



Vietnam development cooperation report 2009

October 2010

This report is the third and final annual report on the bilateral aid program's progress towards the objectives of the (draft) Vietnam Country Strategy 2007–09. Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

Context

Vietnam weathered the global economic crisis, remaining committed to integrating into the global economy. Gross domestic product growth was 5.3% in 2009 compared to 8.5% in 2008. It is projected to be 6.5% in 2010. Vietnam survived the crisis relatively well for four reasons. First, its integration into the international financial markets that triggered the crisis was low. Second, the Government of Vietnam (GOV) reacted to the crisis with a US\$6 billion stimulus package. Third, as Vietnam's domestic markets were relatively strong, the country was not as severely hit by declining foreign direct investment. Fourth, Vietnam's major development partners programmed support for GOV stimulus programs and reviewed their programs to lessen the adverse impacts, especially on the poor.

Structural weaknesses persisted, however. From late 2009, GOV came under pressure to wind back its stimulus package and to better target its public investments. A constrained monetary policy and a widening trade deficit affected the country's currency, with inflationary pressures growing. Signs of a resort to price controls and technical trade barriers threaten to undermine past reforms.

Long-term challenges remain; the need to address these are becoming more urgent as Vietnam moves from being a middle-income country to an industrialised one by 2020, as envisaged by GOV. These challenges centre on institutional reform to support economic competitiveness and productivity, addressing bottlenecks in infrastructure and building human resource capacity.

Late in 2009, GOV accelerated the preparation of its Socio-Economic Development Plan 2011–15, due to be approved in mid-2011. The Prime Minister's focus for the plan is on the three key breakthroughs needed to pave the way for Vietnam's transition to an industrialised country, while avoiding the 'middle-income trap'. These are human resource development; infrastructure for integration; and environmental sustainability (water and sanitation, climate change and agricultural research).

Vietnam has reached five of the Millennium Development Goals (MDGs) set for 2015. It may only partially achieve the target on environmental resources and is unlikely to meet the sanitation and HIV/AIDS targets. Relating to MDG 1 on poverty and hunger, the poverty rate was 14% in 2008, down only slightly from 16% in 2006. In 2009, long-term poverty remained

an issue for ethnic minorities: they represented 13% of the population, but accounted for around half of the poverty rate.

At the 2009 Vietnam – World Bank Consultative Group meeting, Vietnam's development partners pledged US\$8 billion for 2010, up from US\$5 billion in 2009 (the rise was mainly due to increases from Japan, South Korea and the development banks). In 2009–10, Australia's official development assistance to Vietnam was estimated at \$105 million. Australia provided less than 1% of all official development assistance, ranking sixth on volume among bilateral donors and tenth on volume amongst bilateral donors and multilateral organisations.

Table 1: Estimated bilateral expenditure in Vietnam in 2009–10

Objectives	A\$ million	% of bilateral program
Objective 1: GOV plans and effectively managed the long-term opportunities and risks of international economic integration	3.62	3.68
Objective 2: GOV adopts better planning and implementation approaches to assist in alleviating poverty among ethnic minorities	19.29	19.60
Objective 3: GOV implements integrated disaster mitigation approaches, including to address climate change	4.23	4.30
Objective 4: GOV adopts better planning and implementation approaches for providing rural water supply and sanitation	15.49	15.73
Objective 5: GOV improves management, financing and coordination of the health sector	5.86	5.95
Objective 6: GOV identifies and prepares for the new set of development challenges associated with 2010 middle-income country status	3.36	3.42
Australian Development Scholarships (ADS)	16.61	16.88
Infrastructure	27.16	27.59
Other crosscutting and program management	2.80	2.85
Total	98.43	100.00

AusAID's new country strategy for Vietnam

The Comprehensive Partnership between Australia and Vietnam, signed in November 2009, outlined new directions for Australian aid to Vietnam. A new country strategy, to be known as the Australia – Vietnam Statement of Commitment, has been prepared and will guide the development partnership to the year from 2011 to 2015. It will focus on three main areas which address the breakthroughs identified by the Prime Minister: human resource development; infrastructure for integration; and environmental sustainability (water and sanitation, climate change and agricultural research). Institutional reform cuts across the strategy. In March 2010, GOV indicated support for the new country strategy.

Progress towards objectives

Table 2 summarises the progress since 2007 towards the objectives of the Vietnam Country Strategy 2007–09.

Table 2: Ratings of the program's progress towards objectives

Goals and objectives	Rating in 2007	Rating in 2008	Rating in 2009
Goal: Continued economic growth will occur without significant unmanaged adverse poverty, social and environmental impacts (MDG 1)			
1. GOV plans and effectively manages the long-term opportunities and risks of international economic integration	■	■	■
Goal: The poverty rate of ethnic minorities households is reduced to 30% by 2010 (MDG 1)			
2. GOV adopts better planning and implementation approaches to assist in alleviating poverty among ethnic minorities	■	■	■
Goal: Human, economic and environmental losses from natural disasters are reduced (MDG 7)			
3. GOV implements integrated disaster mitigation approaches, including to address climate change	■	■	■
Goal: 85% of rural population have access to clean water and 70% of rural households have access to hygienic latrines in 2010 (MDG 7)			
4. GOV adopts better planning and implementation approaches for providing rural water and sanitation	■	■	■
Goal: Core elements of the Vietnam health system that impact on service delivery are stronger (MDGs 4, 5, 6)			
5. GOV improves management, financing and coordination of the health sector	■	■	■
Goal: No higher-level outcome applicable			
6. GOV identifies and prepares for the new set of development challenges associated with 2010 middle-income country status	■	■	■

Note:

■ The objective will be fully achieved within the timeframe of the strategy.

■ The objective will be partly achieved within the timeframe of the strategy.


■ The objective is unlikely to be achieved within the timeframe of the strategy.

Objective 1: GOV plans and effectively manages the long-term opportunities and risks of international economic integration

AusAID moved quickly in response to the global economic crisis in early 2009—in cooperation with the Vietnam Academy of Social Sciences and Oxfam—to assist efforts to monitor the crisis. Evidence from this real-time monitoring fed into policy briefings for high-level GOV and party officials, helping to shape social protection measures focused on the needs of migrant workers.

As indicated in Table 2, there has only been modest progress towards the achievement of this objective over the last three years. The Beyond World Trade Organisation Program is AusAID's core program for strengthening GOV integration to the international economy.

In 2009, the program suffered numerous delays as it moved into the second phase of implementation. Despite this, it helped identify the priority legal and regulatory areas for GOV action needed for major economic reforms. Areas include market-place competition, land market and price management, and reform of state-owned enterprises. An additional



focus on the transition in the rural sector and labour issues are expected to inform efforts to meet the needs of vulnerable communities affected by structural reforms.

Objective 2: GOV adopts better planning and implementation approaches to assist in alleviating poverty among ethnic minorities

Vietnam will not reach its ambitious 30% poverty target for ethnic minorities in 2010—ethnic poverty was 50% in 2008, down only marginally from 52% in 2006. Despite this result we assess that the objective was partly achieved.

Program 135-2 (P135-2) Socio-Economic Development Program for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas Phase 2 is the key GOV intervention for reducing poverty among ethnic minorities. Co-funded by Australia, this program provided support for nearly 5000 of the poorest communes and villages. It included conducting 2017 training courses, developing 380 production models, and providing funding to more than 200,000 poor students. Further, more than 12,000 small-scale community infrastructure investments (roads, schools, health clinics, irrigation systems, water supply schemes and electricity lines) were delivered in remote, ethnic minority communities.

In 2009, AusAID contributed significantly to improving agricultural and other production by developing a manual of easy-to-apply guidance on how to improve production techniques and processes. The Agency piloted the manual in Quang Ngai province.

P135-2 has also been successful in addressing gender inequality. For the first time gender targets are included in major policy actions. One target introduced is to ensure that at least 30% of participants benefiting from production support are women.

The level of capacity at local levels has limited the development benefits of P135-2. For example, a major milestone reported in AusAID's 2008 Annual Program Performance Report was the decision to secure funding for operations and maintenance for P135-2 small-scale infrastructure projects. However, in 2009 provinces failed to allocate the funds to the communes for regular operations and maintenance or for the development of annual plans, as required by the decision.

Objective 3: GOV implements integrated disaster mitigation approaches, including to address climate change

As indicated in Table 2, this objective is now on track to be fully achieved within the timeframe. There has been a significant change in the thinking and approach of GOV during this period to disaster management, from one premised on response and infrastructure, to a more sophisticated integrated approach, with both structural and non-structural investments. This change, influenced by donors such as Australia, is timely and appropriate considering that Vietnam lost more than US\$1.3 billion to natural disasters in 2009, with 454 recorded deaths.

AusAID played a key role in introducing significant changes to GOV disaster management. The focus on non-structural interventions in GOV's Community Based Disaster Risk Management strategy, approved in July 2009, is clear evidence of this. Previously, GOV had mainly emphasised physical infrastructure—to the exclusion of building community participation and resilience.



Implementation of AusAID's three non-government organisation (NGO) projects on disaster management continued. A review of these projects found that most activities had contributed to the capacity development of partners, had ownership across all levels of government, and had established links between service delivery, awareness raising and poverty reduction. Lessons learned have informed the implementation of the Community Based Disaster Risk Management strategy.

A pilot program for adapting to climate change showed excellent results. Among other gains, the program succeeded in increasing the quantity and quality of mangrove forest cover in Kien Giang province. This cover helps to protect vulnerable land and communities from climate-induced impacts such as storm surges.

In 2009, Australia and Vietnam co-hosted a high-level climate change forum in the Mekong Delta that informed the development of GOV's National Target Program to Respond to Climate Change. A key outcome of the forum was the commitment by GOV and its domestic and international partners, including Australia, to tackle climate change in the Mekong Delta in a collective and urgent manner.

Objective 4: GOV adopts better planning and implementation approaches for providing rural water supply and sanitation

GOV's 2006 commitment to give clean water to 85% of rural people by 2010 is on track, but giving 70% hygienic latrines, especially in rural households, is unlikely to be met.

Despite this, it has been assessed that this objective has been fully achieved with Australia playing a key role. Evidence for this comes from a 2009 review of the National Target Program on Water and Sanitation (NTP-II), GOV's principal mechanism to address MDG7. It found significant reform in delivering water and sanitation in nine pilot provinces. Coordination amongst different provincial departments has been enhanced by having all 63 provinces establish provincial steering committees, each led by a vice-chairperson. Evidence of increased attention to sanitation, including for behaviour change activities, is seen in the two-fold increase in the relevant recurrent budget from 2008. Consequently, AusAID and other donors agreed to expand our support through the NTP-II to all provinces. In March 2010 we agreed to lead donor participation alongside the Ministry of Agriculture and Rural Development (MARD) in the design of a new program to follow-on from NTP-II when it expires at the end of 2010.

AusAID's funding for NTP-II, which was approximately 11% of AusAID's budget in 2009, helped to achieve the target of giving 85% of rural people access to clean water by 2010. Through the program, AusAID played a leading role in enhancing relevant ministry systems for procurement and financial management. The Agency provided assistance in the rolling-out of a monitoring and evaluation system for water and sanitation to 63 provinces. In 2009, 256 new piped schemes were constructed (totalling 625 since 2007); 63 653 households gained access to hygienic sanitation (totalling 173 916); 136 clinics received new water and sanitation facilities (totalling 511) and 474 received new water and sanitation facilities (totalling 1274). Following three years of focused Australian support for the nine pilot provinces there was an increase of 14% in the coverage of clean water and 19% in household sanitation in those provinces.



AusAID's advocacy resulted in GOV issuing a new circular to apply tariffs to water and sanitation services. Revenues supported the operation and maintenance of water pipe schemes. Cross-subsidising rural communities from urban revenues aims to ensure that the rural poor are not disadvantaged.

AusAID funded three rural water and sanitation projects run by three NGOs—CARE Australia, PLAN Australia and Australian Foundation for the Peoples of Asia and the Pacific—which made good progress on providing small and medium water schemes and improved sanitation. AusAID and MARD shared these lessons at a workshop with GOV central and provincial representatives in early 2010. As a result the Agency is now leading, with MARD, a process to identify how to align NGO activities with the NTP-II and its successor program.

Objective 5: GOV improves management, financing and coordination of the health sector

Reform of the health system and the delivery of health services have been slow over the past three years and AusAID has assessed that this objective has been partly achieved. However, several important reforms have been achieved. In 2009, an AusAID-funded pilot performance model to standardise medical treatment and costs delivered an excellent result. The model gave GOV the evidence needed to adopt a more effective pay-for-performance approach. The Joint Health Annual Review, which started in 2007 with AusAID funding, improved coordination within the Ministry of Health, between it and other agencies, and among development partners.

Through the Clinton Foundation AusAID has helped more than 1500 children gain access to life-saving anti-retroviral therapies in 2009, and this is expected to rise in the next few years. The start of the HIV/AIDS Asia Regional Program—the principal means for addressing the epidemic in Vietnam—was delayed until March 2010 due to negotiations with GOV on some elements of the program. AusAID's \$3 million avoidable blindness initiative in six provinces commenced in March 2010 following preparations in 2009.

Objective 6: GOV identifies and prepares for the new set of development challenges associated with 2010 middle-income country status

Vietnam will likely cross the middle-income line in 2010, and has now set an ambitious time table to become an industrialised country by 2020.

In early 2009, GOV finalised a mid-term review of its 2006–10 Socio-Economic Development Plan that pointed to broad progress. The review is informing the development of the next plan for 2011–15, alongside a 10-year strategy. GOV's focus in 2009 on the global economic crisis delayed significant progress on the preparations for the next plan. An early draft, however, is focusing on the three breakthroughs identified by the Prime Minister of Vietnam—institutional renovation, infrastructure development, and boosting human resource capacity. The final plan, due in late 2010, will allow a definitive assessment of whether GOV has set an appropriate course.

In 2009, AusAID was instrumental in initiating a joint analysis by the United Nations and the Like-Minded Donor Group of the challenges to middle-income countries and the role of donors. The Participatory Poverty Assessment under Beyond World Trade Organisation was also important Australian input into the Socio-Economic Development Plan preparation.



Through the World Bank's Poverty Reduction Support Credit program, AusAID influenced GOV policy development through a continued focus on medium and longer-term challenges, but budget pressures meant AusAID had to discontinue funding as of June 2009.

Until July 2009 AusAID co-chaired the joint GOV donors Partnership Group on Aid Effectiveness, helping to implement the Paris and Accra agendas. Further, AusAID participated actively in the One UN reform process, particularly by supporting the United Nations Development Fund for Women to strengthen its cross-agency advocacy on gender issues.

Australian Development Scholarships

The high-profile ADS program delivered good results in 2009. AusAID's short-listing of 270 applicants in 2009 put us on track to mobilise 225 ADS students to start studies in 2011, in line with the Australian Government's commitment to increase ADS scholarships for Vietnam from 150 to 225 annually. A total of 150 ADS students will start study in 2010. We mobilised 16 Australian Leadership Awards students in 2009 to start study in 2010. We also worked with other Australian government departments to implement the 2009 decision to consolidate all Australian government scholarship programs under the Australia Awards banner.

Infrastructure

Progress on the Central Mekong Delta Connectivity project, which includes the Cao Lanh Bridge, was slow but steady. An initial economic analysis shows that the project meets the Asian Development Bank's threshold requirement for an Economic Internal Rate of Return.

Progress on major co-financed initiatives with the World Bank and Asian Development Bank to improve connectivity in the Mekong Delta has accelerated after slow starts. Construction works on national highways and rural roads under the Mekong Delta Transport Infrastructure Development Project began with AusAID's support expected to help finance the construction of around 60 km of new rural linkage roads across 18 provinces in the Delta in 2010. The Vietnam component of the Southern Coastal Corridor completed detailed design work, with civil works expected to commence in the first half of 2010. A major challenge for AusAID will be to work effectively with the Multilateral Development Banks to ensure that pressure to accelerate disbursements does not occur at the expense of due diligence on social and environmental safeguards, the 'soft' connectivity and capacity building components of these projects and attention to quality issues such as monitoring and evaluation. More detail on AusAID's infrastructure investment is in the 'Mekong Connectivity Statement'.¹

¹ Refer to: <http://www.ausaid.gov.au/publications/pubout.cfm?ID=662_4591_7657_768_6791&Type=>>.



Program quality

AusAID assesses program quality against the criteria relevance, effectiveness, efficiency, monitoring and evaluation, sustainability and gender. Nineteen of 43 initiatives underwent quality assessments covering 90% of the total 2009–10 budget. Of these:

- > 79% were effective, up 2.5% on the previous year
- > 73.8% had an adequate and higher rating on efficiency, down 10% on the previous year
- > 68% were satisfactory on monitoring and evaluation, down 19% on the previous year
- > 79% were sustainable, compared to 83% in the previous year
- > 68% scored good or very high quality in terms of relevance to the previous country strategy
- > 68% scored good or very high quality on gender.

Next steps

Consistent with the Comprehensive Partnership, the future program is likely to focus on: human resource development; infrastructure for integration; and environmental sustainability (water and sanitation, climate change and agricultural research). Institutional reform cuts across this agenda.

Looking forward:

- > Infrastructure and human resource development programming and policy engagement will be central elements of the new program.
- > Appropriate mechanisms to work with Multilateral Development Banks to ensure the effectiveness and efficiency of the programs AusAID co-finances will be determined.
- > AusAID will continue to play an active role in influencing GOV policy and strengthening its systems. We will do this by supporting targeted technical assistance, piloting new approaches and advocating for appropriate change. This includes working through GOV systems on water supply and sanitation as well as disaster management
- > Current programming will need to balance adapting to climate change with a new, strong mitigation element and a renewed program for disaster risk management.
- > New NGO programming options will need to be identified.
- > AusAID will disengage by early 2011 from health, ethnic poverty and other programs that are no longer central to our partnership with Vietnam.

AusAID will work to ensure our human resources are appropriate for the implementation of the new, scaled-up agenda.



Acronyms

ADS	Australian Development Scholarships (now part of Australian Awards)
AusAID	Australian Agency for International Development
GOV	Government of Vietnam
MARD	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goal
NGO	non-government organisation
NTP-II	Rural Water Supply and Sanitation National Target Program
P135-2	Socio-Economic Development Program for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas Phase 2