



Country Strategy Paper

Vietnam 2007-2010

Vietnam

 **Irish Aid**
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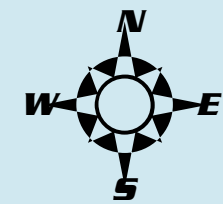
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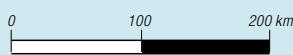
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VIETNAM



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Foreword

The Irish Aid programme in South East Asia will be phased in over the next five years. The initial step is to establish a country programme in Vietnam for the period 2007 – 2010. Initial work has begun on providing assistance in Lao PDR and in Cambodia. The focus at this stage - and of this CSP- is on the programme in Vietnam.

The programme is Irish Aid's first major development engagement in Asia and starts at a time when Vietnam is rapidly developing after years of strong economic growth. This growth has made a positive impact on poverty reduction.

Accession to the World Trade Organisation (WTO) earlier this year required major developments in terms of approving legislation and streamlining administration. Many State Owned Enterprises are being equitised. Urbanisation will follow rapid industrialisation, changing the social fabric of a country which is still largely rural. Ireland has made this transition in recent years and is seen by Vietnam as a valuable partner with whom to exchange views.

Irish Aid in Vietnam is set against this background and a donor/government dialogue that is closely linked to the Vietnamese government's own five year plan, the Socio-economic Development Plan, and implemented within the principles of the Hanoi Core Statement (based on the Paris Declaration on Aid Effectiveness). Co-funding of already developed programmes focusing on high level policy reforms is an obvious learning opportunity for Irish Aid. Support for targeted programmes will also ensure that the Country Strategy Paper (CSP) objectives are met.

Development of "niches" where Irish Aid has a comparative advantage will require further research and a commitment to learning over the course of this CSP. It is clear at this early stage that Irish Aid should respond to the demand from the Government of Vietnam to share lessons learned from the "Celtic Tiger" experience in Ireland. This will focus on the role of government in promoting private sector growth and provides considerable opportunities for development of a strong governance orientated product. For the government of Vietnam, the changing role from controller to facilitator will require considerable capacity, investment and nurturing.

The CSP identifies broad objectives to support development in Vietnam. These are translated into specific actions which are themselves a mixture of different aid modalities. The challenge for the Irish Aid team is to identify synergies between the actions and to lower transition costs so that the programme can be managed by the resources available.

The Hanoi Core Statement calls for donors to focus in a limited number of areas. That is reflected in the CSP, which is designed to maximize learning opportunities for the regional programme and for Irish Aid on a broader basis.

Vietnam faces these challenges from a position of political stability and strong economic growth. The Government has set a national target to achieve Middle Income Country Status by 2010 and to become an industrialised country by 2020. The achievement of middle income status will be a major achievement for Vietnam but it is not an end in itself.

The overall goal of Ireland's programme is *"to promote and support the equitable reduction of poverty and vulnerability in Vietnam"*. Further development assistance to Vietnam after this CSP will be subject to assessments of progress against this goal.

Maeve Collins
Ambassador
Embassy of Ireland

Hanoi
November 2007

Seán Hoy
Head of Development
Embassy of Ireland

Executive Summary

This Country Strategy Paper (CSP) sets out Irish Aid's development aid programme for Vietnam for the period 2007 – 2010. Ireland established a bilateral aid programme in Vietnam in 2005 and this is the first planning document for the development programme. It describes the overall policy approach to be adopted and outlines the expenditure proposals. It is expected to deliver €87.5 million in direct bilateral support for the period to 2010. Additional support will be channelled through NGO and other partner organisations.

Vietnam has achieved considerable development progress over the past 15 years. It has moved from being a centrally-planned economy to an open market one. This has produced rapid economic growth and social change. Poverty levels have dropped from around 70% to less than 20% and there has been a continued improvement in key human development indicators such as education, health and life expectancy. However, despite these achievements Vietnam remains a low-income developing country and still faces significant development challenges.

The CSP is aligned with Vietnam's Socio-Economic Development Plan (2006-2010), which sets out the Government of Vietnam's national development strategy for that period. It reflects the commitment in the *White Paper on Irish Aid* to a development programme in Vietnam combining a clear focus on poverty reduction with support for the growth of the private sector.

The CSP sets out an analysis of the political, economic and policy background in Vietnam. It identifies the key challenges facing Irish Aid in Vietnam and the lessons learned since the establishment of the programme. It defines Irish Aid's overall goal "to promote and support the equitable reduction of poverty and vulnerability in Vietnam" and it sets out the programme objectives and the strategies for achieving this goal over the period 2007-2010. Finally, it details how Irish Aid will manage the implementation of the programme over that period.

The White Paper on Irish Aid identified development cooperation as an essential part of Ireland's relations with Asia. Irish Aid is committed to developing a regional programme in South East Asia (SEA) which will include Lao PDR and Cambodia. The focus of activities at this time is on Vietnam but will extend over the period of the CSP to include those countries.

1. Background

1.1 The Irish Aid Programme

The Embassy in Hanoi was established in 2005. The focus of the Embassy's development work to date has been on establishing the aid programme in Vietnam. It is intended that Hanoi will also serve as the base for a regional programme including Vietnam, Lao PDR and Cambodia. Irish Aid will continue to provide support to existing interventions in Lao PDR and Cambodia, while work is taken forward on expanding the portfolio on a phased, parallel basis, consistent with the Vietnam programme.

Over time, it is expected that the balance of the programme in the region will shift towards Vietnam's less developed neighbours. The experience gained in implementing the Vietnam programme will inform Irish Aid's engagements in Lao PDR and Cambodia. In particular, opportunities for working on regional themes and synergies to complement programmes in those countries will be examined and developed. The content of the programme in the three countries will be based as far as possible on a small number of common themes closely related to the content of the Vietnam CSP.

1.2 Vietnam Country Information

Vietnam is situated in South East Asia. It has a total land area of 333,000 square kilometres stretching 1,800 kilometres from north to south and has a coastline of 3,260 kilometres. The population is currently estimated at 84 million. Almost 75% of the population is rural and is concentrated in the country's two deltas. The main ethnic group, the Kinh, represents 86% of the total population while there are 53 minority ethnic groups concentrated in the upland areas.

Recent Vietnamese history is a story of protracted struggle against outside powers, from China in the 19th century to France, Japan and latterly the US. After US withdrawal in 1975, Vietnam was reunified under communist rule. Vietnam's presence in Cambodia in 1978 led to UN sanctions, resulting in Vietnam's international isolation until 1989. The IMF, World Bank and Asian Development Bank resumed credits and loans to Vietnam in 1993. This was followed by a significant increase in donor funding. The government led Doi Moi (renovation) reform process began in 1986, resulting in a doubling of the GDP during the 1990's. Vietnam acceded to the World Trade Organisation (WTO) in 2007.

Vietnam has been amongst the fastest growing economies in the world for the past two decades. This has been achieved with only a modest increase in inequality while bringing a dramatic reduction in poverty - from 58% of the population in 1993 to 20% in 2004. Vietnam will face significant challenges over the next five years as it opens further to the market economy. In particular, it will have to work to prevent significant growth in inequality.

1.3 Political Context

Vietnam is a one-party socialist state. Power rests with the Communist Party of Vietnam (CPV) whose central role in politics and society is confirmed by the Constitution. The CPV holds ultimate responsibility for policy, which is executed and administered by the Government. There is no division of powers. However, the National Assembly increasingly seeks to hold the Government to account. Elections for the National Assembly and the representative bodies at provincial and lower level take place every five years. Candidates are required to be approved by the Vietnam Fatherland Front, an umbrella organisation dominated by the CPV. The Grassroots Democracy Decree of 1998, revised in 2003, foresees some level of participation by the population in decision-making and implementation at the local level.

1.4 Governance

Vietnam's governance context has evolved rapidly over the last three decades, from a devastated post-war, centrally-planned economy to a growing economic powerhouse in the region. The government's Doi Moi reforms have facilitated impressive economic growth and poverty reduction. Over this period the government has maintained a stable political and economic environment with the CPV continuing to enjoy a high level of legitimacy and support amongst the population. While there have been concerns about human rights and growing levels of corruption, governance reforms are considered by the international donor community to be moving in the right direction.

Vietnam has the most decentralised government in the South East Asia region; 48% of public expenditure is spent at local levels. The Grassroots Democracy Decree and local government legislation, backed up by a strong party structure, have given the sub-national structure a great deal of autonomy. There is considerable capacity at local levels to implement development investments, but local follow-up, quality control, financial management and monitoring remains very weak.

There are, however, a number of governance areas where significant progress remains to be made, such as increasing public accountability, strengthening legislative and institutional frameworks for promoting and protecting human rights, anti-corruption policy, public financial management, access to justice, development of the legal sector and the media. The Government of Vietnam (GoV) recognises that continued advances in these areas will be required if the economic growth achieved to date is to be sustained and maintained.

Corruption & Accountability

The Transparency International Perceptions Index for 2006 scores Vietnam as 111th out of 163 countries, grouping it with Timor-Leste and placing it in the mid range of Irish Aid's African programme countries.

An internal government survey in 2005 identified corruption as the most serious socio-economic problem facing the country. In the past year, following coverage of the misuse of international Official Development Assistance (ODA) in the transport sector, a new law on anti-corruption has been passed by the National Assembly. The GoV recognises that tackling corruption is central to continued investment, social progress and development, and that if not addressed could have an adverse effect on the legitimacy of the Party and the international image of Vietnam.

There is capacity within government for effective and efficient use of development grants. Recent tracking studies on donor funds have found very low levels of leakage from a national programme for poverty reduction (Programme 135), which may be more accurately characterised as the misuse rather than abuse of funds.

In term of public accountability, Vietnam performs less well. This is perhaps the weakest area of governance, though the extent of the challenge remains unclear. A number of international monitoring organisations rate political rights and civil liberties in Vietnam as poor and these are backed up by the conclusions and data from the World Bank Institute.

According to the GoV-led Public Expenditure Review, public financial management reforms have brought improvements in public financial management, including the piloting of medium term expenditure frameworks, and increased transparency in planning and budgeting.

The Legal and Justice Sectors

The legal and justice sectors remain weak. Court capacity is poor, and there is a poor understanding of systems

and operations. The Constitution does not provide for an independent judiciary although Article 130 states that judges are independent "during trial". In practice, judicial appointments, court proceedings and decisions are subject to close control by the CPV and the executive. While there are several ongoing reform processes, some key challenges remain and a number of difficult reforms will need to be undertaken soon. The Justice Reform Strategy (JRS) was recently approved and it seeks to build systems and institutions that will enforce the rule of law.

Civil Society

Civil society in Vietnam includes a number of mass organisations that have their origins in the CPV, including the Women's Union, the Farmers' Association and the Youth Union. It also includes international and local NGOs. Faith-based groups are also present but are limited in their capacity to support the development agenda. While mass organisations are not completely autonomous of Government, they are influential and can play an important advocacy role in advancing and raising awareness of important issues of concern. They can help to strengthen state accountability to citizens and should be considered as legitimate development partners.

As society and the economy become more open, the CPV is being challenged to open the space and share more responsibility with its citizens for Vietnam's development. For example, the country's Socio-Economic Development Plan (SEDP) acknowledges the need for the Government to engage local civil society in monitoring and implementing development programmes. Also, the recent anti-corruption law envisages a role for civil society in improving governance.

However, there is a longstanding need for a supportive legal framework for local NGOs to operate. It is anticipated that the National Assembly will soon pass the Law on Associations which will go some way to address this.

Building a strong civil society that helps to promote accountable and responsive government is a key component of any governance strategy over the next ten years. Irish Aid will carry out further exploratory work on this during the course of the CSP with a view to bringing forward specific proposals.

Human Rights

Vietnam is party to the main international human rights instruments, including the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention

on the Elimination of All Forms of Racial Discrimination, the Convention on All Forms of Discrimination Against Women and the Convention on the Rights of the Child.

The 1992 Constitution stipulates that human rights in the political, civic, economic, cultural and social fields are respected and embodied in the citizen's rights, and are determined by the Constitution and the law. While recent and gradual improvements in the legal system are helping to consolidate citizens' rights and interests, many of the rights enshrined in the International Conventions are still inadequately protected under domestic law. There are no independent monitoring bodies or national institutions for the protection and the promotion of human rights.

The death penalty is applied in Vietnam. It is difficult to determine the total number of death sentences and executions as the authorities release no figures. In 2005, local media reported 122 death sentences and 49 executions.

While freedom of speech and press is guaranteed in the Constitution, there are concerns about restrictions on freedom of expression. Media is under party leadership and State management. The Publication Law authorises pre-publication censorship and bans any materials detrimental to Vietnam. Restrictions are imposed on the management of web sites and internet and e-mail usage is controlled.

1.5 Economic Context

Vietnam has been on a sustained path of economic reform since the *Doi Moi* was launched in 1986. This has involved an overall reliance on market mechanisms while maintaining a social orientation. The latter has been interpreted as focusing on social inclusion while preserving a leading role for the State. Since the introduction of *Doi Moi*, Vietnam has averaged an annual GDP growth of 7%. Over the past five years, annual

economic growth of 7.6% was largely driven by exports and public investment in infrastructure. Income per capita has increased from \$415 in 2001 to \$635 in 2005.

The contribution of agriculture to GDP has fallen from 32% in 1990 to 21% in 2005, while industry has risen from 25% in 1990 to 41% in 2005. Vietnamese exports increased from \$1.2 billion in 1990 to \$33 billion in 2005. However, Vietnam's principal exports are labour-intensive, unprocessed and of low value added (crude oil and agricultural / fishery products account for 50% of total exports).

State-owned enterprises (SOEs) still represent a substantial part of the economy accounting for 40% of GDP, 37% of industrial output and 35% of non-oil exports. SOEs absorb a third of the bank credit available and enjoy preferential treatment in a number of areas including access to credit and the allocation of land for development. After years of structural reforms the number of SOEs has dropped from more than 10,000 to 3,500.

Vietnam continues to improve the investment climate for local and foreign owned private sector investors. The biannual Vietnam Business Forum allows for robust exchanges on issues relating to the investment climate including corruption, access to goods and resources and more recently industrial disputes with workers. At the small and medium enterprises (SMEs) level, new businesses have risen dramatically to more than 100,000 creating more than 1 million jobs and contributing to 38% of GDP in 2005.

Vietnam became the 150th WTO member in January 2007 after eleven years of negotiation. Low competitiveness of agricultural and industrial products, heavy reliance on agricultural and crude oil exports and heavy subsidies for State owned enterprises are seen as the main challenges for Vietnam in the face of global integration.

2. Poverty Analysis

In 2006, Vietnam ranked 109 out of 177 nations on the UNDP human development index (HDI). Vietnam has an impressive record in pro-poor growth and poverty reduction. According to the World Bank no other country has registered faster progress in terms of reducing poverty. Almost 20 million people still live below the poverty line¹. It is estimated that close to 10 million people live just above the national poverty line and are extremely vulnerable to natural disasters, health shocks, crop failures, communicable diseases like avian influenza, and world price fluctuation of agricultural products.

Inequality is increasing in Vietnam: the gap between the richest and poorest quintiles increased from a factor of 4.6 in 1996 to 6.1 in 2004. During 1998-2002, the expenditure of the poorest quintile rose only by 8.9% while that of the richest was 22.1%. As the economy continues to liberalise, and more opportunities for growth are developed within the non-farming sector, this gap is likely to increase.

The incidence of poverty follows quite defined demographic trends in Vietnam. While nationally, rates are higher among female headed households, poverty is more distinct when examined in geographic and ethnicity terms. Poverty rates are also closely aligned with disability.

2.1 Rural and Ethnic Minority Poverty

The highest rates of poverty are recorded in the rural areas of the North West (55%), and the North East, North Central and Central Highlands which each have one third of their populations living under the Vietnam poverty line. Poverty rates in urban areas have declined at twice the rate of rural areas.

Poverty remains particularly high amongst ethnic minority groups. In 2004, 14% of the majority Kinh were living in poverty while 61% of the other 52 ethnic minorities were below the poverty line. Ethnic minorities account for 13% of the total population yet they account for 39% of the poor. In twelve out of the thirteen poorest provinces, which are located in remote/mountainous areas, they account for nearly half of the poor.

Poverty rates are higher among rural and especially ethnic minority populations because they live in a difficult and disaster prone physical environment. While income is largely derived from agriculture, these populations

Table 1. Comparative Development Statistics between Vietnam and Ireland

		Vietnam	Ireland
Population	1975	44 million	3.2 million
	2005	84 million	4.1 million
Human Development Index Rank		109	4
Life expectancy at birth		71.3	76.9
GDP per capita (\$)		635	48,604
Adult literacy (%)		91	99
Per capita health expenditure (\$)		164	2,496
Infant mortality per 1,000 live births		18	6
Under five mortality rate per 1,000		31.5	6
Gov spending on education/GDP (%)		17	13.5
Net Primary enrolment rate (%)		94.4	94
Population using sanitation facilities (%)		50	100
Population with access to potable water (%)		62	100
Internet users per 1,000 people		74.4	271

Source: Human Development Report 2005, Vietnam General Statistics Office and UNICEF website

¹ The national poverty line defines the poor in the rural areas as having income of VND 200,000/person/month and in urban areas VND 260,000/person/month

are reliant on poor and limited land resources. Poverty is entrenched by the scarcity of off-farm earning opportunities, combined with high levels of dependency on agriculture-based income, in a situation where climatic factors are increasingly unstable and soil fertility is declining. Asset bases are weak while access to credit is very limited, thus protective measures against market failures, floods, drought, pests etc are largely unavailable. An absence of agricultural product processing facilities and under-developed rural infrastructure means that unlike other sectors, scope for growth in rural and agricultural sectors is very limited. It is thus likely that the poverty gap is set to widen as the national economy grows.

Food security

Vietnam is on track to meet the Hunger MDG (reduce by half the proportion of people who suffer from hunger by 2015). However, in spite of significant progress made since the mid 1980's child malnutrition remains a problem. Mountainous areas with large ethnic minorities face the biggest problems in overcoming food insecurity. There are still 16 million undernourished people concentrated amongst the most vulnerable, in particular women and children - approximately 27% of children suffer from malnutrition (moderate and severe). The continued heavy reliance upon agriculture in rural earnings leaves a high proportion of the population vulnerable to future periods of food insecurity.

Populations living in rural and remote areas have limited access to social and economic infrastructure including health services, markets, and transport. Rates of school enrolment in these areas, while high compared to other developing nations, are consistently below national averages. Drop-out rates among ethnic minority communities are high, linked in part to the lower quality



Irish Aid is committed to development in rural areas

of teaching provided, poor facilities, long travel times, and language issues.

Household size in rural and ethnic minority areas is also an influencing factor. Household size tends to be larger with higher numbers of elderly dependents. Government policy is however cognisant of these facts and is generally favourable towards ethnic minorities.

In addition to the concerns regarding rural poverty, there is also evidence of a new poverty dynamic emerging in urban areas linked to high inward migration rates. Little information is available yet as to the scale of this problem. However, as the economy continues to grow and rural to urban migration continues, this problem will become more severe.

2.2 Poverty and Disability

There is a close correlation between poverty and disability in Vietnam. This is linked to the country's recent history, resulting in high levels of war-related injury, the continuing effects of chemical weaponry, and the presence of unexploded ordnance – which alone results in approximately one injury or death per week.

Difficulties exist in determining the actual number of people with disabilities (PWD) due to differing criteria defining disability. In rural areas, households often deny the presence of children with disabilities. It is generally accepted however that the total proportion of people with disabilities in Vietnam is 6-7% of the population. This exceeded 5 million people in 2006. In addition, according to the National Traffic Safety Committee, an average of 30 people are killed daily and over 60 permanently disabled in traffic accidents. The total economic loss from traffic accidents is estimated to exceed \$2 billion per year. Of the 5 million people living with disabilities, 70% are of working age but only 3% have undergone any vocational training.

Access to water and sanitation facilities

Approximately one third of the population do not have access to adequate sanitation facilities. In rural areas 52% do not have access to a clean safe water supply; the figure for urban areas is 18%. Access and basic knowledge of sanitation/hygiene remains poor in remote areas. In 1999 a new legal framework was established for water resources management that included setting up water rights and allocation, and state management of the country's river basins.



Working with people with disabilities will be a key part of the country strategy

Vietnam has made significant progress over the past ten years in integrating PWD into various aspects of public life. This strong government commitment is not always reflected in the design or implementation of donor development programmes in Vietnam. The UN Convention on the Rights of Persons with Disabilities lists amongst its priorities the commitment to mainstream disability in development. Programmes to support PWD in Vietnam tend to be ad hoc and spread across the country. Significant opportunities exist to improve major government and donor programmes through better attention to the needs and opportunities which relate to PWD.

2.3 The Gender Dimension

Vietnam is described as one of the more advanced countries with respect to gender equality. According to the World Bank (2006)², it has one of the highest rates of economic participation of women in the world, with 83% of women between 15 and 60 participating in the labour force (compared to 85% of men). It has the highest participation of women in parliament in the Asia Pacific Region (27.3% of seats compared to 13.3% in Ireland in 2004). The country has policies in place to ensure equal

rights of men and women and progress has been made in reducing the gender gaps in health and education. The National Strategy for the Advancement of Women to 2010 is supported by a five-year plan of action to achieve gender equality in Vietnam.

However, inequality persists, and it is undermining women's capacities to benefit from processes of growth and development. Women typically earn significantly less than men, are frequently discriminated against when applying for high level professional positions, and have a legal age for retirement five years below that of men.

In respect of reproductive health, while there is a very high level of knowledge about family planning there is a limited choice of modern contraceptive methods. It is considered the woman's responsibility to protect against pregnancy. Condom use is limited. In 2002, it was estimated that 46% of all pregnancies in Vietnam were terminated. There is also evidence of increasing use of sex-selective terminations. The Government responded to this in 2006 by making it illegal to help determine the sex of a foetus or to abort it for gender reasons.

Ethnic minority women and girls lag behind ethnic minority men and Kinh women in accessing health and education services and economic opportunities. The literacy rate for Kinh women in 2002 was 92% whereas that for Hmong women was 22%. Higher literacy rates are recorded for some of the other ethnic minorities. The infant and child mortality rates in the mainly ethnic minority Northern Mountains region are twice the rates of the majority Kinh in the Red River Delta.

While the centrally controlled communist system contributed enormously to the equalisation of status and opportunity between women and men, there are concerns that the opening up of Vietnamese social, administrative, and economic structures may result in the re-emergence of pre-communist patriarchal influences



Rural women are responsible for the majority of field production

² Vietnam Gender Assessment 2006

Access to Education

The state budget for education has grown from 15% of the total budget in 2000, to 17% in 2004, and is projected to reach 20% by 2010. Education is free at primary level for grades 1 to 5, the net enrolment rate of the primary school age group in Vietnam rose from 90% in 1990s to 99% in 2004. Male and female primary enrolment rates are generally equal. For secondary enrolment the male rate is 72% while the female is 67%.



in decision-making and gender dynamics. As women continue to receive proportionately lower wages than male counterparts (the average female monthly wage is currently 85% of males), families will increasingly be inclined to invest more in the education and training of male children due to the higher economic returns this will bring.

The Gender Law 2006 and a proposed Law against Domestic Violence will create a framework to protect women's rights but the pursuit of these rights is influenced by cultural factors. In rural areas in particular where the Confucian³ culture obtains, the predominance of males is unchallenged.

In the next ten years, the transition to an open market economy will involve new challenges to achieving gender equality. The labour market will need to respond to rapid economic growth and structural obstacles may arise which limit the capacity of women to compete. The challenge is to predict the trends and put in place policies, institutions and programmes to ensure that women benefit equally from the rapid development.

The GoV has identified the need to strengthen the re-titling process for land use certificates in the name of both spouses and to redress gender disparities in existing legal documents. Clear targets to achieve these have been agreed with donors.

2.4 HIV/AIDS

As of December 2006, according to official statistics, there were over 116,000 people living with HIV/AIDS, which represents an incidence rate of 0.14%, (compared to 0.11% in Ireland). There are concerns however that the figures are under-reported. Infections have more than doubled in the past six years and the trend seems set to increase. More than 100 Vietnamese are infected with HIV every day and almost 12,000 people died of AIDS-related causes as of the end of 2006. The overall prevalence rate among adults aged 15-49 is estimated to be 0.54% in 2006 (one in 200 adults), which represents one in 60 households having a person living with HIV.

Over recent years the epidemic has evolved from injecting drug users (although these are still affected) towards sexual transmission. Due to increased heterosexual transmission the number of infected females compared to males is increasing each year. HIV is present in all provinces but especially in four main urban areas – Ho Chi Minh City, Quang Ninh, Hai Phong and Hanoi.

Stemming the HIV epidemic requires the country's leadership, its citizens and its international partners to mobilise quickly around a prevention-centred strategy that addresses the core activities driving the epidemic – injection drug use and female sex work. Although it will

Access to Healthcare

Vietnam has a good record in providing health care to the population with a comprehensive public health structure down to commune level. Vietnam's health indicators are better than most countries with the same level of income. Improvements in the health sector have been partly achieved by allowing private care and more financial autonomy in public hospitals. These developments have inevitably increased costs, taking many services beyond the reach of the poorest. Subsidies are required if the improved health care services are to reach the most needy. A national health insurance scheme for the poor is expanding and currently reaches 13 of the 20 million in need.

³ Confucianism is a complex system of moral, social, political, philosophical and religious thought which has had a major influence on the culture and history of East Asian countries.

not be easy, it should be possible at the same time to expand access to effective treatment and care for people already living with the virus.

There are several factors that favour Vietnam's prospects of success in its struggle to combat HIV/AIDS. Firstly, in public health terms its HIV/AIDS situation is still at a concentrated stage – not yet a generalised epidemic – that is of manageable proportions. Under these circumstances, intensive HIV-prevention efforts can prevent the spread. Secondly, Vietnam has a health system which is stronger than many other countries already impacted by HIV/AIDS. The National Committee for Prevention and Control of AIDS, Drugs and Prostitution is chaired by the Deputy Prime Minister. Within the Ministry of Health, the Vietnam Administration for AIDS Control has been established to coordinate the national response. A Technical Working Group brings together participants from international NGOs, as well as staff from bilateral donors, foundations, the UN, and Vietnamese government and NGOs who share resources and experience, engage in planning and form partnerships for HIV/AIDS prevention, care and advocacy.

Insufficient funding is no longer a constraint on action for effective HIV prevention. Significant donor resources are already being made available to tackle HIV/AIDS. Principal among these are: The Gates Foundation, PEPFAR (the US President's Emergency Plan for AIDS Relief), the Global Fund, the World Bank, ADB and bilaterals such as DFID and Sweden. A single HIV/AIDS programme is also under finalisation for all twelve United Nations agencies working in Vietnam.

2.5 Poverty and the Environment

Vietnam is amongst the world's most densely populated countries (245 people per sq km). One quarter of the population lives in the urban areas mainly along coastal plains and the Red River delta in the North East and the Mekong delta in the South. The livelihood of 70% of the rural population is based on the exploitation of natural resources.

Vietnam is one of the world's most biologically diverse countries containing 10% of the world's species. This diversity is under threat from habitat losses caused by population growth, legal and illegal logging, dam and road construction as well as agricultural expansion.

Land degradation is becoming a national problem as marginal lands are brought under cultivation. There is also increasing evidence of pollution caused by overuse



Recycling is a daily occurrence in Vietnam

of agrochemicals and pesticides, while the areas contaminated with dioxin (Agent Orange) remain barren.

The GoV's National Strategy for Environmental Protection (NSEP) until the year 2010 and "Vision 2020" acknowledge the rapid deterioration in environmental quality and natural resources. It also recognises that the rapid economic growth, industrialisation and continuing population growth of recent decades have had an adverse impact on the natural environment. The Government has developed a sound legal framework for environmental protection and natural resource conservation. A market is developing in Vietnam for investment in Clean Development Mechanisms (CDM) and Joint Implementation (JI) instruments designed under the Kyoto Protocol to provide incentives through carbon credits for developed industries and governments to invest in developing countries. The objective is to promote climate friendly technologies and infrastructure

2.6 Vulnerability to Crises

Vietnam is prone to natural disasters. This arises from environmentally unstable areas combined with severe weather conditions including typhoons, floods and droughts. In terms of natural disasters alone, the World Bank estimates that 33% of the total area of Vietnam and 76% of the population is at risk while 89% of the country's GDP is generated in areas that are disaster prone.

Vietnam is heavily dependent on natural resources, particularly in rural areas where poverty rates are highest and capacities to withstand shocks such as floods and drought are lowest. The already high incidence of typhoons, floods, forest fires and drought is compounded by the effects of climate change. It is unlikely that

growth and reforms in the agricultural sector will be able to keep ahead of these changes, resulting in further marginalisation of already vulnerable remote farming communities.

Rising sea levels pose a further and serious long-term threat to Vietnam's extensive coastline and to both urban and rural communities located there. Vietnam will suffer the heaviest impacts of sea level rise in East Asia and the populous Red River and Mekong River deltas will be most affected. Changes in sea level are threatening farming, fishing, transport, and industrial activities. A further rise of one metre in the current sea level would result in around 5.3% of land, 10.8% of population, 10.2% of GDP, 10.9% of urban area, 7.2% of agricultural area, and 28.9% of low ground being affected. Material losses caused by this phenomenon have not been calculated yet, but will certainly affect future economic growth rates.

2.7 Challenges to continued Poverty Reduction

In spite of the positive developments recorded in poverty reduction since the mid-1980s, significant threats to continued, equitable growth and development remain.

The Poverty Gap: As detailed above, inequality in growth is a cause for concern. The rapid pace of growth and development, while highly desirable, is not benefiting all sectors of society equally. The Government is committed to promoting equitable growth as evidenced in its prioritisation of social protection and other inclusive measures, but there are concerns that the State is already functioning beyond its capacities. The administration and systems for ensuring equitable development will

not be able to keep pace with the exponential growth in many sectors. The fact that such a high proportion of the population remains dependent on small scale agriculture (the sector with least growth) and therefore vulnerable to further marginalisation, is problematic.

Graduation: Vietnam aims to graduate to Middle Income Country (MIC) status by 2010. This is likely to involve the departure of some donor and international civil society organisations, potentially resulting in the removal of critical safety nets and basic service provision to some of Vietnam's most marginalised groups.

The feminisation of poverty: Advances made towards gender equality are under threat and women risk being restricted to low-earning roles and sectors. The process of growth needs to ensure that gender based considerations such as equal opportunities, wages and division of labour are enshrined in legal and administrative frameworks.

Vulnerability to humanitarian crises: Entrenched and continuing high rates of poverty; dependence on agricultural livelihoods by a significant proportion of the population; increased environmental degradation arising from economic growth; and the threats posed by climate change all combine to compound the risk of and vulnerability to humanitarian crises. For example, in one day alone in April 2007, national newspapers reported on localised crises caused by a forest fire, a drought, flooding, and a landslide in four separate parts of the country.

The Government has a well developed strategy for disaster risk reduction and reasonable capacities to respond to humanitarian crises. However, there is a very real need to ensure that policies, strategies and capacities to prevent, mitigate and respond to humanitarian crises keep pace with the increases being recorded in the severity and incidence of humanitarian events. Targeting the most vulnerable to ensure they can participate in growth and development will contribute significantly to overall levels of vulnerability reduction and thus ensure that growth can be sustained.



Traditional transport is rapidly making way for imported motorcycles

3. The National Development Context

3.1 National Policies Framework

The 5 Year Socio-Economic Development Plan 2006-2010 (SEDP) sets out the GoV's development agenda. It mainstreams poverty and lays out a strategy to support broad based growth with the goal of achieving MIC status by 2010. It is built on three pillars and is underpinned by a cross-cutting set of policy objectives on governance which focuses on the need to modernise institutions to deliver on these fronts:

- > sustainable growth;
- > inclusive development;
- > environmental sustainability.

The SEDP resulted from consultation with a wide range of stakeholders including civil society, domestic and foreign private sectors, donors and the poor. It includes an action plan and a monitoring and evaluation framework which is results-focused. Donors are now working to align their support behind it.

The SEDP aims at sustaining growth of 7.5% to 8% per annum mainly by increasing investments by the State, attracting further FDI and promoting private sector growth and investment. The number of SMEs is expected to rise to 500,000 by 2010, creating some 1.6 million additional jobs every year. Global economic integration is a major theme which runs across the development of all sectors of the economy and trade is expected to continue as a key driver of growth.

The key challenge identified by the Government is to ensure high quality growth remains broad based and pro-poor in addition to improving efficiency and resource allocation in the economy. The SEDP prioritises access to quality education and health insurance services, seeking to increase public expenditure across these sectors. It is committed to tackling poverty amongst ethnic minorities and promoting gender equality by mainstreaming their concerns across the regional and sector plans. The Government is committed to developing a universal, comprehensive and sustainable social security system starting with health insurance which provides subsidised protection for the poor. It also seeks to improve its targeted programmes for poverty reduction to ensure that they address the livelihood priorities of the poor. The SEDP also marks an important step towards de-stigmatising HIV/AIDS (which until recently was referred to as a "social evil").

The SEDP recognises that Vietnam's growth has not always been sufficiently environmentally sustainable and that progress in improving the management of natural resources such as land, forest and water resources has been slow. It prioritises natural resource management along with pollution control. It also prioritises mainstreaming environmental protection into

the socioeconomic development plans of localities and seeks to implement Vietnam's Strategic Sustainable Development Orientation (Agenda 21).

The SEDP refers to governance as a set of cross-cutting actions underpinning the achievement of the three interlocking pillars. The SEDP acknowledges that governance and institutional reforms have been slower than expected. It prioritises fighting corruption and improving public financial management both as a means and an end in itself.

In recent years the Government has addressed poverty and inequality issues through a set of National Targeted Programmes (NTPs) such as the Poverty Programme for Ethnic Minorities and Communities in Mountainous Areas (commonly known as "P135").

Implementing the SEDP and WTO reforms requires significant levels of external financing. Restructuring of SOEs involves significant numbers of redundancies. The SEDP commits to the development of a social safety net to assist these workers as well as additional spending in the social area, including increased health expenditures for the poor and a steady increase in the budget for education. The current PRSC process, based on the objectives of the SEDP, puts the costs of reforms at \$300 to \$600 million per year. The total donor contribution will be less than 50% of this.

The SEDP also clearly links the effectiveness of sectoral policy actions with the success of more fundamental governance reforms in areas such as public financial management, public administrative reform and legal and judiciary development.

3.2 Aid Effectiveness

Vietnam was the first country to localise the Paris Declaration on Aid Effectiveness and developed what is referred to as the Hanoi Core Statement (HCS). The HCS was endorsed by all donors in June 2005. It commits the Government and donors to far-reaching and monitorable actions to make aid more effective in the achievement of the Vietnam Development Goals. Monthly meetings of the Partnership Group on Aid Effectiveness monitor progress against the harmonisation agenda of the HCS. A separate donor group, the Like Minded Donor Group (LMDG), supports programmes which advance the HCS agenda. Harmonisation and division of labour are also priority areas for the EU development partners. Irish Aid is an active member of all these groups.

The Government and donors are also supporting the development of a "One UN" in Vietnam. The process involves the consolidation of ad hoc and overlapping UN programme activities into One Plan accompanied by One Budget. Vietnam has been nominated as a pilot country for UN Reform.

4. Key Challenges & Lessons Learned

4.1 Challenges

For Irish Aid, development issues, challenges and response frameworks in Vietnam are quite different to other programme countries and as such offer significant challenges and opportunities for learning. It is important that the approach taken reflects the unique operating environment and that lessons learned elsewhere are appropriately adapted for use locally.

In Vietnam, programming is taking place against a rapidly changing ODA environment. Once Vietnam reaches MIC status it will become ineligible for World Bank concessional grants and it is projected that grant aid from bilateral donors will decrease overall.

The lack of a developed civil society, of opposition parties and independent voices and of an independent media means that the range of information sources available to the Embassy is more limited than in other programme countries.

Vietnamese is a complex tonal language which few expatriates master. English is not widely spoken. All communications and exchanges with the Vietnamese authorities are conducted through Vietnamese. Project documents must be translated into Vietnamese,

imposing transaction costs on the mission and a need for interpretation and translation services.

The process of identifying and delivering an Irish Aid comparative advantage to the development process in Vietnam is an important challenge. Developing niche expertise will continue over the course of this CSP. Potential areas in which Irish Aid can make an immediate and strategic contribution include gender equality, as well as the transfer of lessons learned on managing economic growth and social inclusion drawing on the experience of Ireland from its own economic development.

Irish Aid will also bring to bear its experience of working in a harmonised development cooperation context which it has gained in other programmes. It will work towards ensuring close cooperation amongst donors in the interests of aid effectiveness and as a means of maximising its own resources through strategic partnerships. It is also taking a prominent role in the coordinated approach to development by the various UN agencies through its financial and technical support for the "One UN" reform process.

The ongoing capacity constraints within Irish Aid sets limits to the potential for deepening the programme within Vietnam and for broadening it to include Lao PDR and Cambodia. This will be addressed in the context of the review of the management of Irish Aid as foreseen in the White Paper on Irish Aid.



Many men migrate to urban areas for informal work as motorcycle taxi drivers

4.2 Lessons learned

In 2005, Irish Aid allocated €3 million to Vietnam which it disbursed through international agencies. In 2006, €1.5 million was disbursed. The programmes funded in 2005 and 2006 are ongoing with the exception of Poverty Reduction Support Credit (PRSC) allocations which are renewed annually. In spite of the short time frame, this broad portfolio of programmes has allowed Irish Aid to learn important lessons from its engagement:

Development in Vietnam is government led. While there remains scope for improvement, the Government has a strong commitment to and capacities for enhancing pro-poor growth. Harmonisation is effective and has created a positive environment ensuring that programmes are aligned to government priorities and do not result in unnecessary replication.

Opportunities for dialogue between donors and the Government continue to improve. Topics such as corruption and the role of the media have been openly debated during 2006.

A focus on Ethnic Minorities is needed to target the poorest in Vietnam. Ethnic minorities lag behind in their capacity to benefit from continuing economic growth. A focus on ethnic minorities coupled with support for the broader “whole of government” approach will maximize progress to reduce poverty. Gender issues amongst ethnic minorities require specific attention and can be addressed through targeted programmes.

Disability is strongly linked to poverty in Vietnam. Over 5 million people are living with disabilities in Vietnam. Most are unemployed and many require family members to care for them fulltime.

Scope for engagement on HIV/AIDS in Vietnam is limited when compared to other affected countries. The sector is already well funded. Opportunities do exist however, as the Ireland-Vietnam Blood-Borne Virus Initiative shows, and should be pursued.

There is scope for contributing to good governance especially through mainstreaming and discrete programmes. The Poverty Reduction Support Credit PRSC (2007-2010) includes a pillar supporting modern governance based on the SEDP. Other activities in the governance sector including support for the National Assembly and legal sector reform require high quality technical expertise within donor agencies. In addition, further exploratory work during the course of this CSP is expected to identify additional opportunities providing support for good governance.

Many donors do not relate direct experience at local level with national policy dialogue. A general feature of other Irish Aid programmes has been the capacity to work at both local and national level and to use the former to inform dialogue at the higher level. Experience of conditions at local level would appear to be absent from policy dialogue in Hanoi.

The “Celtic Tiger” experience in Ireland can provide many lessons. In particular, lessons relating to governance and social inclusion from the Irish experience are of interest. Ireland is seen as a valuable partner and the possibility of learning from the Celtic Tiger experience has been raised at the highest level.

Civil Society is undergoing a significant change in Vietnam and can potentially play an increasingly important role in the next ten years. Civil society can complement the work of the Government in delivering basic services, as well as engaging in advocacy work and helping to strengthen accountability to citizens. Civil society organisations are also well placed to adapt national plans to local conditions.

Environment concerns are shared at the highest level in Vietnam. Further economic growth will continue to place strains on the local environment but donors and the GoV are actively addressing the issue.

The role of the United Nations will become increasingly significant post graduation. While ODA levels may fall after MIC status has been achieved, substantial support will be required for many years to deal with poverty, especially in the remote mountain areas. Large scale programmes may be best managed by the UN as the World Bank moves away from the provision of concessional loans.

5. Programme Goal, Objectives and Strategies

While much progress has been made in poverty reduction in Vietnam, significant and high levels of need remain. Efforts are required to ensure that the progress achieved to date is sustained through the country's transition to MIC status, while ensuring that the benefits of growth are shared with the 20 million people still living in poverty.

5.1 CSP Goal

The overall CSP goal is:

To promote and support the equitable reduction of poverty and vulnerability in Vietnam

5.2 Objectives

The above goal will be achieved through three main programme pillars / objectives:

- 1. Strengthening the delivery of basic services and social protection measures to vulnerable people**
- 2. Promoting economic and social transition and growth in the private sector**
- 3. Strengthening systems which enhance state accountability to citizens**

➤ Objective 1:

To strengthen the delivery of basic services and social protection measures to vulnerable people in Vietnam

Improved delivery of basic services and social protection is necessary to ensure inclusive growth and a reduction in the national poverty gap. While national poverty rates are declining, incidence of poverty remains high and is increasingly being concentrated and entrenched among marginalised groups such as ethnic minorities and people with disabilities. Although poverty fell from 58% in 1993 to 20% in 2005, the corresponding figures for ethnic minorities were 86% and 61%.

In response, the Government has increased overall pro-poor budgetary expenditure combined with specific programmes targeting the poorest and most vulnerable. Efforts are ongoing to improve efficacy, coverage, and legislative framework for social protection schemes (such as health insurance) while the national targeted programmes are contributing to improved availability and access to the essential services.

➤ Objective 2:

To promote economic and social transition and growth in the private sector

Economic growth has contributed to the reduction of poverty in Vietnam. To make investments in basic services sustainable, growth must continue. Continued economic expansion is also needed to provide employment opportunities for the country's young and rapidly growing labour force and its private sector development. The Government's Socio-Economic Development Plan (2006-2010) has as one of its primary goals the completion of Vietnam's transition to a market economy. It is committed to fostering business development and improving the regulatory framework for private sector development as part of that process while keeping growth inclusive.

➤ Objective 3:

To strengthen systems which enhance state accountability to citizens

The Communist Party's policy of 'people know, people discuss, people do and people check' is the core principle in implementation of the country's affairs at all levels. Decisions are generally taken by consensus and unpopular decisions are not always enforced by government. This provides for a high level of legitimacy for the Party from the grassroots to the national level. The transition to a market economy will strain this modus operandi and require new ways of working as continued economic growth will require further reforms which affect all citizens.

Objective Three is divided into two sub-objectives: i) increasing peoples' voice and strengthening the capacity of peoples' elected representatives and ii) enhancing state systems for accountability.

5.3 Strategies

Irish Aid will pursue this agenda through a balanced focus on development cooperation financing and engagement in the policy dialogue process.

In terms of **financing**, Irish Aid will support a mix of aid modalities which include:

- **support at national level through the Poverty Reduction Support Credit;**
- **targeted government programme support (which is mainly sub-national and sectoral);**
- **projects (which open up the possibility of collaboration with a number of non-state civil society and private sector actors).**

Irish Aid will **mainstream** the priority issues of gender, governance, HIV/AIDS, and environment.

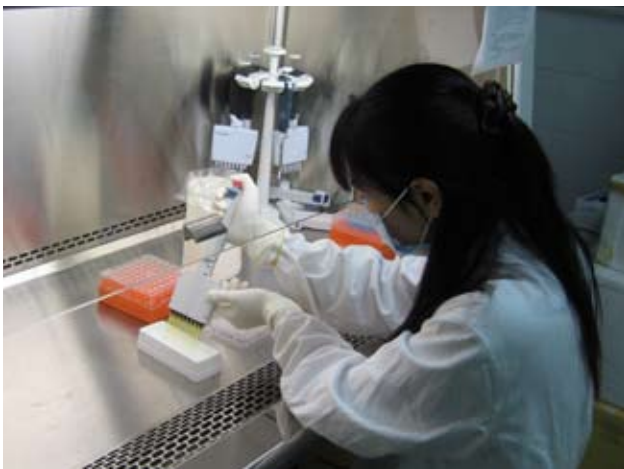
Governance is deeply rooted in the reform agenda of the SEDP and forms a separate pillar within the PRSC (see below). Within this governance agenda, Irish Aid will focus on enhancing transparency and accountability and improving participation at all levels. Entry points will be identified in the different aid modalities set out below.

In terms of **targeting**, Irish Aid will focus on addressing the needs of the most vulnerable. Marginalised groups such as rural poor, ethnic minorities and people living with HIV/AIDS and with disabilities will be prioritised within the programme at the same time as support is provided to processes and structures for economic growth. An example of a programme targeted at building national capacity to deal with blood borne diseases including HIV/AIDS is shown in the following Box.

In terms of **policy engagement**, Irish Aid will use the high-level policy fora of the PRSC to pursue the strategic objectives. Engagement in targeted programmes such as P135 will allow Irish Aid to support more technical levels and will strengthen the quality of participation in the macro PRSC discussions. The proposed partnership with civil society and provincial government will further serve to strengthen Irish Aid's voice at the policy table in Hanoi with Government and other donors. Strategic engagements through technical assistance programmes will provide further opportunities for policy dialogue.

The Ireland-Vietnam Blood-Borne Virus Initiative (IVVI)

The Ireland-Vietnam Blood-Borne Virus Initiative (IVVI) involves a partnership between the National Virus Reference Laboratory (NVRL) at University College Dublin (UCD) and the National Institute of Hygiene and Epidemiology (NIHE) in Hanoi. The objective of the programme is to build the required institutional capacity within Vietnam to emerge as an internationally recognised centre of excellence in clinical and diagnostic virology. The programme focuses on blood borne diseases including HIV/AIDS, Hepatitis B, Hepatitis C and human T Lymphocyte. The programme is unique in being a specific project co-financed by Irish Aid and a private organisation, The Atlantic Philanthropies. The programme began in 2006 and will end in 2009.



IVVI is to build capacity for the Vietnamese partner as an internationally recognised centre of excellence in epidemiology and diagnostic virology

5.4 Interventions

In order to meet the objectives of the CSP, the following interventions have been identified:

a) The Poverty Reduction Support Credit (PRSC)

The PRSC allows donors in Vietnam to support the Government's reform strategy as reflected recently in major milestones, including the entry into the World Trade Organisation, the approval of an ambitious banking reform roadmap and the adoption of a determined stance in the fight against corruption.

The main objective of PRSC is to help Vietnam develop the economic policies and institutions necessary to become a middle-income country. The various pillars of the PRSC contribute individually and collectively to achieving the three CSP objectives.

In terms of basic needs, *Pillar II Social Inclusion* of the PRSC includes activities aimed at a reduction in the national poverty level from 20% to 10%, and for ethnic minorities from 61% to 30%. This pillar identifies targets for improving access to education and health services. In education the PRSC includes efforts to increase enrolment of children with disabilities, increase the number of teaching hours, and reduce out of pocket expenses for the poor. For health, the PRSC includes a master plan for safe motherhood and newborn care with an adequate budget, reduction in the national child malnutrition rate, and an increase to 100% of health insurance coverage for the poor. In addition, there are measures to encourage farmers and informal sector participation in voluntary health insurance schemes.

Pillar I Business Development contributes to economic growth, providing clear targets for development of the economy. The overall agenda is to support the SEDP relating to the transition from planning with a command approach to planning for a market economy. Policy actions include global integration as follow up to recent accession into WTO, state sector reform including the equitisation of State Owned Enterprises, financial sector reform including greater disclosure of financial accounts and reform of the banking sector. For private sector development, reforms will include a national business registry, a legal framework for cooperatives, and competition among service providers to link the agricultural extension system with research and markets. All the targets have the broad support of the Government of Vietnam and the donor community.

In respect of the CSP objective for state accountability, Pillar IV Modern Governance includes specific targets to monitor progress in key areas including planning processes, public financial management, legal development, public administrative reform and fighting corruption. Irish Aid will monitor and assess financial developments in Pillar IV and will participate in key review missions led by the World Bank dealing with all aspects of improving financial accountability in Vietnam. Pillar III relates to policy issues with regard to natural resources.

b) The P135 Programme for Minorities, Phase Two (P135-II)

Irish Aid's support for the Government's P135-II programme provides a direct means to achieve all three of the CSP objectives but also serves to reinforce Irish Aid's engagement with the PRSC. The provision of funding and technical advice as well as the monitoring of the P135-II will provide critical and practical learning opportunities which will in turn inform our engagement on the various policy actions within the PRSC.

The P135-II programme has been designed to deal specifically with the needs of vulnerable ethnic minority groups. Its aim is to reduce poverty and promote economic growth for marginalised communities such that they can be included more effectively in the process of growth. It has the following objectives:

- > Eradicating hunger by 2010 in the targeted areas (primarily those listed as being the poorest in the country);
- > Reducing the share of poor households to below 30%;
- > Facilitating significant improvement in production knowledge and to accelerate a shift toward higher value-added commodities;
- > Sustainably improving the socio-cultural life of people living in communes facing extreme hardship in ethnic minority and mountainous areas, in order to narrow the gap in living standards amongst regions and ethnic groups.

The programme has a series of components including actions to promote small scale production; develop small scale infrastructure (roads, markets, schools and medical facilities); and capacity building for communities and local administration to improve the ownership and management of the programme components. These components collectively contribute to the CSP objectives by improving access to basic services, providing better



The rate of school drop out amongst ethnic minority girls is the highest in Vietnam

opportunities for economic growth, and improving mechanisms for local level governance and accountability.

The P135 is a Government-owned and managed initiative. It is largely funded from the State budget. However, there is significant scope for the expansion of its coverage and for improvements in its efficacy. A group of seven development partners (including Ireland) will contribute to a programme of support for the P135-II. Donor support will facilitate expansion of the coverage of the programme, increase the level of resources available to participating communities and improve transparency and participation. It is in the area of transparency and participation that development partners such as Ireland plan to make the most significant contribution and or add most value. Development partners have identified four key areas for policy and institutional support namely: actions to improve targeting; enhance community participation; develop fiduciary transparency and accountability systems; and refine monitoring and impact evaluation.

c) The Civil Society Facility

A Civil Society Facility (CSF) will be established at Embassy level to support non governmental groups in activities which are compatible with the CSP objectives. The CSF will start on a relatively small scale in 2007 in line with the capacities available to manage the engagement. It is anticipated that the Facility will be developed over the course of the CSP.

Activities to be supported include basic needs and service provision to extremely vulnerable groups such as those at risk of or affected by large or small scale humanitarian crises, women, people living with HIV/AIDS, and people with disabilities. The fund will be used to target groups which have not been able to benefit from wider state managed programmes providing similar services in health, education, nutrition etc.

The CSF will be used to support disaster prevention or mitigation activities with civil society organisations. Support for large scale humanitarian need can be sourced from the established Irish Aid emergency and recovery budget lines. The use of CSF funds locally to build partnerships and capacities for humanitarian responses will allow for better and more strategic use of the support from central funds in the event of a major crisis.

Economic growth through Civil Society partners especially NGOs can be effective in reaching the grassroots in Vietnam. In 2006, Irish Aid supported a multi-agency programme financed through the Mekong Private Sector Development Facility (MPDF) which successfully linked rural poor farmers in Vietnam with growing global markets for bamboo. The programme involved NGOs such as Oxfam Hong Kong in the conceptual work, Gret (France) in extension work at village level, as well as MPDF in financing and even private sector financing from companies looking for local products. Irish Aid will consider supporting these organisations for similar studies to generate economic growth in poor rural areas.

Strengthening local participation in planning is an essential means of strengthening peoples' involvement in decision-making. The SEDP involved broad consultation at local level and this process now needs to be continued during the implementation phase. Irish Aid has held initial discussions with International NGOs about possible ongoing support for greater local level participation in planning and monitoring in four provinces in Vietnam.

d) The Mekong Private Sector Development Facility (MPDF)

As a response to Objective 2 of the CSP, Irish Aid will continue to support the MPDF. This is a multi-donor funded initiative set up by the International Finance Corporation (IFC) in Vietnam, Cambodia and Lao PDR, to reduce poverty through sustainable private sector development. The goal of the programme is to help small and medium-sized enterprises to solve common operational and management problems and compete more successfully in the global economy. The programme works through six interrelated sub-programmes to improve the business environment; develop the financial

sector; improve managerial capacity; and increase sustainable business practices in three sectors that are central to economic growth and poverty reduction – tourism, agribusiness and garments. Irish Aid has supported MPDF as a core donor since 2005.

e) Bilateral Links between Ireland and Vietnam (The Celtic Tiger Experience)

In seeking to promote knowledge transfer around economic and social transition and growth of the private sector (CSP Objective 2), Irish Aid is developing a 'Celtic Tiger' initiative. Ireland's recent social and economic growth offers many lessons which may be appropriate to Vietnam. The rapid development from a rural economy into one which has benefitted from the global economy should provide many lessons.

A major challenge for Vietnam is to implement commitments to WTO in a manner which serves the development of the country as well as opening it up to new investors. In 2006, a group of senior Vietnamese diplomats visited Ireland to study the potential role of Embassies and Trade Missions in promoting Foreign Direct Investment. A pilot programme, known locally as "Beyond WTO", has been established to coordinate



Traditional cultivation in rural areas continues to be practised on the same basis for the last thousand years

technical assistance to the Government of Vietnam. Irish Aid will participate in the review at the end of 2007 to determine funding opportunities from 2008 onwards.

f) Strengthening the capacity of peoples' elected representatives

The National Assembly is the principal institution at central level for policy/legal debate to ensure that the peoples' will is reflected in the country's policies and laws. Strengthening the capacity of this institution (and selected

People's Councils) in policy and law-making is essential in enhancing state accountability (CSP Objective 3).

Irish Aid will continue to engage with two projects managed by UNDP relating to the main representative institutions: The 'Strengthening Capacity of People's Elected Bodies in Vietnam' project; the National Assembly; and the Peoples Committees in 15 pilot provinces in Vietnam. The second project, 'Strengthening the capacity of the National Assembly and People's Councils in Vietnam in examination, decision and oversight of Vietnam budget' focuses on developing capacity for budget oversight at the national level and at provincial level.

g) UN Reform or the "One UN" initiative

There are more than 12 UN agencies currently operating in Vietnam including UNDP, UNICEF, and UNFPA, all of which are engaged in separate basic service provision activities, while the UNDP and ILO have a specific focus on enhancing the coverage and effectiveness of social protective measures. In supporting the "One UN Reform" initiative, which is intended to improve the effectiveness of all participating agencies, Irish Aid will indirectly contribute to better and more efficient basic service provision and systems for social protection (CSP Objective 1).

The following interventions are under consideration for further possible engagement over the course of the CSP:

h) Provincial Programmes

Provincial Programmes provide potential for further engagement to achieve Objective 1. Irish Aid will seek to identify opportunities to work at the local level through partnerships with provinces in the poorest areas. These could involve supporting village level projects similar to those undertaken via the P135-II, and have a specific focus on basic service provision to promote development. Engagement of this nature could develop capacity within Irish Aid to understand all issues relating to rural poverty at local level and to feed upstream lessons for consideration within the P135-II and the PRSC. Opportunities to develop synergies with an existing local government programme in Bac Kan Province will be further assessed. A separate programme proposal will be prepared for approval in due course.

i) Developing a portfolio of governance programmes

Further analysis of potential activities for support under Objective 3, the broader agenda of mainstreaming governance into the programme, will be the basis for a study to be carried out in 2007. This will include an

assessment of the existing portfolio of activities with UNDP. The Governance study will help identify entry points.

New opportunities will be explored to assist in consolidating respect for citizens' rights. This could include collaborative initiatives with other donors. WTO membership has created many opportunities and challenges for the government. The government is working with a small number of donors on developing effective anti-corruption measures. Irish Aid will look at opportunities in this area also. Provision has been made in the overall budget. When the Governance study has been finalised and the portfolio elements identified, a proposal will be submitted for approval.

Irish Aid as a Learning Organisation

The Irish Aid programme in Vietnam and South East Asia (SEA) presents many new challenges and opportunities. It is important to document these so that they contribute to the overall learning competency of the organisation.

The White Paper on Irish Aid acknowledges the range of Ireland's relations with Asia, including growing trade links, and states that development cooperation is an essential part of the relationship. In addition to its development cooperation role, the mission in Hanoi also has a role in promoting Irish trade and investment interests in the region. Those roles can complement each other. A focus on equitable growth is compatible with promoting stronger trade links. The SEA programme also includes real opportunities to support the private sector in a developing context. Aspects of this should be transferable to Africa. The approach involves working with multilateral organisations such as MPDF, NGOS like OXFAM and directing private sector companies to trade directly with poor communities.

Vietnam has been nominated as a pilot country for UN Reform. Support for multilateral programmes at country level can benefit from the experience gained from Irish Aid's support for the One UN reform process in Vietnam, where the process is considered to be particularly advanced.

Institutional learning will be a key element in the development of a regional programme, which will be informed by the experiences gained in Vietnam. While the development approach in the region will reflect the characteristics of a multi-country programme, opportunities which exist for synergies with the Vietnam programme and for working on regional themes to complement programmes in the three countries will be identified and advanced.

6. Quality Assurance Framework

The quality of the programme will be assured through a robust approach to risk management, a realistic monitoring approach, by mainstreaming audit across the programme and through on-going learning and formal evaluation.

6.1 Risk

Providing development assistance is not without risk. Risks can be considered as both internal and external. Internal risks relate to areas under the control of the Embassy in Hanoi. External risk includes the environment in which the programme operates.

The most evident response to risk is reflected in the fact that most of the Irish Aid funding is provided through Multilateral Trust Funds which enjoy the support of many donors and have built-in accountability systems.

Over the period of the CSP, the major risks to the successful implementation of the programme are identified as:

- > Vulnerability to natural disasters, disease outbreaks and economic shocks.
- > Capacity constraints and staff turnover
- > Deterioration in standards of governance and failure of the GoV to tackle corruption.
- > Negative social impacts of rapid economic growth
- > Failure of the GoV to meet the SEDP goals and targets

These risks form the basis of a Risk Register which will be updated quarterly. The register will chart the evolution of risks in the political, social and economic environment, providing information on the overall context for the development programme at country level.

6.2 Monitoring

A monitoring framework has been developed and draws primarily on the monitoring frameworks within the established programmes. The twin foci are poverty outcomes and the impact of Irish Aid.

6.3 Research and Learning

An underlying principle of the Vietnam programme is to provide lessons for the next Country Strategy which will take effect in 2011, as well as for expansion within the South East Asia region. The programme is also committed to fostering linkages with other Irish Aid country programmes.

The use of technical advisors, especially those from partner institutions in Ireland or elsewhere, should over the course of the CSP help nurture lasting institutional links which can become self sustaining. Vietnam is keen to develop such linkages. There is also an ongoing need for high quality research linked to the programme areas highlighted by Irish Aid. The focus on social inclusion involves considerable learning both for Irish Aid as well as partners in Vietnam. Research commitment may include visits to countries which have advanced programmes in this area.

6.4 Audit

Audit is crucial in ensuring that Irish taxpayers' money is spent efficiently and effectively. As the programme expands a strong focus on audit will be central to maximising the effectiveness of Irish assistance in Vietnam. A Financial Advisor has been recruited in Hanoi to oversee all aspects relating to audit commitments.

6.5 Evaluation

A mid-term review of the current CSP will be carried out in 2008 to assess its progress and determine if any modification is required.

A full evaluation of the CSP will be required prior to the formulation of the CSP 2011-2015. It is envisaged that this will start in the last quarter of 2009. Many of the current assessments may no longer apply as Vietnam continues to develop and change at a rapid pace.

Irish Aid will also contribute to programme evaluations, including mid-term reviews for the major aid modalities.

7. Management and Institutional Arrangements

The responsibility for implementation of the programme in Vietnam rests with the Head of Mission. The challenge of establishing a new development programme in Asia requires that the Embassy has access to the highest level of local expertise. Four Advisors have been recruited to deal with key areas including; economics, civil society, governance, social development, financial management and third level education including links with Irish business.

The Head of Development will manage support for the PRSC and ensure that progress and lessons learned from other programmes which contribute to the outcomes of the SEDP are included in monitoring the CSP. Within the different programmes, Irish Aid will specialise in a number of key areas in order to add value.

As a general management response, it is proposed to have recourse to technical advisors so that there is continuity in terms of backstopping, including technical advisors for P135, MPDF, and aspects of PRSC including social protection and disability.

The proposed Celtic Tiger programme will be further scoped out by a study in late 2007 which will include recommendations on management which might include delegation to a consultancy or Irish State agency.

8. Budget

The budget as set out below contains potential for growth. In compliance with the CSP priority areas, new programmes with partners will be considered during the course of the CSP.

Table 2 Budget for CSP Period 2007 - 2010 (million Euro)

Activity	2007	2008	2009	2010	Total
PRSC ^a	7.5	7.5	7.5	7.5	30
Business and Economic Development					
MPDF (Core) ^b	1	1.5	1.5	1.5	5.5
Other	-	2	2	2	6
P135 ^c	7.5	7.5	7.5	7.5	30
IVVI ^d	0.430	0.516	0.520	-	1.466
Civil Society Facility	0.350	1	1	1	3.35
One UN Reform	1.06	1	1	1	4.06
Other Governance	-	0.5	0.5	0.5	1.5
Provincial programme	-	1	2	2	5
Process Budget	0.2	0.15	0.15	0.15	0.65
Total	18.04	22.666	23.67	23.15	87.526

a. Poverty Reduction Support Credit

b. Mekong Private Sector Development Facility

c. Programme for Socio-Economic Development in Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas

d. Ireland Vietnam Blood-Borne Virus Initiative

Abbreviations

ADB	Asian Development Bank
CDM	Clean Development Mechanism
CEM	The Committee for Ethnic Minority
CFAA	Country Financial Accountability Assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPV	Communist Party of Vietnam
CSP	Country Strategy Paper
CSF	Civil Society Facility
DAC	Development Assistance Committee
DFID	Department for International Development
GBS	General Budget Support
GDP	Gross Domestic Product
GoV	Government of Vietnam
HCS	Hanoi Core Statement
HDI	Human Development Index
HIV	Human immunodeficiency virus
IFC	International Finance Corporation
IVVI	Ireland-Vietnam Blood-Borne Virus Initiative
JI	Joint Implementation
JRS	Judicial Reform Strategy
LSDS	Legal System Development Strategy
MDGs	Millennium Development Goals
MIC	Middle Income Country
MPDF	Mekong Private Sector Development Facility
NGOs	Non Governmental Organisations
NSEP	National Strategy for Environmental Protection
NTPs	National Targeted Programmes
ODA	Official Development Assistance
P135	Programme 135
PER	Public Expenditure Review
PFM	Public Financial Management
PRSC	Poverty Reduction Support Credit
PWD	People With Disabilities
PGAE	Partnership Group on Aid Effectiveness
SARS	Severe Acute Respiratory Syndrome
SEA	South East Asia
SEDP	Socio-Economic Development Plan
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
UN	United Nations
UNAIDS	The Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UXOs	Unexploded Ordnances
VBF	Vietnam Business Forum
VDGs	Vietnam Development Goals
VHLSS	Vietnam Household Living Standard Survey
VND	Vietnam Dong
WBI	World Bank Institute
WTO	World Trade Organisation

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