated in general budget support. Trade-related assistance incorporated issues of environmental sustainability. Governance issues were incorporated into MUTRAP, and this will continue under MUTRAP3, including civil society development. All this suggests that the EC programme increased the attention paid to these and similar issues. However, the sense of the Indicator is that these issues were more successfully mainstreamed into overall development policy, or into the GoV programme, than would have been possible had the EC not been present. This seems far-fetched.

Related facts, figures, and references

JC 9.2: EC/EU regarded as invaluable source of experience by VN policy makers

JC assessment:

With benefit of hindsight, this Judgement Criterion has proven difficult to assess. Expressed views are positive, but interview situations were very formal. However, with that caveat, a number of specific positive views were expressed by GoV officials, specifically, regarding the EC's role in institution building and in regional trade integration. In a focus group with NGOs, the positive views of the EC/EU expressed appeared to be genuine. In a group meeting with Institutional Support Programme (ISP) staff that had participated in training and capacity building related to the legislative process, the overall view was also extremely positive.

Indicator 9.2.1: Vietnamese Government stakeholders express positive views on EC/EU role in Vietnam

Indicator estimate:

The general answer to this question is positive, although occasional complaints about donor behaviour were hard (see EQ 8). Not mentioned there was the fact that Vietnamese stakeholders negatively assess the rule and procedures of the EU relative to those of bilateral partners, but balance this by pointing out the EC support is all in the form of grants. The nature of field interview situations, however, makes it very difficult to know what to make of this indicator. As one international interlocutor put it, the quality of

dialogue in Vietnam suffers from excessive formality.

With that caveat, Government stakeholders stressed that the EC was perceived to have a comparative advantage vis-à-vis other major partners such as the US and Japan because European approaches to institutional reforms in Vietnam (judiciary, intellectual property rights, etc.) are seen as particularly appropriate, suitable and effective as a contribution to the economic reform process. As a senior government official put it: “European models are more acceptable to us”. Furthermore the EC is seen as the most credible donor with regard to the support to regional integration given the EC’s outstanding experience in this area.

One way of breaking through the formality barrier is by the use of focus group approaches. The focus group meeting with NGOs described in Special Focus 5 revealed a genuine affection for the EC/EU, based on several reasons. One, despite criticisms of procedures, etc. was the fact that the EC was able to support small NGOs. The second was the EU was a source of inspiration in issues related to human rights and civil society.

Related facts, figures, and references:

Indicator 9.2.2: Government documents give positive reference to EC/EU role

Indicator estimate:

No information obtained.

Related facts, figures, and references:

Indicator 9.2.3: Evidence of positive media coverage of EC/EU role/activities in Vietnam

Indicator estimate:

The only mass media source reviewed was the English-language Vietnam News, read daily for three weeks. This publication gives highly positive media coverage of all EC activities in Vietnam, as well as the activities of EU member states.

Related facts, figures, and references:

Indicator 9.2.4: Vietnamese policymakers identify specific reforms and legislative actions that were inspired by European experience

Indicator estimate:

National project staff of the Institutional Support Programme (ISP), specifically, the component of that project supporting the National Assembly, gave a highly positive account of the impact of European study tours and the consequent familiarity with European parliamentary approaches. In answering sectoral questions, however, e.g. in the area of health, not a single GoV official interviewed spontaneously remarked that European reforms were regarded as a model.

Related facts, figures, and references:

JC 9.3: EC coordinates MS cooperation strategies

JC assessment:

See discussion of coordination under EQ 8.

Indicator 9.3.1: Through regular consultations and meetings, EC coordinates activities of MSs in Vietnam

Indicator estimate:

This indicator has been the subject of extensive analysis in the context of EQ 8. The EC coordinates its activities closely with Member States, both in strategy and implementation.

Related facts, figures, and references

Annex 8: Special Foci

Special Focus 1	Health care finance in Vietnam
Special Focus 2	Sector budget support in Education for All
Special Focus 3	The Small projects Facility (SPF): Pros and Cons
Special Focus 4	Civil society in Vietnam 1: an Overview
Special Focus 5	Civil society in Vietnam 2: Report of a focus group discussion with NGOs.
Special Focus 6	Climate change in Vietnam and opportunities for the EC.

Special Focus 1: Health care finance in Viet Nam

The right to health care is enshrined in 1992 Constitution as well as in the *Law on People's Health Protection and Care of 1989*. The Strategy for Health Care during 2001-2010 commits Government to "Strive so that every Vietnamese citizen can benefit from primary health services, access to and utilisation of quality health care services."⁶¹ Historically, the health care system in Vietnam was closely aligned to the Soviet (and by analogy, the Chinese) systems. Under this approach, every citizen had the right to receive free health care. In reality, the quality of care was often poor, but the system functioned after a fashion. The main problem encountered was chronic shortage of financial resources, a shortage made worse by the legacy of Soviet ideology, which held that health was a unproductive sector and prioritised it accordingly. In the spirit of *doi moi*, a mixed private-public health care system has come into being, with user fees for public health care being put in place from the early 1990s. However, while total expenditure on health as percentage of GDP increased from 4.9 percent in 1995 to 6.6 percent in 2006, it remained less than US\$ 40 per capita according to World Bank data. The health care system in Vietnam suffers from a number of problems; however, none of them is more basic, or more pervasive, than the simple lack of sufficient financial resources.

In 2006, household spending accounted for 61 percent of total expenditure on health; the Government budget accounted for 18 percent, social insurance for 11 percent, other non-governmental resources for 8 percent and grants for 2 percent (Phuong 2009:132, Vietnam Development Report 2008:80). Various estimates are reasonably consistent: according to the World Health Organisation (WHO), household expenditure accounted for 67.6 percent of total expenditure on health in 2006; according to the World Bank, 74.3 percent in the same year; according to Wagstaff (2007), "nearly three quarters." Public financing only accounted for one-quarter to one-third of total spending, depending on whether one uses World Bank or WHO statistics (see Tables 1 and 2). This is not much; moreover, what is spent is badly spent.

Government finance consists of resources allocated to State health facilities and to provide health insurance cards to targeted groups such as the poor (through the health care fund for the Poor since 2003), children (since 2006), and pensioners. However, overall the public spending on health is regressive, in the sense that richer households get a larger share than the poorer households. Further, there are differences across access to health care facilities, e.g. to governmental hospitals and commune facilities, and the share of public health spending devoted to the richest quintile of the population is twice the share spent on the poorest quintile (see Table 3).

Due to the complicated nature of public finance in Vietnam, virtually all public health care budgetary decisions are made at the Provincial level. This has resulted in a situation in which, first, significant disparities between rich and poor provinces. Second, provincial officials tend to allocate resources disproportionately to maintain provincial-level hospitals. District hospitals, and, even more, Commune-level health facilities are sub-standard and understaffed. While about 80 percent of hamlets have a health care worker; many of these are not medically qualified and do not work consistently. The low quality of grass-roots care leads patients to cluster at provincial hospitals, resulting in overcrowding by patients who could more efficiently (and effectively) be treated at a lower level (Phuong 2009, 153ff). Yet, the key to relieving overcrowding is not putting more staff or infrastructure in place at the Provincial level, it is generating the financial resources that will permit lower levels of facilities to develop and provide high-quality service.

Since 2002, Government policy in health care finance has been to develop compulsory national health insurance. At present, the system covers civil servants, pensioners, salaried workers in State-owned and private enterprises, Vietnamese workers in foreign-owned firms, international organisations and some special groups under social protection. However, coverage among the salaried employees group is still low, with less than 50 percent of formal-sector employees enrolling in the compulsory scheme. Voluntary

⁶¹ Strategy for People's Health Care and Protection of 2001-2010 issued in conjunction with Decision No. 35/2001/QĐ-Ttg, dated 19 March 2001.

health insurance is available for dependants of the compulsory members, farmers and workers in the informal economy and school children over 6 years). Most persons enrolled in voluntary insurance to date have been students, and covering Vietnam's 30 million informal sector workers, mostly in agriculture, remains a distant goal. Problems in expanding coverage include

- low income in the target population, resulting in inability to pay health insurance premiums;
- an unattractive benefit package;
- the fact that enrollees still must pay many indirect expenses when visiting a health facility; and
- the low quality of service and low level of health care offered at public facilities.

In 2006, total enrolment in health insurance was 36.8 million people, or 42 percent of the population (Phuong 2009:141). Of this number, 72.5 percent are those within the compulsory scheme, and 27.5 percent belong to the voluntary one (Phuong 2009:132).

Capacity to manage health insurance at Vietnam Social Security (VSS) is low, and the fund has persistently failed to balance its budget. There are no effective lines of communication between health care finance experts at the Ministry of Health and the health insurance department of VSS. The Ministry is largely service delivery oriented, focused on its National Target Programmes, and (despite many years of donor support) weak in the areas of health care finance and policy making. On the bright side, there is a well-developed set of National Health Accounts in Vietnam.

With health insurance coverage limited, nearly ninety percent of private health care spending is out-of-pocket; a figure that has not changed since the 1990s, according to WHO data. This imposes a heavy and sometimes ruinous burden on the poor. The Vietnam Development Report 2008 estimates that payment of direct user fees in an in-patient course of treatment for the poor household is equivalent to 17 months' non-food per capita expenditure, while it is only eight months' worth for the rich. 8 percent of households are estimated to have experienced catastrophic health expenditures (more than 40 per cent of household expenditure as measured against total household non-food expenditures) in 2004, a statistic much higher than for other countries at comparable levels of development. The burden of health expenditure causes many households to take loans. Nor is it only the poor that are affected. 34.5 per cent of middle-income in-patients without health insurance, it is estimated, have to borrow to pay for health services (Phuong 2009).

Decision 139 (passed in 2002) led to the establishment of the Health Care Fund for the Poor (HCFP), with 75 percent of the funding to be provided by the central government and the rest by local and international sources. Initially, resources could be used to either purchase health insurance cards for beneficiaries or to directly reimburse providers. From 2006 onward, in line with the goal of developing compulsory health insurance, HCFP funds can only be used to purchase health insurance cards. Although the implementation of HCFPs was slow to take off in many provinces, it has grown substantially in recent years. Several problems remain, however. Funding is one of them. While government support for the HCFPs was increased from VND 50,000 initially to VND 70,000 in 2006, this is still low compared to the cost of the benefit package. Only a few provinces have mobilised significant levels of funding for their HCFPs. Another problem is that all the poor, whatever province they live in, are pooled in a single insurance fund, which is operated separately. Thus, opportunities for risk pooling, which would permit the size of the benefit package to be raised, are missed. There have been significant obstacles to identification and affiliation. Particularly in remote areas, poor persons who would be eligible for the free insurance card provided through the HCFP fall through the safety net because of errors concerning their name, their place of residence, etc., or because information about the programme has been poorly disseminated. Government subsidises half of the cost of a health insurance card for the "near poor," however, there have been serious difficulties in identifying who qualifies, as a result of which, coverage of the near poor is sparse.

This, *in noce*, is a fine mess. All of the disadvantages of a health insurance approach – moral hazard on the consumer side; incentives to over-treat on the provider side – are in evidence. Few of the benefits – generating substantial resources to finance needed health care – have been reaped because the scheme is

unattractive and poorly managed. The quality of health care is poor because there is no money in the system, and there is no money in the system because no one who had any other option would wish to be a part of it. What then, is required? We would recommend a two-pronged approach one directly addressing the insurance system, and the other concentrating on the management of public budgetary resources:

- Improve capacity to manage the insurance system. Current business processes are outdated, resulting in slow billing and reimbursement, and the process of identification and affiliation leaves gaping holes in coverage. Technical assistance and capacity building, combined perhaps with provision by the donors of improved information technology and data management systems, can improve matters.
- Target scarce public resources on commune- and district-level health care in order to jump-start the system. Reasonable quality of care and a health insurance system reasonably efficient in generating the resources to pay for it go hand in hand -- one cannot be had without the other.

Table 1. Health care financing in Viet Nam 1995 to 2006. Source: World Health Organisation 2009

Indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
External resources for health as percentage of total expenditure on health	3.6	1.0	4.9	2.7	3.3	2.6	2.7	3.4	2.7	1.9	2.0	2.2
General government expenditure on health as percentage of total expenditure on health	32.3	31.7	29.6	34.2	34.3	30.1	31.0	30.0	31.4	26.9	25.7	32.4
General government expenditure on health as percentage of total government expenditure	6.7	6.9	5.6	7.9	7.5	6.4	6.9	6.1	5.5	4.7	5.1	6.8
Out-of-pocket expenditure as percentage of private expenditure on health	92.3	91.3	90.5	93.6	91.2	91.0	89.3	86.5	86.1	86.1	86.1	89.5
Per capita government expenditure on health (PPP int. \$)	28	30	29	37	39	40	46	44	51	51	57	86
Per capita government expenditure on health at average exchange rate (US\$)	5	5	5	6	6	6	7	7	8	8	10	15
Per capita total expenditure on health (PPP int. \$)	85	95	97	109	113	132	148	147	162	188	221	264
Per capita total expenditure on health at average exchange rate (US\$)	14	17	17	18	18	21	23	22	26	31	37	46
Private expenditure on health as percentage of total expenditure on health	67.7	68.3	70.4	65.8	65.7	69.9	69.0	70.0	68.6	73.1	74.3	67.6
Private prepaid plans as percentage of private expenditure on health	3.6	3.5	3.5	3.4	3.7	4.1	2.2	2.3	3.2	2.8	2.5	2.5
Social security expenditure on health as percentage of general government expenditure on health	7.7	9.8	13.0	17.4	15.8	19.7	17.4	19.6	21.9	28.7	33.5	38.8
Total expenditure on health as percentage of gross domestic product	4.9	5.0	4.7	5.1	5.0	5.4	5.7	5.2	5.3	5.7	6.0	6.6

Table 2. Health care financing in Viet Nam 2000 and 2006. Source: WB 2009

	Viet Nam		Low income	East Asia & Pacific
	2000	2006	2006	2006
Health expenditure, total (% of GDP)	5.7	6.0	4.6	4.3
Health expenditure, public (% of GDP)	1.8	1.5	1.2	1.8
Health expenditure, private (% of GDP)	3.9	4.5	3.5	2.6
Health expenditure, public (% of total health expenditure)	31.0	25.7	24.9	40.3
Health expenditure, private (% of total health expenditure)	69.0	74.3	75.1	59.7
Public health expenditure as % of total government	6.9	5.1	6.9	2.1
Out-of-pocket health exp. (% of private expenditure on health)	89.3	86.1	92.0	83.8
External resources for health (% of total exp. on health)	2.7	2.0	5.6	0.7
Health expenditure per capita (current US\$)	23	37	27	70

Table 3: Spending on Public Health, from Poor to Rich

Quintile	Government hospitals Commune facilities All	Public spending per visit (VND)	Percent of public spending	Percent of annual visits	Public spending per visit (VND)	Percent of public spending	Percent of public spending
Poorest	10.9	9838	10.7	25.5	1118	24.4	13.5
Near poorest	15.2	7440	15.3	24.2	943	24.2	17.3
Middle	19.9	6982	20.2	20.5	922	20.6	20.3
Near richest	24.8	6963	22.4	19.3	937	19.6	21.9
Richest	29.1	7038	31.4	10.5	1003	11.2	26.9
Total	100.0	7375	100.0	100.0	-	100.0	100.0
Note: Figures include both inpatient and outpatient visits.							
Source: VDR 2005 cited in Adams 2005:9							

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Special Focus 2: Sector budget support to Education for All

Sector budget support (TBS) programmes in Vietnam are designed to support Government of Vietnam (GoV) National Targeted Programmes (NTPs), which have a specific focus on poverty reduction. TBS makes a contribution to the GoV budget with support earmarked to a particular area of activity. The EFA TBS programme has been running since 2006 and was due to finish at the end of 2008, although implementation of EFA component 2 was delayed and is now scheduled for completion in 2010. The donors contributing to TBS-EFA are the World Bank, DfID, New Zealand, CIDA, Belgium, EC and Spain.

There are two components of EFA. Component 1 supports the implementation of fundamental school quality levels (FSQL) standards through funds provided for the education NTP and component 2 is designed to strengthen MOET's institutional capacity to administer and implement the NTP. It is noteworthy that the program provides funding for five out of seven NTP components as these comprise the programs that are covered by the EFA action plan. A decision was taken not to fund all the components as these were outside the scope of EFA, although Norway chose not to be part of the EFA TBS program and it has funded all seven of the NTP components on a bilateral basis.

The program is funded by the World Bank through a Sector Investment Credit (SIC) which is pooled with co-financing through grants from Belgium, Canada, the European Commission, New Zealand and the UK. Once disbursed, the funds are pooled with state budget funds and rely on GoV rules and procedures. There is additionality of funding as there is a requirement for state budget counterpart funding to increase by approximately 10 per cent from the 2005 baseline.

There is a National Committee which coordinates the implementation of the EFA action plan and a Channing Committee for the National Education NTP oversees its implementation and coordinates inter-agency GoV organisations and donors. The Planning and Finance Department within MOET has responsibility for overseeing planning, management and implementation. There is a rotating donor focal point and a memorandum of understanding which lays down the principles and responsibilities of all parties.

There are many benefits which are assumed in theory to result from sector budget support in education which, if realised, would have for the EC made it an efficient approach for supporting the education sector.

These are as follows:

- Increased funds for pro-poor expenditure
- Increased harmonisation and coordination of donor activities
- Alignment with GoV policies and processes
- Reduction in transaction costs for both GoV and donors
- Enhancement of public policies and processes
- Strengthened planning and budgeting processes at central/Provincial level
- Increased synergies and coordination within donor programs
- GoV leadership and ownership
- Predictability of aid flows and public expenditure
- Increased governance, accountability and participation

In practice the experience has been mixed and most of these expected benefits have not emerged. There is evidence of a positive impact in the following areas:

- i) More resources have been made available to the E-NTP through donor funding which has increased coverage of the programme
- ii) Donor assistance has become more harmonised through donors using the same financing modality and developing joint positions on key issues.

However, progress has been much slower than expected due to:

- i) The capacity of MOET to implement the required measures has been weak, particularly in planning and reporting, while there has been a lack of co-ordination within MOET, between MOET and other ministries and also between MOET and the Provincial level.
- ii) An opaque financial management system which has led to inadequate financial monitoring reports and weak monitoring and evaluation of systems. In practice the MOET has very little control over these systems which are put in place by the MoF; attempts to improve systems and processes as part of TBS has proved difficult.
- iii) TBS donors have not had the influence over policy that they expected.

Initially the TBS-EFA donors had a hands-off approach to the support given, but then realised that they would have to become more engaged in the process due to the capacity issues mentioned. The form of funding mechanism has also been an issue as SIC's in comparison to Development Policy Loans (DPLs) are less flexible and the administration, procurement and reporting requirements are more extensive. This has caused delays in the implementation of the programme as additional time had to be spent negotiating and establishing mechanisms. The disbursement mechanisms also differ, as EFA is designed using the report transaction based method, with annual disbursement of funds in the third quarter of the fiscal year, with agreed performance benchmarks for the programme's progress. This has been a problem, as reporting has been inadequate and the first disbursement planned for 2006 was delayed as a result of this.

The pro-poor criteria for funding, originally used by the MOET, were criticised by the first joint reviews of the programme. These criteria were revised in the course of the second year of implementation, but this revision could not prevent that less support was given to the real poor areas of the country. Presentation of systematic results data proved to be difficult as well. TBS-EFA has highlighted organisational, operational and, according to some sources of information, cultural constraints on systematic data collection. However, the TBS_EFA partners started to mobilise political will and technical resources to tackle the identified shortcomings. This requires professional and technical tasks to be undertaken on behalf of the donors and the GoV. Due to the limited capacity of the MOET they need TA inputs but, characteristically, these will be specific and time bound. The partners in the TBS-EFA have different ways of providing in-country educational expertise; none have full time expatriate specialists dealing exclusively with TBS-EFA. Exact figures about the obtained results of the TBS-EFA are not yet available, but it appears that the educational objectives for the TBS will only partly be realised at the end of the implementation.

This experience suggests that funding through NTPs may not be the most appropriate aid modality in the circumstances, given that many of the objectives that the TBS-EFA donors wanted to achieve are cross-cutting, with the intention of impacting the education sector as a whole. Focusing on NTPs which are narrow vertical programs is probably not the best way to achieve this, as many of the issues that were intended to be addressed were not under the control of MoET. The decentralisation process means that MoET has little control over how provincial education departments, while the MoF specifies the PFM system so MoET is not able to change many aspects of this.

On the other hand, it can be argued that although TBS-EFA was not completely successful, it did provide a useful learning experience in that it gave donors insights into how the GoV systems operates in term of PFM systems and inter-governmental coordination. This is quite valuable given that the EC is now moving towards sector budget support in health. It is also useful to bear in mind that working through government systems takes longer than through project modalities and it seems

clear that three years was not a sufficiently long enough period of time to achieve the expected objectives.

Lessons learned have been:

- i) The choice of funding mechanism is important and the use of a SIC as opposed to a DPL which P-135 has used (another TBS program) has caused problems through burdensome reporting requirements which have held up disbursements.
- ii) There was insufficient effort to ensure that GoV systems are as fully understood as possible, both at central and provincial level and the aid modality chosen to finance an intervention fits with the decentralised system.
- iii) Insufficient assistance was provided to strengthen capacity at both central and Provincial level and should occur at the beginning of any intervention
- iv) Working through GoV systems takes longer than through projects and system strengthening/capacity building takes time. Development partners should be prepared for this.

It is important that these lessons feed into the design and implementation of future TBS or sector budget support.

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Special Focus 3: The Small Projects Facility (SPF) – Pros and Cons

In 2004, the EU-Vietnam Small Projects Facility (SPF) was launched as a strategic instrument to support Vietnam's economic and public administration reform agendas and to further Vietnam's integration into the global economy. With a budget of Euro 2 million over four years until 2007, the SPF encouraged a wide participation of emerging civil society actors and fostered the transfer of know-how from European partners. Projects were selected through three calls for proposals (2004, 2005, and 2006) and applicants included non-profit organisations such as government agencies, local authorities, semi-independent NGOs, chambers of commerce, business associations, community-based organisations, universities and think tanks. A total of 30 projects were supported under this facility (1)

The SPF had a much higher degree of thematic flexibility than larger projects in the same subject area and could target the specific needs of stakeholders that are normally not addressed by major interventions. By that a valuable impact on the strengthening of the voice of up-and-coming civil society organisations could be achieved. Fully state-independent NGOs in the Western understanding of the civil society do not exist yet. Although co-opted by the state, various grassroots groups have emerged in recent years and started to play a crucial role in the economic reform process and generally with regards to socio-economic reform agendas. For example, projects such as "building capacity for social workers in supporting victim of gender-based violence in Dong Hy District" or "capacity building in training & employment for people with disabilities in Vietnam" would have had difficulties in attracting funding from other sources. Furthermore, important results could be achieved with relatively small amounts of funding. Nguyen Thu Hue, director of the Centre for Marinelife Conservation & Community Development (beneficiary of the SPF project Empowering women, improving lives and conserving the environment through community-based eco-business in coastal Vietnam gave the following example:

"SPF was essential in gaining experiences on how we can improve the impact of civil society in the reform process. What we primarily need is funding for projects that provide educating and training to better the livelihoods of people, such as fisherwomen in our case, who do not get a lot of attention from the government. If fisherwomen want to engage in the eco-shrimp business, for instance, they need to know about the standards and regulations that apply to eco shrimp – and agricultural products in general – so that that these products can then be successfully exported to the EU. Without the appropriate funding for training these fisherwomen are likely to fall back into poverty." (2)

About half of the SPF projects had an explicit or at least indirect focus on EU-Vietnam trade relations and Vietnam's economic integration in global and regional contexts. Tangible results were achieved in strengthening the export capabilities of SME, developing strategies to help Vietnamese businesses to overcome the challenges of Vietnam's WTO membership and to comply with EU regulations and standards in accessing the European market as well as increasing EU visibility (through projects such as "raising awareness about the Euro"). Overall, the specific advantages of SPF were its

- small size and comparatively uncomplicated application process;
- targeted approach to the specific needs of small and emerging stakeholders in the national reform process;
- focus on policy-oriented and evidence-based research that made an important contribution to the development of the research culture and base in Vietnam, and related
- facilitation of teamwork among Vietnamese civil society stakeholders and young researcher. SPF funding enabled several research institutions to employ young academics, thereby making a valuable contribution to the training and capacity building of young scientists. This is of crucial importance for a country that is in the process of forming a robust research infrastructure;
- strengthening of links between research institutions and civil society organisations on the one hand and the government on the other.

Dr Vo Tri Thanh of the Central Institute for Economic Management and leader of a project on “Vietnam’s export to the EU: market access and facilitation” explained the significance of the last point:

“SPF funding enabled us to establish communication channels with the government and have your analyses and ideas heard. We organised several workshops with government participation that increased the officials’ understanding of certain trade-related issues. As a research institute the project empowered us to provide a least a small input to the policy-making process through the policy briefs we produced and the seminars we organised” (2).

A slightly problematic aspect of the SPF was that it privileged stakeholders – both on the Vietnamese side and also with regard to the European partners – who had already benefited from EC funding in the past and were therefore familiar with the general requirements (and pitfalls) of the application process. Few SPF beneficiaries were newcomers to the EC cooperation programme. Seen from a different angle, however, SPF further empowered organisation with a reputation for reliability and a track record of successful project implementation and thereby deepened the expertise and capabilities of grant holders.

The only clear and commonly agreed shortcoming of the SPF was its high time-consuming and cost-intensive administration. A 2006 monitoring report noted

“EC administrative provisions for SPF are too numerous for such small funds in such limited implementation period, decreasing de facto efficiency and effectiveness. Indeed, procurement rules, visibility guidelines, financial reporting, etc. are time consuming at the expense of activities’ implementation and outputs release. The same prevails for EC task managers overloaded with administrative supervision. More targeted projects with higher funding should offset these drawbacks” (3).

Most grant holders had to hire project administrators or accountants to manage the grants. Given the small size of projects – the average was about 55,000 Euro – most beneficiaries were put under significant financial stress as project management costs markedly reduced the funds available for core project objectives.

On balance, however, SPF proved a highly successful intervention. While SPF was discontinued, funds to civil society organisations for small projects are now available under MUTRAP III and SWITCH but, as Thomas W. Felber, director of the EUROCHAM Hanoi office, emphasised “the new programmes are more complicated” (2).

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Special Focus 4: Civil Society in Viet Nam 1: Overview

Added to the forms of rapid change that Vietnam has experienced in the last twenty years -- renovation (*Doi Moi*) policies, administrative reform, democratisation and decentralisation processes, wide-reaching international engagement, and re-integration into the global economy -- is the emergence of civil society (Kerkvliet 2008:3).

Since the mid-1990s, a number of decrees, regulations and laws have been passed to establish a legal framework for informal groups. Yet the goal has not been fully achieved and it could still be said, as Norlund (2006, p. 27) said several years ago, the GoV tolerates, rather than actively encourages, most such groups. It might be added that Vietnam is hardly alone in this; very few countries, especially at a relatively low level of development, actively encourage the development of autonomous civil society organisations. Some analysts, indeed, prefer not to use the term “civil society organisation” at all, on the argument that this fails to capture the pervasive role of the state in Vietnam. Their preferred term is “civic organisation” (Wischermann and Vinh, 2003: 186; Bui The Cuong, 2006: 122, quoted in Kerkvliet 2008:3). However, even groups with substantial state involvement have become more independent since the *doi moi* reforms of 1986 and, given their considerable expansion at the grassroots level during the 1990s, they constitute an important arena for citizens’ activity in many communities.

If the prevalence of membership in a civil society organisation is taken as the metric, civil society in Vietnam is very highly developed indeed, but this is illusory because of the large membership of mass organisations, e.g. the Women’s Union and the Farmers Association. 74 percent of all Vietnamese belong to at least one mass organisation; 62 percent are members of more than one CSO and, on average, each citizen is a member of 2.3 organisations (Norlund 2006:14). While membership in mass organisations is often perfunctory or pro forma, and while mass organisations tend to simply echo Party line, their importance can not be underestimated, as they provide a vital line of communication between the centre and the province, the province and the district, and the district and the commune.

One study (ibid., p. 11) clusters civil society organisations in Vietnam into four broad groups: mass organisations, professional associations, NGOs, and community-based organisations. Other groups that have been recognised include science and technology NGOs and faith-based organisations. Gray (1999:10) proposed a three-way classification of groups: government mass organisations or other state bodies that act at the national scale, university- or hospital-based groups whose actions are mostly research-related and take place at the village level, and individuals not associated with earlier groups forming their own organisations (often local staff of INGOs); whose work tends to consist of service delivery partnerships with INGOs, again at the local level.

We have so far spoken of registered organisations. Registration of an NGO has become much easier over time, with groups such as the Vietnam Union of Science and Technology Associations (VUSTA) serving an umbrella role. Despite this, there are tens of thousands of informal, unregistered, and hence not officially recognised organisations. Many are loosely categorised as community-based organisations (CBOs), although some varieties of CBOs have legal standing, at least in the eyes of local authorities. Experts interviewed reported that not all national CSOs are eager to register. Another cluster of informal, unregistered organisations publish and disseminate articles, including electronic newspapers, through the Internet that strongly criticise the government, the Communist Party, and even the entire political system. Some of these critics have formed organisations that some regard as proto-opposition political parties (Kerkvliet 2008:12). As made clear by the case of a blogger sentenced to prison for translating and disseminating a document freely available on the U.S. Embassy website, GoV tolerance for such activity is limited and sometimes apparently capricious.

From April to December 2005, the CIVICUS Civil Society Index Shortened Assessment Tool (an internationally recognised instrument) was implemented to assess the state of civil society in Vietnam. The methodology for the project is based on a framework of 74 indicators, divided into four dimensions of civil society: structure, environment, values and impact. The conclusions of the exercise were:

- Civil society is operating in a moderately enabling environment (1.4 on a scale of 0-3)
- It has a formal structure of moderate strength (1.6 on a scale of 0-3).
- It practices and promotes positive values to a moderate extent (1.7 on a scale of 0-3)
- Its impact on society at large is limited (1.2 on a scale of 0-3).

It is noteworthy that the “values” dimension of civil society is the strongest and the “impact” dimension is the weakest (Norlund 2006:9, Norlund 2007:2). The CSI-SAT methodology further divides the values dimension into two factors: values practised within civil society and values that are promoted by CSOs in society at large – in short, the difference between what is practiced and what is preached. The promotion of values, such as equality, non-violence and gender equity are particularly strong. Internally, the picture is more nuanced; for example, the analysis concluded that values such as tolerance, equality between men and women, and transparency, despite being well preached, are by no means universally practised in Vietnamese CSOs. The issue of transparency emerged as one of special concern.

The impact dimension proved to be the most difficult to assess. It was found that CSOs of all types reach down to the grassroots level better than similar government programmes and policies. In that regard, CSOs have had an impact ensuring that the needs of disadvantaged people and the poor have been taken into account in policies. Issues where CSOs were effective include HIV/AIDS, children's rights, Agent Orange and gender. However, few organisations reach the most remote areas, such as the regions inhabited by ethnic minorities in the Northern Mountains and the Central Highlands. Moreover, the researchers found, the impact of mass organisations on national policies remains much greater than that of other types of CSOs. Perhaps with ethnic minority issues on their mind, the researchers warned that the strong influence of mass organisations may result in a Procrustean “mainstreaming” of development thinking and activities. International NGO representatives interviewed in the field phase stated that donors, including the EC, often work with NGOs to deal with ethnic minority issues because they are more effective than government organisations.

CSOs in Vietnam have not embraced the “watchdog” role of militating for the accountability of Government, state-owned enterprises, and private firms. The exposure of corruption, for example, has largely been due to the work of journalists, not CSOs. Though some of the large professional associations have commented on laws passed by parliament, most NGOs use informal lobbying to get their views across, not high-profile public statements. Nevertheless, there are examples of communities and workers, supported by NGOs, raising their voices in response to unfair or unethical treatment of people or the environment. The number of groups who have developed coherent visions of social change is strikingly few, but Vietnam is not the only country where this is true, including countries in which NGOs are much more prominent and vocal in criticising Government. Strengths of civil society in Vietnam include its broad-based nature, with numerous organisations active at all levels throughout most of the country. CSOs invest significant amount of energy and effort in poverty reduction and support for the poor and disadvantaged, charity, self-help purpose to professional training and education, sports, enjoyment and worship.

Weaknesses of civil society in Vietnam arise in part because the politico-legal framework is restrictive. As periodic high-profile incidents illustrate, public space for discussion of sensitive issues is limited. However, this is not the entire picture. Vietnamese NGOs have made few efforts to develop innovative funding strategies, e.g. by reaching out to the private sector (again Vietnam is hardly unique in this). There is lack of transparency within CSOs, and no shortage of cosy patron-client relationships.

What kind of European engagement with civil society in Vietnam makes sense? To engage in such an assessment is to embroil ourselves in ideological disputes that have as much to do with Europe as Vietnam. Most Europeans, questioned today, would probably define civil society as a means for citizens to moderate the power of the State; to stand up and assert their own interests. In this view, civil society is to be understood as autonomous and, indeed, actively opposed to, the state. This might, with no prejudice, be termed the naive view. A more nuanced view sees civil society as complementary to the state, filling gaps and playing a different, albeit not necessarily confrontational, role. An outright critical view, predominantly

associated with Gramsci, is that civil society lies in contested terrain as subject as any other sphere of society to domination by the State or any other reservoir of power.

The international donor view of civil society is essentially the naive view. If local NGOs and other grassroots organisation are supported, this view would run, strengthened civil society will eventually force the State to become more accountable. Nothing, to date, in Vietnam suggests that this is happening, and yet the contribution of civil society broadly speaking to poverty reduction and sustainable social and economic progress is not to be questioned. However, many community-based organisations in rural areas are highly effective in poverty reduction, working with vulnerable groups, etc. Their work is not as visible as it deserves to be, and donors may want to explore innovative administrative thresholds and procedures for working with them.

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Special Focus 5: Civil Society in Viet Nam 2: Report of a focus group discussion with NGOs

As part of the field visit to Vietnam, a focus group with national civil society organisations (CSOs) was organised. This focus group was to yield information on experiences and impressions of cooperation between the EC and CSOs in Vietnam, as well as on the changing role of civil society in the country, and future possibilities for engagement. The focus group also provided the opportunity to test certain findings elicited from earlier interviews with individual Vietnamese NGOs. With regard to the specific aims of the evaluation, the focus group provided valuable data in relation to Evaluation Question 5 (governance and the EC partnership with civil society), but also reflections on the EC cooperation strategy with Vietnam at large.

The group was attended by senior representatives of four Vietnamese CSOs, all of whom had in some form or another, received support from the EC. Most of them were recipients through the EC Small Project Facility (SPF) support. One international NGO was present, which has a long history of active involvement in Vietnam, and has both received EC funding through the Non-State Actors programme, and worked extensively with Vietnamese civil society. The group was facilitated by the team leader of the EC evaluation, with the support of one national expert.

After an initial hesitancy to speak up, group members quickly engaged actively and openly in discussion. Although each organisation had their own particular experience with the EC, general impressions were confirmed by all, with little or no dissonance.

Overall, the EC was perceived as one of the most significant supporters of civil society in Vietnam among various donors. Particularly in relation to sensitive topics, the group clearly stated that the EC was of particular value as a donor, as it was open and willing to engage through the. However, none of the participants had actually received funds through the European Initiative for Democracy and Human Rights (EIDHR). However, none had actually received support through EIDHR.

The SPF was considered as very successful and an excellent platform for EC cooperation with CSOs, but a strong chorus of voices complained of its limitations. The maximum implementation period of one year was seen as very short and quite restrictive. Furthermore, participants emphasised the fact that an organisation may not apply for follow-up funding for the same project, but had to change the title and focus of the project to some extent to be eligible again. These issues were the cause of some frustration, and were perceived as limitations in achieving sustainable impacts and effectively strengthening CSOs.

It was confirmed by all participants that national NGOs have generally not been able to successfully tender for larger calls for proposals through the Non-State Actors programme. The application procedures were considered too cumbersome, and the capacity of Vietnamese CSOs to deal adequately with these procedures as too limited at this point.

However, national CSOs did benefit from NSA funding indirectly. The large majority of awarded funds went to large international NGOs (INGOs), and these INGOs frequently partnered with Vietnamese CSOs. While it was considered regrettable, that Vietnamese CSOs had been unsuccessful in directly receiving larger amounts of funding from the EC, such partnerships with INGOs were deemed an excellent means of capacity building. As national organisations joined INGOs both in the tendering process, and the implementation of projects, valuable procedural knowledge and practices were shared. Exemplifying the positive results in terms of capacity building, one of the Vietnamese NGOs present at the group discussion, had launched its first direct application with the EC, after repeatedly partnering with an INGO in the past.

Taking into account the above experiences by both national and international CSOs with the SPF and NSA support of the EC, representatives voiced some suggestions for the future. A general desire for more

accessible and more long-term EC funding and support for civil society was expressed. Several participants stated that particularly more flexibility regarding cost norms would be appreciated, as the current rules created unnecessary difficulties. Also, it was confirmed that a multi-donor pool fund for CSOs with an adapted set of procurement rules might be a good way to support civil society in Vietnam.

The facilitator eventually directed the group to voice opinions on the consequences for CSOs relating to the imminent move of Vietnam to middle-income country status, the related change in the donor landscape, and the current economic crisis. Participants responded by expressing an awareness of decreased availability of funding in the future. Concern regarding donor emphasis on General Budget Support was raised, as the move perceived, or at least feared, to entail a reduction in funding to NSAs.

Concerning the current situation and capacity of civil society in Vietnam, the group was quite positive, noting an increasing openness and willingness to engage, on the side of the government, as well as an increasingly competent, broad, and experienced spectrum of civil society actors. Participants were in agreement, that Vietnamese civil society is gradually taking on a greater role in advocacy and lobbying, while it previously was seen and acted predominantly as a service provider.

Taking stock of the multiple issues raised and opinions expressed during the focus group, some summary statements can be made:

- The EC is recognised as having actively supported civil society in Vietnam over the evaluation period, through both the SPF, and the NSA calls for proposals. Cooperation with the EC has generally been a positive and strengthening experience, but there is room for smoothening and broadening engagement. The short-term nature and limited funding available through the SPF may limit the creation of sustainable partnerships.
- International NGOs frequently partner with national organisations, and this relationship entails a capacity building component, as organisational and procedural knowledge and practice are shared.
- CSOs in Vietnam are quickly developing greater capacity and assuming a broader role relating to governance issues, but at the same time, situational factors might limit available donor funding in the future.

Special Focus 6: Climate Change in Vietnam

Climate change and the EU

The 4th Assessment Report of the Intergovernmental Panel on Climate Change (IPPC) (1) and recent economic analysis such as the Stern Report (2) advise early action against climate change. The IPCC Report has reached alarming conclusions: first, that climate change is actually occurring; second, that it is the result of human activities leading to emissions of greenhouse gases (GHGs) into the atmosphere; third, most regions of the world, and in particular those in the developing world, will be increasingly affected by climate change; and fourth, that the rate of change will be more rapid than previously expected. The Report warns of a rise in global average surface temperatures by another 1.4 to 5.8 degrees Celsius – an enormous uncertainty range -- over the next 100 years. The rise in temperature is predicted to have strong adverse effects through rising sea levels, more irregular precipitation, increase in extreme weather events like droughts and storms, and a possible increase in the geographic spread of infectious diseases such as malaria and dengue fever.

The European Union (EU) has taken a leadership role by proposing far reaching measures to achieve the long-term goal of limiting global temperature rise to 2 degree Celsius (3). This proposal spells out the EU position in the forthcoming negotiations on a post-2012 multilateral agreement on emission reductions; 2012 being the end of the Kyoto Protocol (4) under the United Nations Framework Convention on Climate Change (UNFCCC) (5). The EU, as the largest provider of Official Development Assistance (ODA), has also taken a lead role in international development efforts, as reflected in the “European Consensus”, which sets out common EU objectives and principles for development cooperation (6). The EU highlighted the strong links between climate change and poverty as early as 2003 (7). Analyses of the effects of climate change suggest that the Least Developed Countries (LDCs) and Small Island Development States (SIDS) will be hit hardest. In 2007, the European Commission (EC) proposed the establishment of a Global Climate Change Alliance (GCCA) between the EU and the poor developing countries most vulnerable to climate change, in particular LDCs and SIDS (8). Through this alliance the EU will work jointly to integrate climate change in these countries. Vietnam does belong neither to the LDCs nor to the SIDS countries, but ranks among the five developing countries judged to be most vulnerable to climate change impacts.

Climate change impacts on Vietnam

Even in the absence of climate change, Vietnam is one of the most weather-related disaster-prone countries in the world. Natural disasters affect particularly the coastal regions but also include flash floods in upland areas, for example following landfall of typhoons associated with heavy rainfall, droughts, landslides, and forest fires. The total economic value of losses for the period 1991-2000 was estimated USD 2.8 billion (11). The coastal districts of Vietnam have a population of about 18 million, nearly a quarter of the total population, on only 16 percent of the national land area. River floods cause major crop losses and devastate infrastructure. Livelihoods that depend on marine resources (for example, the economically significant aquaculture sector) are particularly vulnerable to typhoons and storm surges. Rainfall in Vietnam is unevenly distributed throughout the year, with about 80-90 percent concentrated in the rainy season, causing floods and frequent landslides. UNDP (10) estimated that a 1-metre rise in sea level would affect approximately 5 percent of Vietnam's land area, affect 11 percent of the population, and reduce GDP by 10 percent. The projections for 3 to 5-metre sea level rise scenarios for Vietnam are described by this report as “potentially catastrophic.”

Box 1. Typology of Climate Related Natural Hazards by Region in Vietnam

Region of Vietnam	Disaster Zone	Principle Disaster Hazards
North	Northern Uplands	Flash floods, landslides, earthquakes
	Red River	Monsoon river floods, typhoons, coastal storm surges

	Delta	
Centre	Central Coast Provinces	Typhoons, storm surges, flash floods, drought, saline water intrusion
	Central Highlands	Flash floods, landslides
South	Mekong River Delta	River flooding, typhoons, high tides and storm surges, salt water intrusion

Source: CCFSC (11) cited in UNDP (10)

Some details of the possible impacts of climate change in Vietnam, based on a temperature increase in the range of 1.4-1.5°C by 2050 compared to 1990, are as follows (10, 11).

- The highest temperature increases are likely to be in inland regions of Vietnam. Changes in rainfall patterns are likely to be complex and season- and region-specific (monthly rainfall is already decreasing in most of the country in July and August and increasing in September, October and November). Compared to 1990, annual total rainfall is expected to increase in the range 2.5 percent to 4.8 percent by 2050. It is expected that rainfall will be even more concentrated than now. Flood damage is expected to be aggravated by an increase in daily rainfall of 12 percent to 19 percent in some areas, effecting both flood peak discharges and the return period of floods. Drought problems will intensify due to the projected greater variation in rainfall and increased evaporation triggered by rising temperature.
- Considerable uncertainty exists about the expected frequency of typhoons in the coming century. The trajectory of typhoons appears to have moved southwards in recent years though it is widely expected that due to the rise of temperatures, the north will become more subject to typhoon activity and the intensity of storms will increase. Coastal zones will suffer from more intensive typhoons, posing higher threats to lives, livelihoods, infrastructure and agricultural production.
- Predictions on sea level rise in the future differ, with national publications asserting a rise of up 1m by 2100. The IPCC predicts that the global average sea level with different greenhouse gas emission scenarios with a rise by 28-58 cm. Sea level rise will affect the low-lying Mekong River Delta, which could be completely inundated for some periods of the year. A rise in seawater level will worsen the saline water intrusion in coastal zones, too, which is already a problem in some areas due to freshwater extraction for irrigation and drinking water and the construction of canals in the deltas and upstream dams. A sea level rise of 30cm would increase the salinity of the main tributaries of the Mekong River as far as 10 km inland. The Mekong River Delta and the Red River Delta are the country's most important agricultural areas, so climate change poses threats to farmers as well as agricultural exports such as rice, and possibly even to national food security. Beside inundation, more frequent flooding, saline water intrusion, droughts and typhoons, both agriculture and natural systems will suffer from a decreasing number of days below 20°C and an increasing number of days with temperatures above 25°C. This will affect growing periods, crop calendars, crop distribution, increase pest and virus activity and cause migration of tropical trees northwards and to higher altitudes in the mountains.
- Climate change is expected to have considerable impact on Vietnam's fisheries. Coral reefs are expected to degenerate and fish living in these habitats are expected to disappear. Moreover, sharp decreases in plankton would lead to migration of fish and reductions in fish body mass. Due to rise in seawater level, aquaculture farms will have to be relocated. Climate change is also expected to affect peoples' health. Increasing temperatures facilitate the growth and development of various viruses and disease carriers, resulting in higher incidence of infectious diseases such as malaria and dengue. (10, 11).

National strategies in Vietnam

Vietnam recognised the threat posed by human-induced climate change by ratifying the UNFCCC in 1994 and the Kyoto Protocol in 2002 (signed on 3 December 1998, ratified it on 25 September 2002, entered into force on 16 February 2005). Vietnam is party to a wide range of climate-change related Multilateral Environmental Agreements (MEAs): Conventions on Biodiversity Conservation, Climate Change, Wetland (RAMSAR), Desertification, Endangered Species (CITES), Environmental Modification, Control of Trans-boundary Movement of Hazardous Waste and Their disposal (Basel Convention), Law of the Sea (UNCLOS), Ozone Layer Protection (Montréal Protocol), Ship Pollution (MARPOL), Stockholm Convention on Persistent Organic Pollutants (POPs conventions), and Clean Development Mechanism (CDM) (9).

To date, Government of Vietnam actions under the UNFCCC have mainly focused on inventories and the reduction of greenhouse gas emissions (12).

The Initial National Communication (NC) to the UNFCCC (13) in 2003 explored climate change impacts and necessary adaptation measures only in a preliminary and qualitative way. A series of sector assessments were made and adaptation options identified, but these did not include socio-economic analysis, and they have not been yet followed by specific sector programs.

The Second NC to the UNFCCC focuses more on in-depth vulnerability and adaptation assessment and on the preparation of a policy framework for implementing adaptation measures. The program is slated to be implemented during 5 years, started 1 January 2009, with a close partnership of Ministry of Natural Resources and Environment (MoNRE) and Ministry of Industry and Trade (MoIT).

According to information, nearly VND 2,000 billion was planned for implementation of this program in period 2009 - 2015, half from domestic and half from foreign sources, (not including the funds of Ministries and Provinces allocated to implementation of their own action plans on climate change mitigation and adaptation).

The Ministry of Natural Resources and Environment (MoNRE) is the national focal agency for climate change related activities. Groups of technical experts from several sectors, including one for vulnerability and adaptation for climate change, have been established to assist in the implementation of climate change projects. Climate change adaptation measures have been included in a number of recent laws, such as the National Strategy for Environmental Protection (2005), which includes measure for reducing the impact from sea level rise in coastal zones. In early 2006, the MoNRE based International Support Group on Natural Resources and Environment (ISGE) established a climate change adaptation working group, which provides a forum for dialogue and has the potential to promote coordination for climate change adaptation measures.

Disaster risk management activities are coordinated primarily by the Central Committee for Flood and Storm Control (CCFSC), chaired by the Minister of Agriculture and Rural Development. The CCFSC is responsible for gathering data, monitoring storm events, issuing official warnings and coordinating disaster response and mitigation measures. Local CCFSCs at the provincial, district and Commune levels are responsible for coordination of flood and storm preparedness and mitigation. Vietnam's mass organisations are also crucial in disaster response, with the Fatherland Front raising and dispersing considerable relief funds and supplies, for example during the 2000 to 2001 floods in the Mekong Delta. The Vietnam Red Cross is operating throughout the country from national to Commune level and works on awareness raising, disaster preparedness, response and prevention (9).

Vietnam's policy framework for disaster management is set in the Second National Strategy and Action Plan for Disaster and Mitigation and Management 2001-2020 (14). This strategy prioritises increased awareness raising and participation, minimising loss of life and assets. However, the Second National

Strategy is still designed principally to address short-term climate extremes rather than to respond to future climate change, and focuses on emergency response and reconstruction, rather than risk prevention and adaptation. Further, there is lack of integration between disaster risk reduction policies and wider policies for rural development and poverty reduction, with little cross-sector integration or coordination, either in policy or practice. This resonates with the judgment of many experts active in the disaster field that, while Vietnam excels at near-term emergency relief, better policies could improve pro-active responses. UNDP, in particular, and other donors, as well, have been active in proposing various insurance and incentive schemes to encourage pro-active responses in line with international best practice, but with only limited success to date. Many of these approaches would require radical streamlining of the process by which damages are assessed, compensation is approved, and funds are disbursed; reform proposals that take time to implement in Vietnam.

A recent EU study of institutional arrangements for climate change response in Vietnam (15) makes the following specific recommendations:

- improve integration of policies by strengthening coordinating institutions;
- promote a shift away from response measures and towards pro-active disaster risk reduction;
- build adaptive capacity at local level and policy advocacy;
- support state budgets for structural and non-structural risk reduction measures;
- improve modelling and forecasting applications; and invest in studies on climate change impacts and adaptations.

Donor support for climate change response in Vietnam

Donor support for climate change in Vietnam was limited over the period covered by this evaluation. However, it is emerging as a major focus area and there has been a significant pickup in activity in recent months as Government has identified climate change as a priority cooperation area. The signing of Agreement between The Government of Vietnam and The Government of Denmark regarding an approximately US 40 million grant for Climate Change Adaptation and Mitigation 2009-2013 makes Denmark the first donor to support the new National Target Programme on Climate Change (30th December 2008) (<http://www.ambhanoi.um.dk/nr/exeres/ed5644c8-f229-406f-8879-9f0b082f3751.htm>). Denmark has actively solicited the participation of other donors, including European ones, in support for this National Target Programme. A key question will be the extent to which the Programme succeeds in taking into account the cross-cutting nature of the climate change issues and the need for coordination among ministries with diverse interests and expertise. In summer 2009, the Government of Japan announced a grant which will go partly towards supporting the National Target Programme and partly towards other activities.

The EC is committed to better support Vietnam's efforts in climate change mitigation and adaptation. The European Investment Bank (EIB) recently committed to providing EUR 100 million to Vietnam to contribute to the mitigation of climate change (May 2009, http://www.delvnm.ec.europa.eu/news/vn_news/vn_news72.html). The Ministry of Finance will make available the proceeds of the EIB's framework loan to four state-owned banks, who will on-lend the funds to final beneficiaries carrying out investments that (a) contribute to climate change mitigation, through renewable energy or energy efficiency projects, which will account for at least 70 percent of the loan amount, or (b) support the European presence in Vietnam, through direct investment or transfers of technology and know-how from Europe, which will account for up to 30 percent of the loan.

The EC's 2007-2013 strategy for Vietnam points out that Vietnam will be severely affected by climate change, but does not identify any single program related to climate change. However, the EC's involvement in emission reduction through new technologies, social and environmental impact assessments, and river basin management are indirectly linked to climate change.

The EC also support Vietnam's efforts in response to climate change through ASEAN regional program. Of particular relevance is the priority area "Policy and Know-How based Cooperation," which includes "Environment, Energy and Climate Change, through Sustainable Consumption and Production" (SCP-Asia) and the "Forest Law Enforcement, Governance and Trade" (FLEGT) programmes. (17) In past years, the Vietnam components of regional programmes in energy and technology impinged on the climate change issue. There is also great potential through Framework research programmes and other aspects of the EC's cooperation in higher education and research, to have an impact in Vietnam's capacity to anticipate and react to climate change. (16)

Opportunities for the EC

Climate change is a strong emerging interest for the Government of Vietnam, and there is no question that it will be a major strategic focus of cooperation in coming years. This presents the partners with great opportunities but, at the same time, potential pitfalls and challenges need to be kept in mind:

- Climate change is a quintessentially cross-cutting issue. It involves natural disaster response (traditionally the purview of the Ministry of Agriculture and Rural Development), energy and industrial policy, forestry, fisheries, transport, trade, and no doubt other sectors as well. The Ministry of Natural Resources and the Environment, which has been identified as the agency to implement the National Target Programme in climate change, will face difficult challenges in attempting to coordinate across so wide a front.
- Climate change is an issue in which international experience and best practice suggest that civil society and NGOS can play a key role.
- Climate change is an issue in which the high level of scientific uncertainty (especially, in this case, regarding local impacts) and the need the link into high-calibre international scientific networks imply an important role for cooperation in higher education and research. Not only research in the natural and environmental sciences, but in the social and policy sciences, as well, is needed.
- Climate change is an issue in which the EU has a strong and meticulously elaborated common policy position despite the fact that in some of the related sub-areas (nuclear power, for example) MS policies differ.
- Climate change, and global environmental policy more generally, are areas in which recent evaluations affirm the EC has earned a great deal of trust and is perceived within the ASEAN region, and in Vietnam itself, to add value.

What does this add up to?

- Opportunities exist for the EC in building capacity for coordination and cross-sector policy making.
- While the EC may choose to support a sector programme in climate change, it will wish to take the lessons from sector budget support in education and, as they develop, in health into account.
- The EC could use climate change as a focal area in its support for civil society development.
- In seeking to build capacity and offer European expertise and experience, the EU could consider financing a joint European-Vietnamese institute for policy-relevant research in climate change.

This by no means exhausts the possible avenues for fruitful collaboration, but identifies a few major areas which may serve as a basis for discussion.

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Annex 9: Focus Group Summaries, Rural Development and Health / Vulnerable groups (the very aged)

Focus group approaches were employed in the areas of rural development, health / vulnerable groups (the very aged), and civil society development. The latter was a full-fledged formal focus group, held in Hanoi (see Special Focus 5) in a round-table format in the Executive Lounge of the Hanoi Hilton. In rural development and health, focus groups were closer to informal group interviews conducted with beneficiaries during site visits.

Rural development:

1. Beneficiaries of water supply component, Chop Ly
 - Location: Chop Ly village, Keo Lom commune, Dien Bien Dong District, Dien Bien Phu Province
 - Date: February 20, 2009
 - Participants: 7 villagers (4 women), belong to the H'mong minority group
 - Remarks: double translation needed (from H'mong language to Vietnamese, from Vietnamese to English)
 - Issues discussed:
 - Situation with regard to water provision in the village before and after the construction of the water tank
 - Number and type of uses of the water
 - Impact of improved water availability (economic, social, other)
2. Beneficiaries of irrigation component, Na Sang
 - Location: Na Sang 2 village, Nua Ngam commune, Dien Bien District, Dien Bien Phu Province
 - Date: February 20, 2009
 - Participants: 3 farmers (men)
 - Remarks: on-site interview
 - Issues discussed:
 - Coverage of the irrigation scheme and its impact of rice production
 - Agricultural practices
 - Marketing mechanisms
 - Use of surplus income
 - Gender issues (who decides to sell the harvest, control over income and its actual use)
3. Beneficiaries of water and irrigation components, Na Cai
 - Location: Na Cai 2 village, Na Tau commune, Dien Bien , Dien Bien Phu Province
 - Date: February 21, 2009
 - Participants: 8 villagers (6 men including Mr. Quan, village head, and 2 women) belonging to the Thai minority group
 - Remarks: interview in house of village head
 - Issues discussed:
 - Coverage of the irrigation scheme and its impact of rice production
 - Maintenance mechanisms of irrigation scheme
 - Distribution mechanism of irrigated area among the villagers
 - Drug problem in the village and local coping mechanisms

- Effects of improved water supply

Health

Two site visits relating to the EC co-sponsored and HelpAge-run project “Promoting intergenerational approaches to improve the well-being of disadvantaged groups in Vietnam” were organized on Thursday, 26th Feb. 2009. One international evaluation team member, as well as the national expert on health issues took a full day to meet with project staff (Tran Bich Thuy and Huong Giang) and visit two beneficiary communities, namely the Son Cam commune in the Phu Luong district, and the Luong Son commune near Thai Nguyen city.

The project aims to improve livelihoods and health for disadvantaged groups through the promotion of innovative and replicable intergenerational community based approaches, and is implemented by the INGO HelpAge International in partnership with well-known and respected Vietnamese partner organisations. EC support to the project amounts to 665,515 EUR, which represents 75% of the total project budget.

In Son Cam commune, the experts attended a regular meeting of one of the Intergenerational Self Help Clubs (ISHCs), witnessing the meeting, asking questions to the group as a whole, and afterwards interviewing the village headman and several individual club members.

During the meeting, an update was provided on the results of recent micro-credit loans to various elderly community members; a short presentation on helpful tips regarding a healthy diet specifically for the elderly was made; and after the particularly dire situation of one family was described, the group discussed and finally voted on whether to support this family with additional club funds, or not. The experts interviewed the group, focussing particularly on the perceived impacts of the club's activities, the organisation of the club, and the health situation of the villagers (access to basic health care, staffing of community health centre, registration of ‘poor’ families, health financing, etc.).

In terms of perceived impacts, most of the attendees were very positive: some members retold stories of various small loans that had a sustainable effect on improving their livelihoods; others praised the increased and meaningful sense of community and purpose that the club gave to them, particularly through the inclusion of both old and young people; two attendants commented on the health-related lectures that were held in the club, saying that they had learned how to live more healthily as a result. Concerning the organisation of the club, the members and village headman described the model that HelpAge had set up there, emphasising the fact that it was good for the women of the village to have an organisation where they were ‘strong’, and men were in fact asking to be admitted (there is a 75% female membership clause); they also voiced their pride in the fact, and that loan distribution was decided upon democratically. With regard to the health situation of the villagers, the impressions of the evaluation team were largely confirmed: according to the present villagers, the health centre was commonly unstaffed, out-of-pocket payments for single cases could land entire families in poverty, and the system of free health care for those registered as ‘poor’ did not work effectively.

In terms of EU visibility: the meeting halls of both communes displayed large signs of EC sponsorship for the project on a visible spot, and interviewed members of the club knew that the funding came ‘from Europe’.

After the club meeting, several participants were visited at their homes and interviewed together with their families. These participants were recipients of small loans, and proudly displayed the chickens they had been able to raise as a result, or the bamboo baskets they had made with the tools they had been able to afford through the loans. Their individual statements confirmed the voices of the club, highlighting that the project had helped them to find a greater sense of community and has made their economic situation significantly better.

In Luong Son commune, the experts visited another HelpAge initiated intergenerational club, which had decided to pool the funds of several individual loans to build a common fish pond. The profits of the sold fish went back into the club, and were used to set up additional loans and to help families in particularly difficult situations. A focus group discussion was held with members of this group as part

of the field visit, investigating the organisation of the initiative, its results and perceived impacts. Further questions concerning the registration as 'poor' with authorities were also raised. The village headman was present during the discussion, which may or may not have had an effect on the statements made.

All participants voiced their satisfaction with the decision to build the fish pond, and explained how it had helped the club to accumulate additional funds and expand its activities. Individual participants recounted how resulting loans they had received had helped them to increase their income, thus giving them greater security. As several participants had invested in raising chicken through the loans they received, the avian flu was mentioned as a disaster, the consequences of which the club had helped to minimize, as further loans were made and return payments rescheduled. Thus a number of villagers had been able to maintain a livelihood, where there had been at risk of losing their main source of income.

Concerning the process of registering as 'poor', the participants remained vague about the registration process despite targeted questions, but when asked how many of them were registered as such, only one participant was, although they all considered themselves as poor, and HelpAge project staff later confirmed that a high percentage of the villagers in this commune could be considered 'poor' according to official standards.