



Australian Government
AusAID

Annual program performance report for Vietnam 2007–08

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Abbreviations

AusAID	Australian Agency for International Development
P135-2	National Targeted Program for the Socio-Economic Development of Ethnic Minority and Mountainous Areas, Phase II (2006–2010)
PRSC	Poverty Reduction Support Credits
WTO	World Trade Organization

Summary

This report provides an assessment of the performance of the Vietnam aid program against the objectives of the draft Australia Vietnam Development Cooperation Strategy 2008–15 including its performance assessment framework (Table 1).

TABLE 1 RATINGS OF THE VIETNAM PROGRAM IN ACHIEVING THE 2008–15 STRATEGY'S OBJECTIVES

Objective	Expected development outcomes	Rating
1. Government of Vietnam plans and effectively manages the long term opportunities and risks of international economic integration	Continued economic growth will occur without significant unmanaged adverse poverty, social and environmental impacts.	■ (amber)
2. Government of Vietnam adopts better planning and implementation approaches to assist in alleviating poverty among ethnic minorities	The poverty rate of ethnic minorities households is reduced to 30 per cent by 2010).	■ (amber)
3. Government of Vietnam implements integrated disaster mitigation approaches	Human, economic and financial losses from natural disasters are reduced.	■ (amber)
4. Government of Vietnam adopts better planning and implementation approaches for providing rural water and sanitation	85 per cent of rural population have access to clean water; 70 per cent rural households have access to hygienic latrines.	■ (green)
5. Government of Vietnam improves management, financing and coordination of the health sector	Core elements of the Vietnam health system that impact on service delivery are stronger.	■ (green)
6. Government of Vietnam identifies and prepares for the new set of development challenges associated with 2010 middle income country status and assesses the future role of official development assistance	No Vietnam development outcome is expected.	■ (amber)

Note: ■ denotes the objective is on track to be fully achieved within the timeframe. ■ denotes the objective will be partly achieved within the timeframe.

MAJOR RESULTS

An independent review of the effectiveness of the 2003–07 development cooperation strategy¹ found that Australia's aid during the period 2003–07 was effective. The review concluded that a key feature of Australia's aid was its alignment with the priorities of the Government of Vietnam. The move to channel aid funds through government systems was deemed appropriate, but needed to be considered on a case-by-case basis with special attention given to fiduciary risk. The use of government systems and programs complemented and enhanced the outcomes of specific Australian projects, particularly at the provincial level.

¹ AusAID, *Viet Nam Australia Development Cooperation Strategy 2003–2007*, Australian Agency for International Development, Canberra, November 2003, <www.aisaid.gov.au/publications/>.

Key outcomes as a result of Australia's support in 2007–08 included:

- > the approval of improved poverty targeting criteria under the second phase of the National Targeted Program for the Socio-Economic Development of Ethnic Minority and Mountainous Areas
- > an 8.25 per cent increase in the national budget allocation for the Rural Water Supply and Sanitation National Targeted Program
- > an increase in the proportion of funding—from 30 per cent to 51 per cent—allocated to sanitation investments
- > increased access in 'pilot' provinces to clean water and sanitation, with an additional 232 000 rural people gaining access.

MAJOR CHALLENGES

This report is a critical self-assessment of program performance and the results should not be compared with or scaled against the performance of other country programs where achievements and deficiencies may be interpreted and compared differently.

Key challenges for the bilateral aid program relate primarily to:

- > working in the context of Vietnam's rapidly evolving government systems
- > the associated, ongoing shift in Australia's aid program from project-based to program-based aid modalities that work through government systems
- > the need to ensure a skill base relevant to enhanced engagement in policy dialogue with the Government of Vietnam and other donor partners.

Country performance

ACHIEVEMENTS

Vietnam's economic growth and reductions in poverty over the past 20 years make it a development success story. From 1993 to 2007, annual growth in real gross domestic product averaged around 8.5 per cent and the rate of poverty fell from 58 per cent of the population to 14.7 per cent.² Its economic growth has resulted from accelerated international integration, market liberalisation and private sector job creation.

The Socio-Economic Development Plan (SEDP) 2006–10 is the Government of Vietnam's strategy to achieve the status of a middle-income country by 2010. Australia's aid to Vietnam is aligned with this plan, which has four pillars: accelerating growth, promoting modern governance, strengthening the social sector and social inclusion, and managing natural resources better. It emphasises development results and the policy reforms needed to attain them.

The development plan has 12 goals that reflect the Millennium Development Goals (MDGs) and take into account development features specific to Vietnam. Vietnam has made good gains against most MDGs (Table 2).

TABLE 2 VIETNAM'S PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS AS AT 2005

MDGs	1990	2000	2005	2010 (SEDP target)	Likelihood of MDG being achieved
Poverty rate	>60%	29%	19%	10%	Likely
Food poverty rate (households unable to ensure 2100 calories/day/person)	>25%	10%	8%	4%	Likely
National enrolment rate, primary education	90%	94%	94%	99%	Likely
Gender parity in enrolment (ratio of girls to boys)					Likely
Primary	0.93	0.94	0.93	0.99	
Secondary	na	0.91	0.95	0.99	
Under-five mortality rate (deaths/1000 births)	58	42	32	25	Likely
Maternal mortality rate (deaths/1000 births)	120	na	85	60	Likely
HIV and AIDS prevalence	na	0.022%	0.11%	0.30%	Unlikely
Access to clean water source	na	51%	Urban: 82% Rural: 48%	Urban: 95% Rural: 75%	Likely
Access to improved sanitation	10%	25%	31%	75%	Unlikely

na Not available.

Source: Socio-Economic Development Plan 2006-2010 Monitoring and Evaluation Framework.

² SEDP M&E Report, 21 October 2007, p. 4.

CHALLENGES

Vietnam needs to protect its development gains as well as make further inroads into entrenched poverty. About half of the population still lives on less than US\$2 a day and many remain vulnerable to sliding back into poverty as a result of either economic shocks (such as the inflation problem) or natural disasters. Poverty in Vietnam is concentrated among ethnic minorities who live in remote mountainous areas. However, there are also significant pockets of poverty among the rural majority, the Kinh people. Even with increased rates of urbanisation, the majority of people (80 per cent of the population) live in rural areas and remain engaged in agriculture (60 per cent of the workforce). Gender also remains a significant determinant of poverty in Vietnam. For example, ethnic minority girls continue to lag behind both Kinh girls (10 per cent gap) and ethnic minority boys (13 per cent gap) in terms of school enrolment.

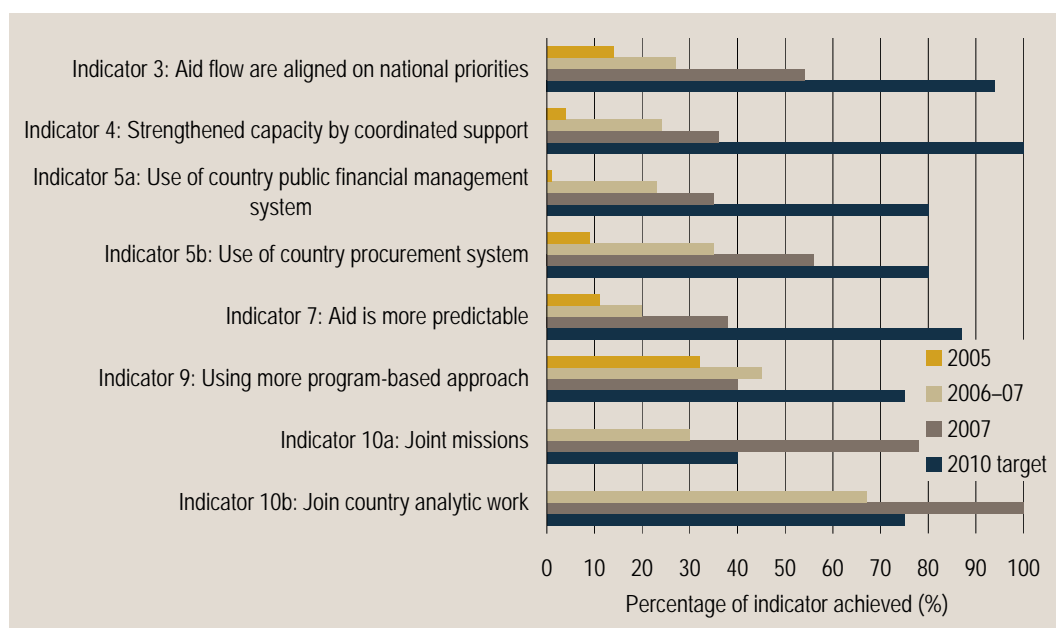
While Vietnam is on track to achieve middle-income country status by 2010, it will need to make some hard decisions in order to achieve its more ambitious goal of becoming an industrialised country by 2020 and avoid the ‘middle income trap’ that has ensnared countries such as the Philippines and Thailand. In contrast, the experiences of Japan, Singapore, Malaysia, Taiwan and South Korea show that it is possible to move to higher income levels by pursuing more ambitious policy and institutional changes. Vietnam’s governmental system will need to have the flexibility to accommodate these changes. As highlighted in this report, the lack of coordination across sectors and ministries and the limited human resource capacity within the government remain key implementation challenges. Arguably, Vietnam has around five years to continue policy changes accompanied by effective implementation in order to maintain its current momentum and avoid some of the negative impacts of the middle income trap—slow growth, persistent pockets of poverty and widespread rent seeking and corruption.

The current inflation problem in Vietnam is a key illustration. While global financial instability has undoubtedly played a role, the government’s ability to enact requisite domestic macroeconomic policy reforms—incorporating fiscal and monetary elements as well as well-targeted support for the most vulnerable—will be a key test of its political willingness to tackle tougher reform issues and take on vested interests.

AID ENVIRONMENT

Although Vietnam is one of the world’s largest recipients of official development assistance, mostly as concessional loans, that assistance represents only about 4 per cent of the country’s gross national income. Its main donor partners include the World Bank, the Asian Development Bank, Japan, China and South Korea. Australian aid has long been the major component of Vietnam’s total bilateral assistance. Vietnam is currently the fifth largest recipient of Australian aid. However, Australia’s aid to Vietnam is small, representing less than 1 per cent of the total 4 per cent of gross national income.

FIGURE 1 PROGRESS TOWARDS TARGETS IN THE HANOI CORE STATEMENT



Note: The use of program-based approaches declined in 2007 due to the different definition of program-based approach applied to the Hanoi Core Statement survey in 2006 and in 2007. The number of parallel project management units dropped from 13 to 5 in 2007 and will be 0 in 2010.

In 2005 the Government of Vietnam ‘localised’ the Paris Declaration as the Hanoi Core Statement on Aid Effectiveness. The statement includes some indicative targets for 2010 that are even more ambitious than those in the Paris Declaration. Vietnam has made significant progress towards achieving those targets (Figure 1).

Further progress in implementing the Hanoi Core Statement will depend on improvements in Vietnam’s systems for procurement, managing public finances and assessing the social and environmental impacts of economic integration. It will also depend on the extent to which the Government of Vietnam and its development partners can agree on the criteria to define which international standards should be applied.

What are the results of the Vietnam aid program?

The Vietnam aid program was assessed against the objectives of the draft Australia Vietnam Development Cooperation Strategy 2008–15 using its performance assessment framework.

OBJECTIVE 1:

GOVERNMENT OF VIETNAM PLANS AND EFFECTIVELY MANAGES THE LONG-TERM OPPORTUNITIES AND RISKS OF INTERNATIONAL ECONOMIC INTEGRATION

RATING

- The objective will be partly achieved within the timeframe.

PERFORMANCE FRAMEWORK: 2007 INDICATORS

- > Credible National Action Plan (by March 2008)
- > Clear institutional arrangements (by March 2008)

ESTIMATED EXPENDITURE

Approximately 27 per cent of Australia's 2007–08 Vietnam budget was spent on this objective.

INITIATIVES

First tier

- > Beyond WTO initiative
- > Poverty Reduction Support Credits
- > Policy partnership between AusAID and the United Nations Development Fund for Women
- > Support to the Vietnam Academy of Social Sciences Poverty Assessment Updates 2007–09

Second tier

- > Collaboration for Agriculture and Rural Development
- > Whole-of-government engagement on integration, involving the Department of Immigration and Citizenship and the Australian Federal Police

- > Regional and subregional activities such as the ASEAN–Australia Development Cooperation Program and the Trade Analysis and Reform Project
- > Australian Leadership Awards (fellowships)

ASSESSMENT OF PERFORMANCE AND RESULTS

Country performance

Under Resolution 16 passed in February 2007, the Government of Vietnam committed to developing a comprehensive National Action Plan for implementing its commitments to the World Trade Organization (WTO). The plan will outline priorities, address cross-sectoral issues and assign specific responsibilities to ministries, agencies and localities. Linked to this decision is the development of an effective ‘early warning system’ on the social and environmental impacts of economic integration. This system will act as a policy trigger under the current (seventh) round of the World Bank-led Poverty Reduction Support Credits (PRSC). These credits, to which Australia is a contributor, provide policy-based concessional financing to the Government of Vietnam.

However, despite strong commitment from the government and support from donors, the National Action Plan has not been completed. The delays are mainly a result of the National Assembly elections held in the middle of 2007 and significant reorganisation of ministries and changes in ministers and senior personnel.

Most importantly, the delays reflect the challenge confronting the Government of Vietnam in developing institutional arrangements that are genuinely multisectoral and inter-ministerial and that can deal with the complexity involved in effectively planning for the opportunities and impacts of economic integration. The National Action Plan will require a clear statement of high-level priorities that focuses on the ‘gaps’—on objectives that are not fully articulated in other plans, require special government direction, additional technical analysis or consultation, or are not adequately resourced. It is clear, however, that the government is still grappling with the challenge of multi-sectoral coordination. Because the priorities in the National Action Plan will need to change over time, there is also a need to strengthen the underlying evidence base that will inform processes of policy formulation and review.

Results of the aid program

In partnership with the United Kingdom and the World Bank, Australia has supported the program Beyond WTO, which is assisting the Government of Vietnam to develop a comprehensive five-year National Action Plan. Under phase I of Beyond WTO, Australia provided technical assistance for developing individual plans for line ministries and provinces. These will serve as critical inputs to the national plan.

By March 2008 almost two-thirds (14 out of 22) of ministries and just over half of the provincial governments (34 out of 64) had submitted completed or draft action plans,

many with support from Beyond WTO. However, the two agreed preconditions for moving to phase II of the program—the development of a credible, overarching National Action Plan and clear institutional arrangements for coordinating the implementation of this plan—had not been completed by the time of the review of phase I in March 2008 for the reasons mentioned previously.

Beyond WTO has helped the Government of Vietnam to move forward with urgent actions related to WTO commitments in areas such as laws relating to land and real estate markets, public asset management and public tenders, and regulations on social insurance, vocational training and labour. The issues associated with investment in land assets are particularly critical to Vietnam's ability to maximise the opportunities associated with international economic integration and to maintain growth and poverty reduction. Beyond WTO has assisted the Ministry of Finance to work with the provinces to review the existing regulatory framework and develop a new decree to enhance the independence and transparency of land valuation practices. It is expected that this work will feed into the revision of the Land Law expected in 2010.

The Beyond WTO program has also provided a framework for harmonised donor support for a pro-poor approach to international economic integration. Consultations with Canada, Switzerland, the European Union, Ireland and New Zealand indicate that these donors along with Australia, the United Kingdom and the World Bank create a critical mass of donors prepared to support phase II. Donors are attracted by the breadth of the program, particularly its focus on a multi-sectoral approach to integration with the international economy, as well as by its embodiment of a strong commitment to the principles of the Hanoi Core Statement.

Australia's support for a well-planned, pro-poor approach to international economic integration has also been through participation in the PRSC dialogue. Australia is well positioned to use the expertise and technical support available through Beyond WTO to enhance the quality of this dialogue. Emerging partnerships between AusAID and the Vietnam Academy of Social Sciences (poverty assessments) and the United Nations Development Fund for Women (gender dimensions of growth) will enhance Australia's donor leadership role in this critical area.

OBJECTIVE 2:

GOVERNMENT OF VIETNAM ADOPTS BETTER PLANNING AND IMPLEMENTATION APPROACHES TO ASSIST IN ALLEVIATING POVERTY AMONG ETHNIC MINORITIES

RATING

- The objective will be partly achieved within the timeframe.

PERFORMANCE FRAMEWORK: 2007 INDICATORS

National Targeted Program for the Socio-Economic Development of Ethnic Minority and Mountainous Areas, Phase II (P135-2)

- > Over 35 per cent of communes granted management of investments
- > Operational guidelines prepared for delivery of market-oriented, pro-poor production and livelihood support
- > Audit plan approved and annual audits conducted of a sample of at least eight provinces; 2006 audit report issued by 30 June 2007
- > Quarterly financial reports and reconciliation for all agencies
- > Institutional capacity-building plan adopted

Quang Ngai Rural Development Program Phase 2 (RUDEP-2)

- > Socio-Economic Development Plan and Implementation Support Program rolled out in all communes
- > Provincial P135-2 roadmap and guidelines developed and finalised
- > Implementation Support Program design document approved by Quang Ngai Provincial Peoples Committee

ESTIMATED EXPENDITURE

Approximately 26.6 per cent of AusAID's 2007–08 Vietnam budget was spent on this objective.

INITIATIVES

First tier

- > P135-2 to provide principal channel for Australian influence (financial, policy)—vertically integrated with Implementation Support Program in Quang Ngai Province
- > RUDEP-2 in Quang Ngai (completed in 2007)

Second tier

- > Collaboration for Agriculture and Rural Development (P135-2 production and livelihood component)
- > Australian Centre for International Agricultural Research (P135-2 production and livelihood component)
- > Vietnam Australia Monitoring and Evaluation Project II (P135-2 monitoring system nationally and in Quang Ngai)
- > Australian Leadership Awards (fellowships)

ASSESSMENT OF PERFORMANCE AND RESULTS

Country performance

The aid program contributes to Vietnam's development target to reduce the poverty rate of ethnic minority households to 30 per cent by 2010. With almost 50 per cent of the people living below the poverty line from ethnic minorities (a doubling of the proportion since 2000), poverty in 2010 will overwhelmingly be linked to ethnicity and geography. This increasing rate of ethnic minority poverty contrasts with the overall reduction in the national poverty level, which dropped from 19 per cent in 2005 to 17 per cent in 2007.

Vietnam's principle program addressing ethnic minority poverty is the National Targeted Program for the Socio-Economic Development of Ethnic Minority and Mountainous Areas, Phase II (2006–2010), also called P135-2. P135-2 is far more comprehensive than previous government programs—includes components on infrastructure, agricultural production, capacity building and livelihood support—and is a significant challenge for the Government of Vietnam to implement. For this reason, the government has asked donors, including Australia, to support the planning and implementation of the program.

Results of the aid program

Recognising that government responses to ethnic minority poverty are sound, but can be improved, AusAID's program portfolio combines practical provincial-level assistance with direct engagement on national-level policy and budget formulation.

With six other donors, Australia is directly supporting budget and policy formulation under P135-2. This partnership has already influenced changes in government policy on poverty reduction programs including:

- > improved criteria for targeting poverty, resulting in more of the genuinely poor now eligible for funding that was denied under the old criteria
 - > decentralisation of funding and planning power to communities
- By 2008, almost 50 per cent of the poorest communes in Vietnam had been granted the right to manage central government funds for the first time, improving the appropriateness and transparency of funding decisions.

> community contracting and provincial audits

By 2008 over 50 per cent of contracts under P135-2 had been awarded through open competitive bidding, community contracting and other non-direct contracting methods. State Audit of Vietnam is now also conducting performance and financial audits of provinces under P135-2 for the first time.

Despite generally positive results, P135-2 progress against the agreed policy framework of the Government of Vietnam and donors did not meet all targets. The most recent joint review mission of the government and donors concluded that performance was only 'partially satisfactory'. Key issues included the delay in implementation by some agencies due to the need to wait for legal documents to be issued, weak (but improving) inter-ministerial coordination, poor information management, and variable management and implementation capacity at provincial levels. A major review of P135-2 (scheduled for October 2008) will allow the government and donors to determine what changes are required to P135-2 and how donors can assist in addressing management challenges.

The independent completion report for the Quang Ngai Rural Development Program Phase 2 (RUDEP-2) supported the decision to redesign the program to more specifically target ethnic poverty and support the Government of Vietnam's own programs. This approach is the foundation of the Implementation Support Program, which replaced RUDEP-2 in June 2008. While the review found that RUDEP had several shortcomings (based largely on its design), the program had some significant successes, particularly the support provided to Quang Ngai Province to adopt community-driven processes for granting tenure of forest land. Most ethnic minorities occupy forested land, but do not have formal tenure, which makes it difficult to invest in the land for farming or to use the land as collateral to access credit. By the end of 2007 RUDEP had supported the allocation of 9519 hectares of forest land to 4202 households (with 9966 Land Ownership Certificates). A further 20 569 hectares of forested land is to be allocated by the end of 2008.

AusAID's current portfolio of initiatives has been developed to specifically move away from more traditional stand-alone projects towards support that more directly aligns with the government's own programs. AusAID is now in a good position to bring 'real time' learning, implementation realities and new ideas directly to government policy makers in Vietnam in a way not previously possible with separate stand-alone projects. In addition, the current portfolio has significantly increased the depth and breadth of Australia's partnerships. For P135-2 itself Australia partners six donors—the World Bank, Ireland, the United Nations Development Program, Finland, Sweden and the International Fund for Agricultural Development. In 2007–08 Australia chaired the donor group for P135-2, which contributes more than \$330 million to P135-2 implementation (in addition to the Government of Vietnam's allocation of \$800 million).

OBJECTIVE 3:
GOVERNMENT OF VIETNAM IMPLEMENTS INTEGRATED DISASTER MITIGATION APPROACHES

RATING

- The objective will be partly achieved within the timeframe.

PERFORMANCE FRAMEWORK: 2007 INDICATORS

- > Adoption of the first provincial integrated flood risk management plan in Quang Ngai Province
- > Approval of the new national disaster mitigation strategy (with integrated disaster mitigation focus)

ESTIMATED EXPENDITURE

Approximately 12.7 per cent of AusAID's 2007–08 Vietnam budget was spent on this objective.

INITIATIVES

First tier

- > Natural Disaster Risk Management Project to provide principal channel for Australian influence (policy)
- > Natural Disaster Mitigation Government of Vietnam–Donor Partnership Group
- > Quang Ngai Disaster Mitigation Project (to be completed in 2008)

Second tier

- > Natural disaster mitigation projects of the Vietnam–Australia NGO Cooperation Agreements
- > Australian Leadership Awards (fellowships)

ASSESSMENT OF PERFORMANCE AND RESULTS

Country performance

Government statistics indicate that Vietnam loses at least 3 per cent of its annual gross domestic product as a result of natural disasters—primarily flooding and typhoons—making it one of the most disaster-prone countries in the world. Exacerbating this impact is the increasing intensity, frequency and impact of these disasters.

The unique nature of individual disasters makes it difficult to determine trends in impacts over the short to medium term. However, the influence of certain policies and practices can be more easily assessed. Based on a large body of evidence from Vietnam

and other countries, integrated approaches to disaster mitigation, using infrastructure and non-infrastructure approaches, are the most effective way to reduce negative impacts. Accordingly, Australia has been working with the Government of Vietnam to bring about a policy shift towards integrated disaster mitigation approaches.

Results of the aid program

The most significant milestone in 2007 was the adoption of the National Strategy for Natural Disaster Prevention, Response and Mitigation to 2020. According to the Director of Vietnam's Natural Disaster Mitigation Plan, the strategy was significantly influenced by the approach to integrated disaster mitigation successfully piloted under AusAID's Quang Ngai Disaster Mitigation Project. The adoption of an integrated flood risk management plan by the provincial government (the first such plan in Vietnam) provided the original impetus for central government interest in the project, which subsequently led to greater interest and the adoption of other elements of the project in the national strategy.

The national strategy represents a significant shift from previous policies on disaster mitigation in Vietnam and is seen by the United Nations and specialised disaster mitigation agencies as bringing Vietnam's policy on disaster mitigation more into line with good international practice. The strategy moves away from an overt focus on emergency responses to a comprehensive disaster risk management model (planning, risk reduction and inter-sectoral coordination) with priority given to preparedness and planning rather than response only. The strategy also signals a strong shift away from the dominance of infrastructure responses, with more priority (and funding) now attached to non-structural issues requiring the direct engagement of other ministries such as education, health and planning. It explicitly integrates disaster risk planning into all levels of socioeconomic development planning for the first time in Vietnam.

The changed approach outlined in the new strategy was brought about largely because of the collaboration of donors (primarily the United Nations Development Program, the Netherlands, Australia and Luxembourg), local non-government organisations, international non-government organisations and the Government of Vietnam through the auspices of the Natural Disaster Mitigation Plan. As the government's principle policy dialogue forum, the plan provided the platform for development partners to advocate a move towards integrated disaster mitigation approaches.

While Australia's project work and advocacy efforts have been successful in influencing macro-level policy, shifting budget allocations and ground-level implementation towards the new strategic approach will be the next challenge for Government of Vietnam. These issues are already impacting on Australia's support to the World Bank's Disaster Mitigation Project in Quang Ngai Province. Despite the Government of Vietnam and the World Bank agreeing to align the World Bank project with the national strategy, only the infrastructure components of the project are on track. AusAID will use the mid-term

review of the project in 2008 to decide whether to change or possibly cease Australia's support for the project.

Climate change in Vietnam will compound these implementation challenges. The World Bank estimates up to 15 per cent of Vietnam's land area could be lost to rising sea levels. While development partners welcome the increased focus on climate change, there is a risk that an influx of donor and government funds will skew focus towards large spending items such as infrastructure, without the necessary analysis or planning to ensure sound investments. AusAID has good and active relationships with senior officials in the key ministries and they are mindful of these issues. The priority for AusAID and development partners will be to support colleagues in the Government of Vietnam when they are developing climate programs and policies that build on what they already have in place. The government is already planning to have the new strategy form a key pillar of Vietnam's climate change activities.

OBJECTIVE 4:

GOVERNMENT OF VIETNAM ADOPTS BETTER PLANNING AND IMPLEMENTATION APPROACHES FOR PROVIDING RURAL WATER AND SANITATION

RATING



The objective is on track to be fully achieved within the timeframe.

PERFORMANCE FRAMEWORK: 2007 INDICATORS

- > Increased proportion of funding allocated to sanitation investments
- > Improved coordination between relevant sectoral ministries

ESTIMATED EXPENDITURE

Approximately 15.5 per cent of AusAID's 2007–08 Vietnam budget was spent on this objective.

INITIATIVES

First tier

- > Rural Water Supply and Sanitation National Targeted Program to be the principal channel for Australian influence (financial, policy)
- > Poverty Reduction Support Credits national policy dialogue (potential role)
- > Cuu Long Rural Water Supply and Sanitation (completed 2007)

Second tier

- > Policy dialogue to be informed by vertical links with Vietnam–Australia NGO Cooperation Agreements on rural water supply and sanitation activities

- > Australian Leadership Awards (fellowships)
- > Government of Vietnam – donor policy forums (consultative group meetings, Vietnam Development Report, thematic working groups)

ASSESSMENT OF PERFORMANCE AND RESULTS

Country performance

The Government of Vietnam's Rural Water Supply and Sanitation National Targeted Program Phase 2 aims to increase the proportion of the rural population with access to clean water to 85 per cent and the proportion of the rural population with access to hygienic latrines to 70 per cent by 2010. In addition, donor support to the program aims to assist the government to adopt better planning and implementation approaches for providing rural water supplies and sanitation. The targets include those expected from the program itself as well as those associated with parallel donor projects in the water and sanitation sector.

Although progress is on track to achieve the government's strategic objective of adopting better planning and implementation approaches for providing rural water supply and sanitation, achieving Vietnam's development outcome of 70 per cent of the rural population having access to hygienic latrines by 2010 is a significant challenge, given the current level of access. The reported level of access at the end of 2007 of 51 per cent is possibly overstated. The Government of Vietnam is a signatory to the December 2007 Beppu Declaration on Sanitation at the Ministerial East Asia Sanitation Conference committing countries to increased financial resources for sanitation.

Good progress has been made by the government in improving the policy and implementation framework for the water supply and sanitation program. A sectoral partnership is operational and on track to achieve the development of a unified monitoring and evaluation framework.

Results of the aid program

Australia has a longstanding and high-profile presence within Vietnam's water and sanitation sector and AusAID has been able to use its experience at the provincial and project level to help shape national policy approaches. Australian support for the water supply and sanitation program, including through policy dialogue with the Government of Vietnam, has been important in assisting the government to adopt improved planning and implementation approaches for the sector. Because the program is government designed and implemented, it provides a mechanism for AusAID to directly influence government policy and improve government systems. By providing targeted program support in nine pilot provinces, Australia has been able to harmonise funding for rural water supplies and sanitation with Denmark and the Netherlands.

Direct evidence of the effectiveness of Australia's support to the program includes:

- > an increase of 8.25 per cent in the national budget allocation for rural water supplies and sanitation in 2008
- > an increase in the proportion of funding (from 30 per cent to 51 per cent) allocated to sanitation investments, and an increase (from 5.9 per cent to 14.9 per cent) for the promotion of Information Education Communication/hygiene in pilot provinces
- > increased access to clean water in pilot provinces (an additional 232 000 people) and sanitation (an additional 44 500 people with access to hygienic latrines)
- > progress on developing improved planning, budgeting and reporting systems
- > an inter-ministerial circular laying the foundation for improved coordination between the major central government agencies for rural water supplies and sanitation—the Ministry of Agriculture and Development, the Ministry of Health and the Ministry of Education and Training.

OBJECTIVE 5:

GOVERNMENT OF VIETNAM IMPROVES MANAGEMENT, FINANCING AND COORDINATION OF THE HEALTH SECTOR

RATING



The objective is on track to be fully achieved within the timeframe.

PERFORMANCE FRAMEWORK: 2007 INDICATORS

- > First Joint Government of Vietnam – Donor Annual Health Sector Review that identifies priority issues for the sector
- > Ministry of Health endorsement of study and pilot of costed care pathway

ESTIMATED EXPENDITURE

Approximately 9.5 per cent of AusAID's 2007–08 Vietnam budget was spent on this objective.

INITIATIVES

First tier

- > Delivering Better Health Initiative (Vietnam) and Poverty Reduction Support Credits national policy dialogue

Second tier

- > Policy dialogue informed by links with bilateral and regional interventions in HIV/AIDS (Clinton Foundation and the HIV/AIDS Asia Regional Program) and

emerging infectious diseases (support to United Nations Joint Program on Avian Influenza, Laboratory Partnership Program)

> Australian Leadership Awards (fellowships)

ASSESSMENT OF PERFORMANCE AND RESULTS

Country performance

According to the United Nations Development Program, Vietnam is among the top developing countries in terms of achieving the three health MDGs. The mortality of children under five years of age has been reduced from 58 per 1000 live births in 1990 to 48 per 1000 live births. Maternal mortality rates halved over the same period. However, the rate of reduction has slowed in recent years, due mainly to factors such as continuing poor living conditions, particularly in rural areas, prevalent childhood infections and inadequate or inaccessible primary health care services.

In terms of infectious diseases, malaria has been largely eliminated in Vietnam. Infection rates have declined sharply in the past decade, although malaria does persist in some mountainous and remote provinces. However, dengue fever appears to be re-emerging in Vietnam as a major challenge, particularly in the south. MDG targets for HIV/AIDS are unlikely to be met in Vietnam as infection rates continue to rise, due particularly to increased infection among injecting drug users and casual sex workers. Public policy initiatives that introduce contemporary interventions in this area (for example, needle exchange programs and methadone substitution for injecting drug users, and condom promotion for casual sex workers) may assist in reducing the scale of the HIV epidemic and the threat to the mainstream population. The rate of tuberculosis infection has declined but progress towards the target may also be compromised due to multi-drug-resistant tuberculosis–HIV co-infection.

Overall, Vietnam's progress in achieving targets in health-related MDGs is contingent on two main issues that are not health specific. Firstly, economic growth in recent years has occurred unequally, so while national averages for measures of income and prosperity appear impressive, they conceal significant disparities between rich and poor and between urban and remote provinces. Differences between men and women in terms of economic opportunity and decision-making power are also a source of disparity in terms of access to health care.

Secondly, there is the problem of data and its interpretation in measuring progress. For example, a recent study by Swedish researchers in one province found that the neonatal mortality rate was 16 deaths per 1000 live births. The official figure was just 4 per 1000 live births. This discrepancy relates to a registration system that relies on grieving families, and not the health system, to report a death. This has severe consequences for the quality of planning.

Vietnam's Ministry of Health recognises that improvements in the fundamental elements of the health system are required. It has embarked on a reform agenda centred on the

health system as a whole, rather than addressing individual problems in isolation, as has been the dominant practice in the past. The Government of Vietnam's new focus is on developing human resources for management, policy development, financing and service delivery.

Results of the aid program

The basis of the aid program is to assist the Government of Vietnam to improve management, financing and coordination in the health sector. Australia's key initiative is the Delivering Better Health Initiative. Currently in its first phase, the initiative's focus is on providing responsive demand-driven technical assistance to the Ministry of Health's emerging reform activities. Its overlying principle is partnership with the government and with development partners already active in the health sector.

This approach has been more successful than AusAID had anticipated, outperforming the milestones it set for itself in 2007. As a new and relatively small donor in terms of funding, building strong partnerships with like-minded donors through groups such as the Joint Health Policy Initiative has been critical to the results achieved to date. Through these relationships AusAID has been able to leverage its own engagement with other larger and more established participants in the health sector, exerting far more influence than its current levels of funding would imply.

Perhaps the most significant development has been the Joint Government of Vietnam – Donor Annual Health Sector Review process, in which AusAID is an active player. AusAID was one of a small group of donors that, at the invitation of Ministry of Health, volunteered to participate in the review's 2007 working group. This was the first time that the government and donors had undertaken a joint assessment of the sector and agreed subsequent planning and budgeting recommendations.

Another highlight was the highly positive response from the Government of Vietnam, development partners and even some players from the private sector to AusAID's analytical work (hospital sector study, and hospital payment study and pilot). By piloting the use of standard clinical processes and costs for high-volume case types of diseases, the Ministry of Health was provided a practical approach with which to address the growing prevalence of over prescribing and overcharging hospital patients, as well as overloading the national care facilities. This work has gained significant traction with leaders and technical departments of the Ministry of Health, and has the potential to influence key policies, including the new health insurance law.

2007 also saw positive developments in existing activities on communicable diseases, with AusAID being instrumental in establishing Vietnam's first Field Epidemiology Training Program.

OBJECTIVE 6:

GOVERNMENT OF VIETNAM IDENTIFIES AND PREPARES FOR THE NEW SET OF DEVELOPMENT CHALLENGES ASSOCIATED WITH 2010 MIDDLE-INCOME COUNTRY STATUS AND ASSESSES THE FUTURE ROLE OF OFFICIAL DEVELOPMENT ASSISTANCE

RATING

- The objective will be partly achieved within the timeframe.

PERFORMANCE FRAMEWORK: 2007 INDICATORS

- > Discussion initiated with like-minded donors (by July 2008)
- > Relevant AusAID thematic groups and other government departments engaged in analysis to help the Australian aid program to prepare for Vietnam as a middle-income country (by August 2008)

ESTIMATED EXPENDITURE

Approximately 8.7 per cent of AusAID's 2007–08 Vietnam budget was spent on this objective.

INITIATIVES

- > Partnership Group on Aid Effectiveness (Australia as co-chair in 2008)
- > Like Minded Donor Group
- > Policy dialogue with the Government of Vietnam
- > Vietnam–Australia Monitoring and Evaluation Strengthening Project Phase II
- > Analytical work on Australian engagement with countries in transition to middle-income status (and other issues as identified)
- > Mid-term review of the development cooperation strategy in 2010 drawing on analysis of middle-income country status and aid effectiveness

ASSESSMENT OF PERFORMANCE AND RESULTS

Country performance

Vietnam's plan for achieving middle-income status by 2010 is outlined in the current Socio-Economic Development Plan and the official development assistance framework for the period 2006–2010. The process for developing the plan for the period 2010–15, which will focus on the development challenges associated with middle-income status, will start in 2009.

There are major challenges for the Government of Vietnam in preparing for the new development plan if the country is to avoid the 'middle income trap' and build momentum to become an industrialised country by 2020. As Vietnam's development challenges

become more complex, sustaining the recent growth in gross domestic product will require further reform encompassing the state and the private sectors. This will require stronger leadership and commitment by the government to accelerate its reform agenda, especially public sector reform, given the constraints associated with coordination and capacity. The lack of coordination across ministries and effective institutional frameworks for addressing cross-sectoral issues such as social protection, the environment and gender continues to be a barrier to effectively implementing reform.

Results of the aid program

As an active member of the Partnership Group on Aid Effectiveness and of the Like Minded Donor Group, Australia is working to strengthen policy dialogue and develop joint initiatives to help Vietnam to prepare for the new challenges associated with middle-income status. Mid-year and annual consultative group meetings of the Government of Vietnam and donors are also opportunities to engage in policy dialogue with top government ministers, including the Prime Minister. Australia coordinates closely with members of the Partnership Group on Aid Effectiveness and the Like Minded Donor Group in preparing for these policy dialogues.

In March 2008 the Like Minded Donor Group conducted a retreat to discuss the future middle-income status of Vietnam. Through its active role in joint initiatives (for example, PRSC and P135-2) AusAID, in collaboration with other donors, has helped to highlight to the Government of Vietnam the development issues the country will face beyond 2010 (for example, the poor's access to markets, and rural water supply, sanitation and health care). The second phase of the Vietnam–Australia Monitoring and Evaluation Strengthening Project has helped the government to build monitoring and evaluation capacity and to institutionalise an effective monitoring and evaluation system for managing official development assistance. The project is regarded by donors and the Government of Vietnam as a success in creating the foundations for better approaches to managing for development results in Vietnam.

Challenges include the significant efforts required to improve country capacity (country systems and human capacity) and far-reaching and ongoing changes in the government's internal institutional arrangements (for example, functions and mandates of the recently merged ministries) undertaken in 2007. Through AusAID's engagement with various ministries and government agencies as well as co-chairing the Partnership Group on Aid Effectiveness, it is closely collaborating with other donors to provide support to the Government of Vietnam to address these issues.

Another challenge will be effective management of the transformation of donors' programs to address the priorities in the next Socio-Economic Development Plan, the future role of concessional financing (as Vietnam is able to access market-based financing) and the possible phasing out of some smaller donors after 2010. In this context, success will be reflected in the government's identification of the development challenges after 2010, primarily in the context of the next Socio-Economic Development Plan, and its clear articulation of the nature of its relationship with donors after 2010.

What is the quality of AusAID activities in Vietnam?

QUALITY AT IMPLEMENTATION

In 2007–08, individual initiatives in the Vietnam aid program had their quality at implementation reported. Due to the impending closure of the Ho Chi Minh City office, quality-at-implementation reports for two initiatives were unable to be completed as the activity manager had already left AusAID.

A little more than 80 per cent of the program's initiatives were assessed as making satisfactory progress in implementation and towards achieving objectives, and as having satisfactory monitoring and evaluation systems. About 75 per cent of the initiatives were considered to be performing satisfactorily in terms of the sustainability of their outcomes. Nevertheless, around half of the initiatives require some improvement in terms of achieving objectives, progressing implementation and producing sustainable outcomes. But almost three-quarters require some improvement in their monitoring and evaluation.

The highest quality-at-implementation results were for the initiatives undertaken to meet two strategic objectives in which the Government of Vietnam:

- > adopts better planning and implementation approaches to assist in alleviating poverty among ethnic minorities
- > identifies and prepares for the new set of development challenges associated with 2010 middle income country status and assesses the future role of official development assistance.

Assistance to the Public Asset Management Law initiative and the Monitoring and Evaluation Phase II initiative are performing at the highest quality standard in comparison to other initiatives assessed in the program. Both initiatives have experienced remarkable success to date.

The Australian Development Scholarships continue to produce excellent results for Vietnam. Each year 150 scholarships are provided to Vietnam. The program is being run very effectively and is producing high-quality results, as shown by the recent tracer study. In 2007 the focus of fellowships in Vietnam was adjusted to address more closely AusAID's Vietnam country objectives.

Initiatives undertaken through Vietnam NGO Cooperation Agreements are not contributing as significantly to meeting program objectives as other forms of aid. This may be as a result of the initiatives being established prior to the development of new program objectives. Work will be required to achieve harmonisation.

GENDER

The aid program continues to work toward mainstreaming gender in areas such as economic integration, ethnic poverty, and health. AusAID and the United Nations Development Fund for Women are working together to ensure gender issues are given particular attention in the Beyond WTO and PRSC initiatives. AusAID has played a strong role in ensuring that the PRSC has a specific policy trigger to address gender.

Australia successfully lobbied for a separate trigger for gender in the PRSC-7 cycle as well as including gender-related policy actions in the policy matrix for the new cycle of PRSC (rounds 6–10). This work supported the implementation of the new Law on Gender Equality passed in 2007.

ANTICORRUPTION

Australia successfully engages in anticorruption matters through the PRSC process and the Public Asset Management Law initiative. Round 7 of PRSC includes a set of policy actions on anticorruption that includes obligations for senior officers in the Government of Vietnam to declare their assets.

The Public Asset Management Law initiative is a key AusAID initiative assisting in the effective and efficient use of Vietnam's government assets. Clarity about ownership, use and control of state assets is integral to continuing the fight against corruption and to ensuring that opportunities for misappropriation of these assets are minimised. This initiative supports and is concurrent with the Law on Exercising Savings and Anti-Mispending and the Law on Anti-corruption.