

A: Investment Concept Title: Australia-Vietnam Human Resource Development Program, 2016-2020
Proposed start date and timeframe: January 2016-December 2020
Risk and Value assessment result: Low Risk
Consultation: Reference Group (Desk/Post, Mekong Hub Specialists, SEA Effectiveness & RM Section, Contracting Services Branch, Scholarships & Alumni Branch, Education Section, Manila post, Department of Education and Austrade)
Proposed Design Pathway: HOM Review
Draft AidWorks Initiative number: _____

B: Problem/Issue definition and rationale for investment (Why)
<p>Rationale</p> <p>Vietnam needs a knowledgeable and skilled workforce to sustain growth and help it progress from a lower middle income country to an industrialised country by 2020. Sustained growth and improvements in the economy's efficiency and competitiveness need a higher skilled workforce. Despite its remarkable GDP growth over the past two decades, the labour force in Vietnam is regarded as low-skilled and falling behind the regional curve.ⁱ Countries that have not invested a skilled labour force run the risk of falling into the so-called middle income trap whereby the productivity of labour plateaus, with high rates of employment in the informal economyⁱⁱ.</p> <p>Vietnam also needs a skilled workforce to enable regional labour mobility under the Association of South East Asian Nations (ASEAN) Economic Community by 2015. Improved skill levels in the workforce, of both women and men, will help to bring poverty levels down further and improve inclusive economic growth.</p> <p>Despite Government of Vietnam (GOV) achievements in schooling and education and labour system reforms in recent decades, Vietnam still faces challenges in improving the capabilities and employability of its workforce, especially the youth and in the context of global and regional integration. While access to and quality of primary and secondary education have improved significantly, the quality and relevance of teaching and research at both Technical and Vocational Education and Training (TVET) institutions and universities still needs to be upgraded to help graduates translate knowledge and skills into more effective practice in the workplace. Soft skills such as critical thinking, problem solving and communication need to be strengthened at all education levels. Ethnic minorities and people with disability are under-represented in both tertiary education and the employment sectors^{iii,iv}. Vietnam's ratio of women participation in the labour force remains high as compared to other regions, although the majority of women are working, unacknowledged in statistics, in the informal sector^v. The gender gap at primary, secondary and tertiary education levels has reduced, but the ratio of women holding a decision-making position is relatively low at all levels of government^{vi}. At post graduate study level, women hold only 30 per cent of Master degrees and 17 per cent of doctorate (PhD) degrees, and fields of study are highly gender segregated. Existing institutional arrangements and organisational environments also hinder the efficient utilisation of newly acquired high level knowledge and skills, particularly for those who return from overseas study to the public sector.</p> <p>Vietnam's central policies relating to HRD are expressed mainly through the <i>Vietnam Socio-Economic Development Strategy (SEDS) 2011-2020</i>, the <i>Vietnam Manpower Development Master Plan (2011-2020)</i>, the <i>2005 Higher Education Reform Agenda</i>, and the <i>2012 Higher Education Law</i>. Within those policies the Government aims to increase the trained workforce from 20 million in 2010 to 44 million by 2020 (of a total expected population of 97 million), have over four universities and ten vocational training schools meeting international standards and 30 per cent of university lecturers with doctorate degrees by 2020. Mobilisation of resources for a ramp-up in education and training will require expansion of the government share of budget allocations for TVET and higher education and significantly increased involvement of the private sector.</p> <p>A significant portion of aid provided to Vietnam is in the form of low interest loans from the Asian Development Bank (ADB), World Bank (WB) and the Japanese and Korean development banks. With respect to HRD, the development partners have to some extent concentrated their activities to specific education and training sub-sectors. WB, ADB and the United Nations Educational, Scientific and Cultural Organisation (UNESCO) are lead donors in primary and secondary education; WB, ADB, Australia, New Zealand and other bilateral donors (through scholarships) are lead donors in higher education; and ADB, Germany, Japan, and Korea are lead donors in TVET.</p> <p>While GOV's systematic reforms have been ongoing in the education and training sector, including higher</p>

education, with multilateral banks support over the past 15 years, there are niche areas where Australia is highly regarded. These areas include, but are not limited to, training of trainers/lecturers, establishment of competency-based standards and qualification frameworks, and sharing Australian education and employment best practices.

Why should Australia invest?

Almost 40 years of investment in higher education scholarships and 4,500 alumni from Australian Government funded long and short term training assistance illustrates Australia's strong experience and reputation base from which to grow assistance through higher education and professional development training. The Australia Awards Scholarships (AAS) have a track record for effectiveness, reflected in evaluations that highlight benefits including alumni promotions, enhanced institutional governance and broad development impacts for Vietnam. The Australia Awards are, and will continue to be, an important economic diplomacy tool in Vietnam. In addition to building critical skills and knowledge, the Australia Awards are a key public diplomacy tool, fostering an engaged and influential network of leaders, reformers and advocates, promoting strong people-to-people and organisational links between Australia and Vietnam.

The Australia-Vietnam Aid Investment Plan (AIP) 2015-20 is currently under development and will be finalised mid 2015. It is proposed HRD continue to be a strategic pillar of the new AIP, in response to the critical HRD needs that the GOV has articulated in its *Socio-Economic Development Strategy 2011-2020*. The *Australia-Vietnam HRD Strategy 2014-2020* outlines the key direction for our support and engagement with Vietnam in improving the quality of its HRD. Our end outcome is that *Vietnam accesses and uses high level professional and technical knowledge, skills and competencies, to contribute to the country's sustainable economic and inclusive development, and enduring links with Australia*. To realise the end of program outcome, there are three **intermediate outcomes**:

- Increased number of high quality tertiary graduates and skilled professionals and technicians in selected priority areas
- Stronger workplace environments for skills utilisation in selected priority areas
- Australia and Vietnam have stronger, sustainable links in selected sectors

The major difference of this new Strategy from our current support approach is to improve the synergy of sector-based HRD interventions, using a combination of modalities (in addition to the long-term postgraduate awards) to contribute to addressing the AIP priority thematic areas. In addition to traditional scholarships (via in-Australia delivery), it is proposed we consider the effectiveness and efficiency of in-country scholarships, and formal joint (or 'sandwich') programs for Australian Qualification Framework recognised qualifications. In-Australia scholarships would be reserved for high-level university qualifications and for selected TVET courses that will upgrade skills, where the competency or content is not available in Vietnam. We have committed to explore more opportunities to support selected HRD areas, where Australia can add value, that have been lagging in Vietnam and/or are without sufficient donor supports. This includes: providing better access and learning outcomes for the disadvantaged, promoting industry partnership in skill enhancement, increasing leadership opportunities for women, and supporting work environments to foster the utilisation of high level skills and knowledge. This HRD support will be actively used to promote linkages and cooperation between Australia and Vietnam.

The new HRD Program will be the main vehicle to realise the HRD Strategy objective, together with other existing global program investments such as the Australia Awards Fellowships, Australian Volunteers for International Development, and the Government Partnerships for Development. The HRD program is also expected to complement resources and lever impacts of other technical assistance programs of the AIP as well as policy engagement of other Whole of Government partners (especially the Department of Education and Austrade). The HRD program will aim to deepen and benefit the reputation of Australian tertiary education, including TVET in Vietnam and the region, and present significant opportunities for capitalising on Australia's strengths (where we have world leading expertise) to enhance public diplomacy and economic engagement between targeted Vietnamese and Australian counterparts and institutions .

C: Proposed outcomes and investment options (What)

Proposed outcomes

Australia will assist Vietnam with its need to enhance the professional and technical knowledge and skills of its workforce, and assist its institutions to be ready to make good use of those enhanced skills. Through the HRD Program, we will do this by:

- providing relevant and targeted skills and learning support which will enable individuals to be job-ready and contribute effectively to the workforce;
- building stronger workplace environments for skills utilisation by working innovatively with the private sector and government; and

- developing stronger and sustainable Vietnam-Australia partnerships and learning opportunities between individuals and organisations in selected sectors.

The investment will contribute to achieving Australia's overall HRD outcome as articulated in the HRD Strategy. The investment's theory of change including end and intermediate outcomes will be developed in the Investment Design.

Investment options

The HRD development needs of Vietnam are extensive, and too large an arena for relatively small donors to expect to have an adequate impact from broad-based interventions. Australia's HRD investments in Vietnam should be selective, and seek to build on areas where Australia has well established expertise and experience. Australia does not have sufficient technical and financial resources to meaningfully contribute to all three areas that support skills development – early childhood, basic education, and tertiary education - nor sector wide systemic reform or large-scale education infrastructure in Vietnam. Our support needs to be strategic in the context of the overall support provided by other donors and the GOV itself. To help identify Australia's selective investment areas, the HRD Strategy provided four guiding principles our investments should align with: (i) **Australia's strengths and interests**; (ii) **being realistic** about the results Australian assistance can achieve; (iii) **value for money** to maximise Australia's impact; and (iv) **promoting sustainability and ongoing engagement**. A range of investment options were considered against these principles.

The HRD Strategy decided the following investment option best meets our principles to achieve our end HRD outcome:

It is proposed Australia take a strategic-based approach to its HRD support that is underpinned by a package of integrated modalities. Australia Awards Scholarships (long-term awards) alone will not meet all of the investment's outcomes. We will take a holistic approach to support knowledge, skills and competencies for both females and males. There is broad GOV support for a more flexible program including both short and long term training (in Australia and Vietnam) and organisational level development. A flexible, combined use of modalities to targeted areas would allow Australia to support gaps and complement the support provided by other WOG agencies and development partners in a strategic and selective manner.

To maximise the impact of this investment and minimise duplication of support, we will focus our support in areas of Australia's strength, including the AIP priorities. This indicatively includes: agriculture and food security, infrastructure, social protection and disaster risk reduction, economic reform and restructuring, water and sanitation, and education (including TVET).

There are two main components to the proposed investment option:

Component 1: Access to professional and technical knowledge and skills

The major component of the investment will expand the pool of Vietnamese with higher professional and technical capabilities. The central feature will continue to be the highly valued Australia Awards Scholarships for Vietnamese to undertake tertiary study in Australia and to build networks with Australia.

The investment will provide up to 600 AAS. Over the life of the investment, the number of new long term scholarships per year will be gradually and modestly reduced from 150 to 100, subject to agreement with SCB and ultimately Ministerial Approval. Re-directed funds will support activities based on the specific HRD needs of target groups, to ensure aid effectiveness, value for money and achievement of a more holistic set of outcomes.

Lecturers and officers in positions of leadership/influence will continue to be prioritised to maximise impact. The quantity and quality of teachers at both the higher education and TVET levels continues to be low. At the request of GOV, alongside traditional Master and PhD level scholarships, we will consider scholarships for TVET teachers for Certificate IV Workplace Training & Assessment courses, possibly with embedded work experience within their specialist sector. Other support to strengthen the relevance of TVET training to industry demand will also be considered (Component 2).

Awardees will have the opportunity to study subjects that align with Australia's priorities and expertise, fields that are under-represented by self-funded students, and that are in high-demand and low-supply/quality in Vietnam with regard to Vietnam's workforce needs.

Vietnamese are consistently one of the top recipient countries of the Australia Awards Endeavour Scholarships (approximately 40 per year). We will explore the key characteristics of the Endeavour stream and seek to ensure the Australia Awards Scholarships and Endeavour streams complement one-another towards Australia's goals.

To ensure equity and pro-poor outcomes, indicative award targets for disadvantaged Vietnamese (rural and those with a disability) will be considered. We will continue to support improved access to scholarships through in-country English language training, and other targeted support through the existing AAS *Equity of Access Fund* for

disadvantaged students.

Component 2: Skills development and utilisation

If individuals' skills are enhanced but workplaces in Vietnam are not ready to make best use of those skills, then the impact of our other investments in human resources development will be undermined. Skills utilisation is an important element of workforce development and is increasingly recognised as just as valuable to productivity as skills acquisition.

At the *individual* level, Australia Awards alumni will be supported to reintegrate into the workplace, and to effectively utilise and transfer their skills through activities for alumni and their employers, potentially including informal training and mentoring support,

At the *organisational* level, we will provide targeted, tailored HRD supports to improve workplace environments to cultivate skills utilisation. The types of support will include **informal short course training** to middle-level managers, especially women, of selected organisations; and **advisory support**, including through Australia-Vietnam partnerships. These supports will assist in: i) improving the levers for skill utilisation (e.g. leadership, technical and management training for the managers and supervisors who have influence over the utilisation and development of skill-sets of their staff; and ii) improving skills utilisation delivery practice (e.g. good human resource practices; skills audits; enterprise-level competency frameworks; job design; mentoring; knowledge transfer). This component will consider innovative ways to engage the private sector, for example working with TVET institutions to establish training that meets industry's needs. These types of supports can only have meaningful impact where efforts are focussed. We will focus on:

- **a small number of organisations** that align to areas of support under Australia's AIP for Vietnam or other WOG priorities, and be government departments, civil society organisations, or businesses, that Australia is already working with. Selection of the organisations will be guided by: (i) the organisations level of commitment and capacity/willingness to take new reform steps to adapt and implement Australian experience; (ii) the HR capacity development needs of the organisation are aligned with Australia's areas of value-add (our domestic expertise); and (iii) the opportunity for two-way learning and experience exchange, so there is benefit for both Vietnam and Australia.
- **Vietnamese mid-career women** to enhance their promotion to senior positions in Vietnam. This will include opportunities for technical and leadership training to help narrow the gaps in professional development and promotion opportunities that Vietnamese women are facing as compared to their male counterparts. A preparatory study on *strategies for enhancing the promotion of Vietnamese mid-career women to senior positions in Vietnam* is currently under development and will inform the Investment Design.

The support of organisational development is a new approach for Australia. It will require time to understand the needs of women and the selected organisations, identify appropriate support options, and establish the support mechanisms. The investment will need to be flexible and scalable in order to tailor support according to its results. It is recognised that for maximum effectiveness, improved human resource management will in many cases need to be backed up by systemic institutional, legal and/or policy reforms, as well as shifts in social norms, to facilitate people (especially women) putting their skills into practice in their organisation and advancing in the workforce.

The following options were not supported through the HRD Strategy:

- **Early childhood and basic education.** Significant investment by the WB, ADB and GOV has resulted in more students accessing and succeeding in achieving higher levels of learning attainment. There is a growing increase in school leavers who qualify for and demand access to higher education.
- **Sector wide systemic reform.** This is an already crowded area with significant investment by WB, ADB, UN, Japan, Korea and Germany to help the GOV implement its *Higher Education Reform Agenda (2005-20)*. Reform implementation has been slow and patchy. To be successful, systemic reform requires significant funds and time investment.

Considerations for the Investment Design

- the investment's theory of change, including end outcome and intermediate outcomes
- the targeting of Australia Awards Scholarships, particularly for disadvantaged Vietnamese and what additional support would be required by such scholarship recipients
- the type of HRD and strategic support for the TVET sector
- the delivery model/s of Australia Awards Scholarships
- the skills utilisation approach, including mainstream and targeted support for women, and support for TVET-industry/business engagement
- how innovative ways can be used to promote private sector growth or engage the private sector in

achieving development outcomes.

- the organisations that will receive targeted support, and options for support
- the importance of design and modality flexibility given that it is recognised that the Australia-Vietnam relationship is expected to evolve into a new type of engagement up to 2020 and beyond.

D: Implementation/delivery approach (How and with whom?)

Delivery options

Various delivery approaches have been considered. The following option is recommended for support.

Managing Contractor with management under a Facility model

It is proposed the investment be delivered through a *Facility* model. The facility would house and coordinate both investment components. This approach would:

- provide a focal point for Australian HRD assistance and strengthen Australia's visibility
- help ensure a cohesive package of support for selected organisations
- maximise efficiencies in implementing costs and allow scope to manage a relatively *fixed* operating fund for expenditure for the scholarships component alongside a *flexible* fund to support emerging needs for the workplace support component
- allow interventions to commence slowly, expand where results are being achieved, or be re-allocated as necessary
- motivate Australian and Vietnamese stakeholders to explore opportunities to work together
- support promotion and demand for other modalities, such as AAF, GPFD, and AVID.

It is proposed a managing contractor be engaged to manage the facility. This would provide DFAT the opportunity to outsource multiple resource-intensive tasks associated with the management of a significant number of scholarships and place them collectively within the framework of a single administering agency. Under this model, the managing contractor supplies dedicated resources and expertise toward the associated day to day tasks associated with administering, reporting and M&E of both investment components:

- Component 1: promotion and selection, English language training, pre-departure, departure, on award management, reintegration and alumni activities
- Component 2: research, technical assistance, short courses, partnerships

It is proposed a *single* contractor be engaged to support the cohesive approach (with outsourcing as required), although options for the managing contractor model will be explored during the Investment Design.

Partnerships

We will establish a formal partnership with MOET as the counterpart authority for the investment. DFAT will manage the strategic planning and approval of key aspects of the investment in partnership with MOET. Partnerships will also be established with the respective line ministries of the targeted organisations, which is of particular importance to component 2. These partnerships will be based around principles of mutual obligation and a commitment to stronger workplace environments. A strategic oversight mechanism, such as a *steering committee*, will be established to put into practice the partnership arrangement and ensure senior oversight by DFAT and GOV officials.

As part of the AAS model, DFAT has established partnerships with Australian education institutions to provide the education and training for AAS recipients. Under the proposed investment, partnerships will also be explored for the delivery of some of the training to be conducted in Vietnam, by Australian institutions or their partners. .

Considerations for the Investment Design

- governance and management arrangements, specifically the roles of DFAT, the managing contractor, and partner government
- scholarships delivery models
- managing contractor requirements

E: Risk assessment approach (What might go wrong?)

Transition to a different HRD delivery approach and entering into new investment areas brings a level of new risk to the aid program. A full risk analysis will be undertaken in the upcoming design. The Investment Design Risk

Assessment (see below) indicates that overall **the HRD Program is low risk investment**. The key investment risks identified include: a fragmented HRD portfolio that is unwieldy and increases the overall management challenges of the program and diminishes its effectiveness to create synergies and manage effectively/efficiently; partner organisations do not facilitate the application of newly acquired skills and knowledge negating the impact of the training on organisational outcomes; partner agencies do not have ability to create enabling environment due to higher level systemic issues relating to civil service reform; development of HR capacity at provincial and district levels is affected by limited partner agency resources, centralist attitudes and poorly articulated delivery structures; extent of DFAT budget available for the overall strategy is insufficient to achieve desired outcomes.

These risks and associated mitigation strategies will be reviewed by the design team based on in-country consultations during the design mission. They will be discussed during the design team's presentation of the Aide Memoire and during peer-review of the design. Identified program risks will then be managed in accordance with the Aid Programming Guide and will feed into the overall Vietnam Program's Risk Register and Post Risk and Fraud Management Plan.

At this stage, there are no major safeguard risks (child protection, displacement and resettlement and environmental protection) anticipated for this investment. This will be further assessed during the design and peer review phase.

ⁱ Asian Development Bank (2014) Vietnam Development Report: Skilling Up Vietnam: Preparing the workforce for a modern market economy. Coxhead, I. et al. (2009): 76.

ⁱⁱ Coxhead, I. et al. (2009). Getting to Work: Labour Market, Employment and Urbanization in Viet Nam to 2020-Learning from International Experiences. The Asia Foundation

ⁱⁱⁱ The literacy rate of the majority Kinh is 97% and that of the Muong people, among the lowest group, is 38%. The difference between these groups is highest at university level with 3.55 percentage points, slightly higher than “secondary technical level” with 2.2 percentage points. (UNFPA 2011 Ethnic Groups in Vietnam).

^{iv} The 2009 Census showed that 46% of adults with disabilities never attended school. The disparities are even larger for secondary and tertiary school completion rates. As a consequence, unemployment rates are also higher (30%) and 32% of households with a disabled family member live below the poverty line.

^v The labour force participation rate was 82.5% for men and 73.5% for women - *Vietnam Labour Force Survey in 2013*

^{vi} Women are seldom Chair of the People’s Committee, with rates as low as 1.56% at the provincial level to 4.09% at the commune level. http://www.undp.org/content/dam/vietnam/docs/Publications/31204_Women_s_Representation_in_Leadership_in_Viet_Nam.pdf