
THE SECOND (2011) WORK PLAN (AWP2)
FOR THE B-WTO PROGRAM

Prepared by
B-WTO: Office of the Steering Committee

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LIST OF ACRONYMS AND ABBREVIATIONS

AusAID	Australian Agency for International Development
AWP 1	First Work Plan
AWP 2	Second Work Plan
B-WTO	Beyond WTO
CIEM	Central Institute for Economic Management
CPV	Communist Party of Viet Nam
DfID	Department for International Development
DSI	Development Strategy Institute
EC	European Commission
GAP	Government Action Plan
GDLA	General Department of Land Administration
GDP	Gross Domestic Product
GOV	Government of Viet Nam
M&E	Monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development
MDGs	Millennium Development Goals
MDTF	Multi-donor Trust Fund
MOC	Ministry of Construction
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOIT	Ministry of Industry and Trade
MOLISA	Ministry of Labour, Invalids and Social Affairs
MONRE	Ministry of Natural Resources and the Environment
MPI	Ministry of Planning and Investment
MUTRAP	Multilateral Trade Assistance and Reform Project
NCIEC	National Committee for International Economic Cooperation
NFSC	National Financial Supervision Committee
NME	Non-Market Economy
OOG	Office of Government
OSC	Office of the Steering Committee
PAP	Provincial Action Plan
RTM	Round Table Meeting
SEDP	Socio-Economic Development Plan
SEDS	Socio-economic Development Strategy
VASS	Viet Nam Academy of Social Science
VIE	Viet Nam Institute of Economics
VCAD	Viet Nam Competition Authority
WTO	World Trade Organization

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1. INTRODUCTION

OVERVIEW OF REPORT

This report summarizes the Beyond WTO (B-WTO) program components, results achieved to date, lessons learned during implementation of the first annual work plan (AWP 1), the process used to determine strategic priorities for the Second Work Plan (AWP2), the criteria and process to determine AWP2 projects, their expected results and estimated for budget, the next activities and steps for AWP2 , risk and mitigation measures.

B-WTO PROGRAM PHASE 2 GOALS AND STRUCTURE

The second phase of the B-WTO program was approved by the Government of Viet Nam in March 2009 ¹. B-WTO aims to support national programs to reduce poverty and improved living standards by generating equitable economic growth through economic integration. Program components are summarized below.

- 1. Strengthening the institutions of the market economy**, addressing issues identified by the Government as priorities for extricating Viet Nam from the Non-Market Economy Status conferred by some WTO members, including support to reform of price policies, interest rate policies, subsidies to state enterprises, state enterprise reform, land policy and management, socialisation of public services and competition policy.
- 2. Addressing social and economic impacts of integration on the rural sector**, dealing with challenges created by uneven spatial development and impacts of change on the rural poor — initially supporting programs of policy analysis linked to integration, and agricultural and rural industrialisation and modernisation, including assessment of policy responses to the social and economic changes associated with land policy reforms developed under the first component.

¹ (B-WTO, 2009)

3. **Supporting capacity for management and coordination of integration**, targeting the institutional arrangements that the Government puts in place to oversee and coordinate implementation of the GAP, and supporting, among other things, monitoring and evaluation of GAP implementation, further adaptation of the GAP, assessment of cross-cutting issues and issues falling outside of the mandate of individual ministries, and addressing priority capacity development needs.
4. **Supporting implementation of provincial action plan activities**, helping a *subset* of provinces to recognize and address integration related challenges and opportunities, and to address these challenges and opportunities by implementing selected activities and incorporating integration issues into their socio-economic planning processes.
5. **MDTF Management**, support for managing the MDTF, including contracting of technical functions (such as financial control, project design and M&E) and higher level support for coordination and appraisal functions through the services of a long term Senior Technical Advisor. This component will also include a contingency for response on an ad-hoc basis to priority requirements for new activities agreed with donors.

The national and international economic environment has changed substantially since Viet Nam's accession to WTO, approval of the Government Action plan on integration, and approval of the B-WTO program. The global financial crisis, in particular, had major impacts on global patterns of trade and investment. The Government was quick to respond with stimulus measures to minimize the adverse impacts of the global financial crisis. Viet Nam and Asia were relatively less affected, but the global financial crisis impacted on international growth and patterns of trade. Relatively strong growth in major Asian economies has been important in stimulating global economic growth. The global financial crisis has re-emphasized the need for a strong national institutional and policy framework to maximize gains and to minimize the adverse impacts of globalization.

Despite the difficult international economic environment, Viet Nam has continued to benefit from integration, and the Government's overall commitment to integration remains unchanged. Viet Nam is continuing to work towards increased ASEAN economic integration, including greater economic linkages with ASEAN major partners. Efforts also continue to expand free trade agreements with major trading partners. However, recent developments have resulted in some changes in policy emphasis. For example, greater emphasis was given to the immediate needs of macroeconomic stabilization, and there has been a renewed focus

on improving competition with increasing attention to improving the competitiveness of the rural economy.

The new Socio-economic Development Plan (SEDP 2011-15) notes that “*the trend of integration and opening is forecasted to continue strongly after the crisis*”, and calls for a renewed focus on building market economy institutions to strengthen competitiveness, and increase productivity and incomes. The draft SEDP notes that “*After a four-year integration into WTO, besides opportunities of attracting investments, expanding the market, the economy of our country will face up with difficulties and challenges, especially the pressure of competition and the weakness in human resources' qualifications and low level technology.*” Thus, B-WTO supported initiatives are even more relevant under the new SEDP.

2. RESULTS AND PLANNING FOR THE FUTURE

RESULTS TO DATE

Since its start-up in late 2009, the B-WTO program (phase 2) has successfully established an office, recruited key personnel, and approved, formulated and substantially implemented its first round of projects. While there have been some delays, and not all planned results have yet been realized, some of the results of B-WTO supported initiatives have already had substantive impacts in terms of facilitating integration. The B-WTO Office of Steering Committee has also been actively working with key stakeholders to identify future priorities. Key outcomes are summarized in the following table.

Table: BWTO: Actual Results (as of Jan 2011)

Component	Results to date
Market economy institutions	<ul style="list-style-type: none">• A BWTO supported report on Viet Nam's efforts to move to a market economy (September 2010) used by Government as input in negotiations with EU on achieving market economy status. Considerable press coverage of report.• Studies of competitiveness -- and factors impeding competitiveness – in insurance, banking, cement, animal feed, oil, milk, aviation, telecommunication, steel, and fertilizers) discussed with business leaders and policy makers. Coverage of studies in national business media.• Developed legal reform priorities and action plan as input to National Assembly law drafting agenda.• Draft proposals relating to NA resolution on direct application of WTO commitments have been prepared and widely discussed.• Facilitated dialogue with business community and initial regulatory impact assessment of draft price law. BWTO support exposed officials to international experiences and emphasised the need to avoid overlap with competition law, and to clearly limit the areas of Government intervention in pricing to cases of market failure.• New regulations (Decree 120/2010/ND-CP, 30/12/2010) on collection of rents for land rent and water areas to ensure equitable treatment of all investors and to ensure consistency with the Investment and Land Laws. BWTO supported drafting and dialogue with key stakeholders.• Initial studies on real estate markets and land valuation will feed into formulation and approval of a national project to revise the current Land Law

Component	Results to date
	<p>(formal submission of report expected in Q1 2011).</p> <ul style="list-style-type: none"> • Studies, workshops, and technical support for policies to improve regulatory and institutional environment for SE governance and for equitization process² (helped Government in implementing PRSC agreements). • Supported SME Association inputs to SME development strategy. Training material prepared. Staff and members have received training with B-WTO support. • Initial draft strategy on development of environmental services submitted to MONRE.
Impacts of Integration in Rural Areas	<ul style="list-style-type: none"> • CIEM study provided an overall assessment of the impact of integration including a chapter on impacts on agriculture and the rural economy. • Initial review of impacts at MARD, and formulation of study methodology for implementation in 2011. • Provincial level support to develop capacity rural entrepreneurs in An Giang. Some 22 trainers have been trained to sustain this input. • Preparatory work for study on migration of rural workers to industrial zones and urban areas. • Developed a database of regulations on food safety and trade partner of EU, Japan, USA, China, Korea and some ASEAN countries. Now available via SPS office website.
Capacity building to coordinate and manage integration	<ul style="list-style-type: none"> • Inter-agency and inter-institution approaches used to address barriers to effective and equitable integration. Central and provincial level agencies, research institutions and business associations have cooperated to implement B-WTO projects. • Report on impact of integration following three years of WTO accession widely discussed within Government and in public debate. This helped ensure economic integration issues incorporated in new mainstream planning documents. This contributed to new (BWTO supported) draft resolution on integration indicates a significant move towards a more strategic and holistic approach to integration compared with the previous GAP on integration. • Report on the effectiveness of international integration focal points (and on implementation of GAP) prepared and submitted to government. These reports were inputs to government restructuring of institutional structure. • Workshops on integration issues have been attended by hundreds (> 1,000?) of representatives from business and business associations throughout the country (domestic and foreign business from all sectors). • Trainers have been trained, and curriculum developed, to sustain training via the National Institute for Public Administration, SME association and some provinces. • Recommendations on restructuring OOG and clarifying roles and responsibilities of different departments. OOG staff have received related training. • Draft studies on indexes of integration to allow assessment of relative

² Supported drafting of a new decree to replace Decree109/2007/ND-CP (26/6/2007) on converting 100% State-owned enterprises to a joint stock company. Draft submitted to Government for approval in late December.

Component	Results to date
	<p>performance of different provinces in supporting integration (report to be launched early 2011).</p> <ul style="list-style-type: none"> • Book with indexes on comparative levels of integration – using model developed for Australia by AsiaLink -- is being finalized for publication in early 2011.
Implementation of provincial action plans	<ul style="list-style-type: none"> • BWTO studies led to policy recommendations to address integration issues in broad provincial level development plans. • Increased awareness and capacity of private sector and officials in selected provinces to benefit from integration (achieved via provincial and central level projects). • WTO centres have been established in HCMC and Da Nang www.hccwto.org.vn/tabcid/71/default.aspx, with strong interest in their services by business (and to support activities by other donors, e.g. MUTRAP). • Responsibilities for integration within HCMC Peoples Committee have been clarified, and training linkages developed with Singapore. • Studies on and mapping of retail and wholesale distribution in Da Nang as input to report on the planning of the wholesale and retail network of Da Nang to 2020.
Management of MTDF	<ul style="list-style-type: none"> • Established office and recruited staff. • Provided formal and informal training for OSC staff. • Provided training courses to officials in BWTO supported projects in project management and accounting. • Developed a draft monitoring and evaluation systems, and organized periodic monitoring of project activities. • Organized round table meetings and follow-up discussions to establish priorities for 2011 and beyond. • Organized a review of BWTO institutional arrangements to address perceived short-comings in BWTO responsiveness.

(The list of AWP1 projects is included as Appendix 1).

LESSONS FROM AWP 1

Summary details of projects approved under the first annual work plan (AWP 1) are attached as an appendix. Many of these projects are now beginning to be implemented, with some impressive initial results that have the potential to contribute to B-WTO goals and objectives. Nevertheless, B-WTO monitoring reports – including a mid-year program review report by independent consultants have identified several weaknesses, including:

- Many disparate proposals were approved. There were few attempts to develop potentially productive linkage between proposals within the same B-WTO components. The portfolio needs to be more coherently linked towards achieving overall B-WTO goals and objectives.
- The quality of individual project designs varied greatly. Support is needed to ensure more consistent quality approaches to problem analysis, project design, budgeting, monitoring and evaluation frameworks, and logical framework matrixes. Increased OSC guidance and support will be needed to improve -- and ensure greater consistency in -- project quality.
- Few proposals included substantive collaboration between different agencies, different levels of government, and/or the business sector. Greater effort is needed to encourage such collaboration in future activities.
- There was considerable variability in project size (from US\$31 470 to US\$ 277 107), with an average size of around \$US 160 000. The administrative costs of developing and managing the smaller projects are high relative to total project costs.

One aim of the work planning exercise was to learn from this experience to improve the quality and relevance of future support. OSC took into account these lessons in developing priorities for AWP2, in selecting concept notes, and especially in ensuring the quality of the AWP2 designs. However, due to the broad scope of activities envisaged in the program design and institutional constraints, B-WTO was not successful in addressing all these constraints. OSC particularly struggled in ensuring more focus in the range of projects supported. Recognizing these constraints, OSC submitted to the Steering Committee and donors a request to conduct an institutional review of the program. This review started in late January 2011 and the final report was submitted sent to OSC in April 2011³.

³ Key findings and recommendations on institutional reform for the B-WTO program are outlined in the Institutional Review Report).

3. IDENTIFYING STRATEGIC PRIORITIES

PROCESSES

Priorities identified for funding approval during 2011 aim to build-on AWP 1 achievements and reflect the strategic directions specified in the B-WTO (phase II) program document and the new Socio-economic Development Plan (2011-15) now being finalized by the Government and the National Assembly. Planning for the 2011 activities started in mid-2010 with a series of round table meetings to determining proposed priorities. The process for identifying strategic priorities involved:

- (i) drawing lessons learned from AWP1;
- (i) reviewing recent Government policy directions (e.g. the draft SEDS, SEDP, and recent Government resolutions) and other relevant donor programs.
- (ii) organizing inter-agency round-table meetings (RTM) discussions⁴;
- (iii) follow-up consultations with key government and business stakeholders, including discussion at a BWTO steering committee meeting with further written input provided by Steering Committee members.
- (iv) issuing a call for proposals to identified priority government agencies and business associations.

This process led to the identification of priorities for each B-WTO component⁵. Details of strategic priorities were distributed with a call for proposal to relevant government agencies, research institutes and civil society organizations in mid-September 2010. These agreed priorities were key criteria for selecting concept notes.

⁴ B-WTO stakeholders (including Steering Committee members) were invited to a series of ½-day roundtable meetings held for each of the B-WTO operational components from 13-19 May 2010.

⁵ See Appendix 3 for details of prioritization process.

AGREED PRIORITY AREAS FOR 2011 FINANCING

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
Component 1: Strengthening the institutions of market economy to boost competitiveness		
<p><u>1. Support legal, institutional and administrative reforms to comply with WTO commitments and market economy needs.</u></p> <p>(i) Strengthen capacity to design and enforce competition policy, including further improvements in legal framework.</p> <p>(ii) Accelerate efforts to reduce administrative barriers and improve regulatory quality and enforcement (e.g. Project 30 activities).</p> <p>(iii) Better understand the regulatory and institutional barriers to competition in specific industries and services.</p> <p>(iv) Continue developing price management legislation to regulate monopolies.</p> <p>(v) Build capacity to address and resolve disputes arising in international trade.</p> <p>(vi) Prepare resolution on direct application of Viet Nam's WTO commitments.</p> <p>(vii) Build capacity to understand and address trade and the environment linkages.</p>	<p>A key SEDS and SEDP focus is to increase competitiveness and productivity. Both these documents emphasise the importance of integration and the need to develop market institutions to improve competitiveness and maximize benefits of integration.</p> <p>Draft SEDS and SEDP and recent Government resolutions on the global financial crisis (e.g. Resolution 18/NQ-CP (6/4/10) and Resolution 23/NQ-CP (7/5/10). SEDP emphasizes <i>“completion of the institutions of socialist oriented market economy. Creating an investment environment which is equal, clear, stable and open”</i>, and to <i>“develop and strengthen the laws on competition, gradually open credit, capital and banking market that are in line with international commitments.”</i></p> <p>RTM discussants highlighted these issues as a priority concerns for B-WTO.</p>	<p>Under AWP 1, initial support was provided to VCAD (report on competition in key sector), and to MOFI (for price management legislation). Other AWP 1 projects (e.g. those aimed at addressing price management) include regulatory impact assessments and other measures to improve regulatory quality.</p> <p>Support will need to be coordinated with other support provided under MUTRAP and VNCI projects.</p>
<p><u>1.2 State enterprise reform.</u></p> <p>(i) Improve legal and institutional framework to manage and govern SEs, including better management of State investments in business enterprises.</p> <p>(ii) Implementation of equitization and divestiture processes.</p> <p>RTM discussants also noted the need for follow-up to implement AWP 1 supported actions.</p>	<p>The draft SEDS and SEDP stress the leading role SEs should play in integration, but notes that the <i>“operating efficiency of state-run companies are still low and the equitisation process has been slow”</i>. RTM discussants highlighted as a priority because of:</p> <ul style="list-style-type: none"> • WTO commitments and the GAP on integration. • Efforts to achieve market economic status • The need to ensure more efficient use of State investments and to increase competitiveness 	<p>Three related projects were approved under AWP1 (two at MOFI and one at CIEM). These should result in (i) improved regulations on SE governance, (ii) more transparent valuation of land in equitized firms, and (iii) better management of investments in SEs. Discussants suggested that it might be more cost-efficient and effective to formulate a single SE reform project with separate components for different agencies.</p> <p>Support should complement WB and ADB policy lending (e.g., ADB's SOE and SME Programs and the WB's PRSC).</p>

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
<p>1.3. Factor markets. Engage with the business sector to improve factor market efficiency. Follow-up support is expected for studies and legal and institutional development related to:</p> <ul style="list-style-type: none"> (i) Real estate markets (ii) Environmental services (iii) Equitable labour markets (iv) Education services (v) Intellectual property 	<p>Draft new SEDS emphasizes that efficient factor markets are crucial to development of a market economy, and calls for action to <i>“Create conditions for real estate market’s development through a better legal framework.”</i></p> <p>RTM discussants noted that initial AWP 1 supported needed to be followed-up to develop and institutionalize recommendations, and also called for support to addressing labour market issues related to integration. Discussants emphasized the need to ensure effective safeguards to ensure equitable (e.g. gender equity) and sustainable development</p>	<p>AWP 1 support to MONRE (i) Legal instruments embodying policies on land valuation, planning, and consolidation to be submitted to Government (ii) draft strategy for developing environmental services. More support required to develop the regulatory and institutional framework needed.</p> <p>Other donors are engaged in related support to develop factor markets. ILO is active in labour market development and WB in real estate market issues. Particular care will be needed in preparing/reviewing such proposals to avoid duplication and maximize synergies.</p>
<p>1.4 Market Economy Status. Support to inter-agency group on market economy. Study regulations, processes and identifying appropriate itinerary for Vietnam to be recognized as a market economy. Potential priorities include:</p> <ul style="list-style-type: none"> (i) financial markets (ii) foreign exchange markets (iii) plan and implement ME consistent legal and regulatory reforms. 	<p>Achieving market economy status is GAP priority and important for maximizing benefits from WTO accession.</p> <p>Consistent with SEDP priorities to develop market economy institutions.</p> <p>RTM discussants highlighted as a priority.</p>	<p>Support under AWP 1 to MOIT for study on progress towards market economy status, and to MOJ for help in formulating legal drafting agenda consistent with market economic status.</p> <p>Other donors (WB, IMF and EU/MUTRAP) address financial and financial market issues but, given the strategic importance of these issues, options should remain open for proposals should specific needs arise.</p>
<p>1.5 Business and professional associations.</p> <ul style="list-style-type: none"> (i) Strengthen capacity of business and professional associations to facilitate integration (e.g. information dissemination, private-public dialogue, responses to anti-dumping, dispute resolution). (ii) Support to address specific integration issues (by sector or business type). (iii) Increase business involvement in all B-WTO supported projects. 	<p>The draft new SEDP calls for <i>“support for enterprises, enterprise associations, other professional associations and organizations to build and implement those standards.”</i> Legal documents (e.g. the Law on Laws) also give a prominent role for business and professional associations</p> <p>Most RTM discussants highlighted this issue as a key B-WTO priority.</p>	<p>Under AWP 1, there was one project to support SISME to: (i) draft strategy for SME development in the context of WTO commitments; (ii) report on impact of integration on engineering, textiles and aquaculture industries (iii) improve awareness of WTO issues in SME Association</p> <p>RTM discussants felt that more could be done to involve business associations in other projects.</p>

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
Component 2: Addressing social and economic challenges of integration for the rural sector		
<p>2.1 Understanding socio-economic impacts of integration in rural areas.</p> <p>(i) Build inter-agency capacity to model and assess economy wide impacts of integration using internationally comparable methodology. Model impacts of integration on rural areas, analysing/studying advantages of agricultural branches/ sub-branches, regions and economic zones through general equilibrium model for better policy formulation.</p> <p>(ii) Develop capacity to develop policy recommendations to ensure more equitable rural development during integration.</p> <p>(iii) Develop capacity to assess linkages between integration and the environment.</p>	<p>Party Central Committee's Resolution 26-NQ/TW 05/08/2008 on agriculture, peasantry and rural development stresses the importance of rural development in addressing social inequities. Government No. 54/NQ-CP</p> <p>Recent strategic planning documents (such as the SEDP) have emphasized the need for: (a) a greater focus on more equitable rural development; and (ii) the formulation of holistic approaches to rural development.</p> <p>RTM discussants stressed the need to learn from international comparative experiences in supporting rural development.</p>	<p>AWP 1 support to MARD under component 2. (Scoping study to prepare TOR for major study of impacts of WTO commitments on agriculture and rural Viet Nam). B-WTO is also financing CIEM studies (component 3) to assess overall impact including impacts on rural sector.</p> <p>RTM discussants noted that there have been many ad hoc initiatives to understand socio-economic impacts on rural areas. But there remained an urgent need for a holistic study (internationally comparable).</p>
<p>2.2 Pilot efforts to maximize positive impacts of integration on rural development</p> <p>(i) Studies on competitiveness and comparative advantage of major agricultural products and recommend actions to boost competitiveness.</p> <p>(ii) Studies to improve linkages with national and global production chains via policy reforms, capacity building, standards development and stronger public private sector linkages (e.g. networks that connect production, processing, distribution and consumption of agricultural products).</p> <p>(iii) Undertake case studies on public and private stakeholder collaboration to develop linkages that allow rural communities to supply higher value products to supermarket chains.</p> <p>(iv) Identify and disseminate information on best practices (including with respect to gender equity) in linking rural communities to national and international markets.</p>	<p>Viet Nam has the lowest agriculture labour productivity in the region, and this contributes to growing rural urban income disparities. The draft new SEDP aims to increase opportunities and provide better incentives to increase value added in rural areas.</p> <p>The SEDP emphasizes the need for a "<i>new style rural area development</i>" and includes a focus on developing new business and employment opportunities for all in rural areas, including forming: "<i>regional industrial centres... developing agro and forestry processing industries, handicraft industries, and trade villages</i>"</p> <p>National programs are also being developed to support balanced rural development (e.g., Decision 800/QD-TTg, 4/06/10, "National Target Program on New Rural Development 2010-2020" to build new rural areas with appropriate economic structures and production systems linking agriculture with rapid development of industry and services.</p> <p>RTM discussants highlighted as a priority.</p>	<p>Support under AWP 1 is being provided to help MARD build a database of regulations on food safety and hygiene of the EU trading partner, Japan, United States, China, Korea and some ASEAN countries. This may help increase opportunities for rural areas.</p> <p>Discussants want B-WTO to support rural communities to integrate into national and global production chains to increase local value added.</p> <p>Most donors are providing support (directly or indirectly) for rural development. B-WTO should coordinate closely with the international cooperation department of MARD to avoid duplication.</p>

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
<p>2.3 Improved institutional framework to facilitate equitable rural-urban transition</p> <p>(i) Draft policy responses to adverse impacts of integration, such as: (a) labour and employment and vocational training policies for rural areas; (b) developing rural labour market (salaries, wages, labour relation), particularly for trade villages; (c) issues related to migration between rural areas – cities, between sectors, identify package support models; (d) social welfare needs of rural-urban migrants. Include focus on gender equity issues.</p> <p>(ii) Draft guidelines on planning infrastructure and services to (i) encourage the effective and efficient development of decentralized industrial zones; (ii) to improve backward linkages to the rural economy. Include gender equity concerns.</p> <p>(iii) Other concrete initiatives to support rural people who are increasingly linked to new urban and industrial areas.</p>	<p>The draft SEDP and SEDS recognize that integration is accelerating urbanization. Most FDI is concentrated in industrial zones, and much of the export-oriented production is increasingly concentrated in industrial zones. Most new jobs are being created in industrial zones and the cities and towns that support these industrial zones. Labour information systems remain weak: the SEDP notes that there are job shortage in many rural areas and labour shortages in some industrial zones.</p> <p>RTM discussants argued for B-WTO support to better understand ongoing the rural-urban transition process and issues, and comparative international experiences in dealing with similar issues. This information would help in developing practical recommendations for policy makers. The RTM also called for B-WTO support for policy and regulatory changes needed to address these issues.</p>	<p>MOLISA proposed one project for B-WTO funding, but this has not yet been approved.</p> <p>Several donors have funded ad hoc related initiatives. It is important that any B-WTO support build on these achievements.</p> <p>The SEDP review of past performance notes a concern that <i>“There has not been a link between the transition of economic structure and the transition of labour structure from agriculture sector to industry and service sectors”</i></p> <p>It is also important that any future B-WTO support draw on international comparative experience with respect to rural-urban transitions. The ongoing ANU study on comparative rural-urban transitions in Indonesia and China may be particularly relevant.</p>

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
Component 3: Supporting capacity for management and coordination of integration		
<p>3.1 Build capacity to manage and coordinate integration initiatives, including.</p> <ul style="list-style-type: none"> i) Build capacity to review and undertake impact assessments of WTO accession (e.g. impacts on the environment, of legal commitments, equity impacts, etc). ii) Build capacity to develop and monitor implementation of strategies and road maps to implement Viet Nam's bilateral and multilateral commitments. iii) Build capacity to identify the socio-economic benefits of trade and investment agreements and to allocate resources accordingly. iv) Build capacity of professional and business associations to engage in policy debate about integration. v) Strengthen communication campaigns to increase community, business understanding of the implications of WTO and integration. vi) Develop capacity of officials by providing appropriate training and exposure to international experiences. 	<p>The goal of B-WTO is “<i>to strengthen government's capacity to manage the integration of Viet Nam into the global economy and the transition of Viet Nam to a socialist market economy</i>”. A core B-WTO and GAP focus is to improve inter-agency coordination and cooperation in addressing integration issues. The need for urgent improvements has been stressed in recent Party and Government resolutions.</p> <p>The SEDS and SEDP call for a renewed focus on post-WTO integration through multilateral and bilateral agreements (especially ASEAN efforts to establish an ASEAN Economic Community, and to establish agreements between the ASEAN bloc and their key trading partners). The draft SEDP notes that the “<i>perceptions and knowledge about socialist-oriented market economic institutions are still limited and that policy coordination remains weak</i>”.</p> <p>The SEDP specifically call to provide “<i>ministries, provincial integration focal points, enterprises, associations with capacity building to support integration</i>”. RTM discussants also highlighted this as a key priority.</p>	<p>Under AWP 1 support was provided to (i) NCIEC (preparation of publication presenting index of Vietnam's international economic integration and cooperation from 1995 to 2009); and to (ii) CIEM (consolidated report to GOV evaluating socio-economic impacts of WTO accession and implementation of regional and bilateral commitments).</p> <p>Support is also being provided to MOIT (Evaluation of implementation of GAP, Recommendations for a new GAP); to NCIEC (training program on integration for officers with integration related responsibilities developed); and to IOPPA (Training curriculum with lectures and presentations on economic integration for local level officials) MUTRAP is also proving related assistance.</p>
<p>3.2 Build analytical capacity to understand and address global developments.</p> <p>Support to analyse and understand the implications of global development on opportunities and challenges for integration. Many key global developments (e.g. the Doha round and climate change) have potentially important inter-sectoral linkages that need to be examined. For example, rural valued added may be maximized by increasing linkages with industrial development (e.g. food processing, furniture, footwear), and service development (retail and tourism services).</p>	<p>Government and Party resolutions -- and the draft new SEDS and SEDP -- highlights the need to build such capacity as an important priority.</p> <p>RTM discussants also highlighted this as a priority, noting that trade policy officials need to be able to better understand the implications of global debates and policy discussions on Viet Nam's development. Such support could be linked to proposed Component 2 support to develop an inter-ministerial model for assessing impacts of integration. Direct technical assistance and training support will be needed to make this happen.</p>	<p>AWP 1 support to CIEM to analyze impact of integration, and to NCIEC, only partially addressed this issue. MUTRAP has provided some support in this area, but there has been no sustained substantive support to address this issue.</p>

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
<p>3.3 Institutional arrangements for coordinating integration processes.</p> <p>(i) Evaluate existing arrangements and compare with various international models for coordinating integration.</p> <p>(ii) Evaluate and learn from recent attempts to establish economic integration focal points.</p> <p>(iii) Draw lessons learned and prepare detailed recommendations for improvements in institutional arrangements at the national and provincial level in Viet Nam.</p>	<p>The need for improved institutional arrangements was highlighted as a key issue in the SEDP, BWTO program document and GAP.</p> <p>RTM discussants also highlighted this issue as a continuing priority.</p>	<p>AWP 1 support to NCIEC (to develop proposals to improve operation of international economic cooperation focal point system)</p> <p>AWP 1 support to OOG (i) to improve capacity of officials of OOG for coordination with regard to integration issues; (ii) to develop proposals for modifying functions, organizational structure and procedures of OOG to improve coordination of government business in the light of international economic integration)</p> <p>MUTRAP support addresses related issues.</p>
Component 4: Supporting implementation of Provincial Action Plans		
<p>4.1 Build provincial level planning and implementation capacity to support integration</p> <p>(i) Build capacity and mechanisms to better implement decentralized integration commitments.</p> <p>(ii) Build pilot initiatives to implement provincial action plans on integration.</p> <p>(iii) Build capacity of provinces emerging as sub-national regional centres for provision of integration services (e.g., trade, logistics and investment services) to work with businesses and neighbouring provinces to better plan, implement and monitor initiatives aimed at responding to the challenges and opportunities of integration.</p> <p>(iv) Identify and communicate good practices in provincial support for integration.</p>	<p>Provincial level capacity building is an important GAP and B-WTO program design priority</p> <p>The SEDP calls for renewed effort to build provincial level capacity to support integration, and includes strong focus on building decentralized capacity.</p> <p>Need for support emphasized at RTMs, but there was also recognition that B-WTO only had resources to support a limited number of provinces. Given resource limitations, RTM discussants noted that priority should be given to pilot initiatives, building on AWP 1 achievements, proposals that involved collaboration with the business community, and proposals that included cooperation with neighbouring provinces.</p>	<p>AWP 1 support to HCM city (i) to increase capacity of HCMC officials to manage integration, (ii) for awareness building program on integration for entrepreneurs from HCMC and neighbouring provinces, (iii) to support post 2010 action plan for economic integration, and (iv) formulate a strategy for development of wholesale and retail sectors</p> <p>AWP 1 support to (i) establish a Centre for WTO issues to serve Da Nang and neighbouring provinces, and (ii) formulate a strategy for development of wholesale and retail sectors.</p> <p>AWP 1 support to An Giang (Training material and initial training for 'Starting and Improving Your Business' course for rural entrepreneurs, modified to include integration related topics).</p> <p>Many donors are helping build provincial planning capacity, but none are focussing on provincial integration issues. The VCCI PCI may be useful in planning support.</p>

Proposed Priorities and Indicative Potential Projects	Rationale for priorities	Comments and links with AWP 1 & other support
<p>4.2 Develop regional (sub-national) approaches to decentralize support for integration.</p> <p>(i) Proposals to support for pilot initiatives to bring neighbouring provinces and the business sector together to identify and address barriers to increased regional competitiveness (including development of economic corridors and zones, and integration service centres);</p> <p>(ii) Improve mechanisms for decentralized planning and management of public investment to better meet sub-national integration needs</p> <p>(iii) Develop capacity of business associations to engage the government on regional bottlenecks to integration.</p> <p>(iv) Pilot initiatives to contribute to maximize benefits from provincial socio-economic development through integration</p>	<p>Highlighted as an important issue on draft new SEDS and SEDP documents. Resources will be wasted and it will be difficult to achieve economies of scale in transport facilitation without coordinated action.</p> <p>RTM discussants also highlighted this as a key issue. The challenge is to identify the most appropriate institutional arrangements to achieve concrete results.</p>	<p>No B-WTO support to date. Some of the ADB and Japan supported economic corridor support is relevant.</p>

4. IDENTIFYING THE AWP2 PROJECTS AND EXPECTED RESULTS

SELECTING PRIORITY PROJECTS

With the priorities, OSC has sent call for proposals for AWP2. Interest in support from the B-WTO program was very high. The B-WTO OSC received 94 proposals including from (i) 11 central agencies (MARD, MOC, MOF, MOFA, MOIT, MOJ, MONRE, MOLISA, MPI, OOG, NCIEC, NFSC, SBV; (ii) three institutes (IPPA, VASS, and VIE); (iii) 11 provincial committees (An Giang, Ba Ria –Vung Tau, Binh Dinh, Da Nang, Hai Duong, Hai Phong, Ho Chi Minh City, Long An, Tay Ninh, Tien Giang, and Vinh Phuc; (iv) and 4 civil society organizations (SME Association, Retailers Association, Tea Association, and VCCI). The total funding requests amounted to more than US\$15 million. Key steps involved in processing the concept notes are presented in the following table.

OSC led initial work on the compilation and initial appraisal of the concept notes. A team of 4 high level national advisors were recruited to assist OSC with the appraisal process. The senior Technical Advisor assisted the OSC in this process. The initial appraisal for short listing was undertaken separately by the OSC and the advisors, with both groups coming to very similar conclusions. In addition to the short listing, the senior advisors also provided valuable suggestions with regard to consolidating and otherwise improving several potentially useful concept notes.

Concept notes that meet these minimum standards were than ranked according to criteria approved by the B-WTO Steering Committee⁶. These criteria were:

- **Relevance.** Focuses on generating tangible results in identified priority area(s)
- **Collaborative approaches** (inter-agency and/or public private collaboration).
- **Builds on** (and does not duplicate) **related B-WTO initiatives**.
- Focus on **capacity building** and/or addressing equity concerns.
- **Logic** of the proposed approach.

Most of the proposed concept notes were consistent with priorities identified for at least one BWTO component. Several proposals were directly linked to priorities identified for more than one component. The quality of proposals varied greatly, but many proposals are well prepared, and some very well developed. Others were quite weak, and/or did not include the minimal information requested, and could not be seriously considered for short-listing. Some well-prepared proposals were rejected because they were not adequately focussed on core B-WTO priorities. The January

⁶ See OSC, 2010, AWP 2 Issues Paper, for more detail.

2011 Steering Committee meeting complemented the OSC and senior advisors on the transparent and serious approach adopted for the appraisal process.

Following is the list of 25 projects that have been endorsed by the SC and the donors⁷.

Component	Project name	Agency	Project Duration	Total Budget (USD 000)	Budget allocated for first 12 months (USD 000)
Component 1				2,935	2,060
Project 1	Completing legal documents in the field of competition and enhance VCA's capacity toward a healthy competition environment in Viet Nam	MOIT- VCA	24	435	220
Project 2	Building and improving legal framework to facilitate integration and trade promotion	MOIT - Legal + Domestic Market Departments	12	200	200
Project 3	Assessment of structural changes in industry and trade since Viet Nam's accession into the WTO and proposals of major measures for restructuring	MOIT- Planning Department	20	250	150
Project 4	Developing a strategy for environment service by 2020 and direction for 2030 (phase 2)	MONRE- Institute of strategy and policy for natural resources and environment	12	200	200
Project 5	Researching international lessons learnt in land administration and proposing solutions to complete legal framework and land management tools for better development of	MONRE- General Department of Land Administration	24	800	400

⁷ Among 25 projects, 5 projects that have been discussed by the SC and the donors shall be noted for sharing design documents and budgeting

	real estate market in Vietnam				
Project 6	Improve the legal framework to implement WTO commitments: 1- Draft the Resolution of the National Assembly (or Standing Committee) on direct application of Vietnam's WTO commitments 2- Strengthen institutions and capacity on trade dispute settlement.	MOJ- Department of International Relation	18	300	200
Project 7	Separating ownership function from regulatory function of state agencies to strengthen the market economy institutions and implement WTO commitments	MPI- CIEM	12	130	130
Project 8	Support consultation and impact assessment of the Law on Price Management to submit National Assembly	MOF- Price Management Department	6	108	108
Project 9	Build indicators to measure the capacity of business associations to support international integration	VCCI	12	100	100
Project 10	Capacity building for VINASISME for better supporting the integration process of their member enterprises (with major focus on SMEs in rural areas)	VINASISME: Science Institute for Small and Medium Enterprises (SISME)	18	300	240
Project 11	Evaluate the impacts of integration commitments in the retail distribution and suggest orientations and solutions for supporting retail distribution system	Association of Viet Nam Retailers (AVR)	12	112	112

		1,230	830

Component 2					
Project 1	Assisting farmers to access biotechnology in coffee production and processing chain to boost its competitiveness	MOIT-Food Industries Research Institute (FIRI),	12	180	180
Project 2	Worker migrants from rural to urban areas and industrial zones in Viet Nam within the context of WTO accession.	MOLISA- Bureau of Employment	18	350	200
Project 3	Assessing the impacts of implementing commitments to WTO and regional commitments on agriculture and rural poverty”	MARD- ICD	24	550	300
Project 4	Capacity building for Vietnam Tea Association for better supporting their member enterprises to maximize benefits from integration	Vietnam Tea Association	12	150	150
Component 3				1,488	1,012
Project 1	Comprehensive evaluation of Vietnam's socio-economy after 5-year-accession into the WTO	MPI- CIEM	12	162	162
Project 2	Capacity building for better management and coordination of international integration	NCIEC	12	300	300
Project 3	Strengthening capacity for staff in charge of International Relation at nationwide level	OOG- Department of International Relation	30	576	200
Project 4	Mainstream content on capacity building for WTO commitments implementation into curriculum of the Academy of Politics – Public Administration	IPPA	20	250	150

	Region I.				
Project 5	Studying and promoting models for the WTO Centres in Viet Nam	VASS	12	200	200
Component 4				1,060	810
Project 1	Maximizing benefits of economic integration through effective decentralization of planning of socio-economic development.	VIE+ CIEM	12	200	200
Project 2	Strengthen capacity of Da Nang WTO Centre to better support integration process in Da Nang and neighbouring provinces	Da Nang City	18	350	240
Project 3	Improving capacity of staff and farmers in developing rural small enterprises in An Giang at the stage of 2009-2012	An Giang-Department of Agricultural and Rural Development	15	160	110
Project 4	Supporting rural industry and export promotion of agricultural products in Mekong Delta- pilot case in Tien Giang province	Tien Giang province- Committee of Integration	12	100	100
Project 5	Promoting effectively the implementation of international economic integration program of Ho Chi Minh City and support for other provinces in the region	HCMC- WTO Centre	18	250	160
Total budget				6,713	4,712

Note: The budget estimated were the maximum budget for those projects of which final budget shall be subject to design stage.

EXPECTED KEY HEADLINE RESULTS

The following table sets out the key headline results expected to be achieved during 2011 and beyond from the newly approved projects.

Component	Expected Key Results
Strengthening the institutions of market economy	<ul style="list-style-type: none"> Greater awareness of distributional impacts of legislation via regulatory impact assessments (RIA), including consultations with key stakeholders. RIA of draft Price Law which will be submitted to the National Assembly. Draft National Assembly resolution on direct application of WTO commitments discussed by National Assembly. Actions taken to review key economic legislation (including competition, foreign trade law, retail service law, future commodity exchange, land law). Regulations issued to clarify State owned enterprises governance and separate State ownership and regulatory functions. Draft strategy on developing environmental services discussed with key stakeholders. Enhanced capacity of business associations to support members on integration related issues (reflected in increased media coverage of policy submission prepared on topical policy issues by sector business associations). Better information base to assess the role and performance of business associations.
Impacts of Integration in Rural Areas	<ul style="list-style-type: none"> Initial drafts of study socio-economic impacts of integration in rural areas prepared and discussed with key stakeholders. Initial results of study migration of rural workers to industrial zones and urban areas. Rural entrepreneurs in pilot provinces trained in how to learn about, and benefit from, integration opportunities. Trainers trained to extend this training.
Capacity building to coordinate and manage integration	<ul style="list-style-type: none"> New Government resolution on integration issued to provide more strategic guidance on measures to ensure equitable benefits from integration. Inter-agency and inter-institution approaches used to address barriers to effective and equitable integration. Central and provincial level agencies, research institutions and business associations cooperate to implement B-WTO projects. Dissemination and public discussion of report on impact of integration following three years of WTO accession. Feedback used to develop new five-year impact study. Curriculum developed, to sustain training via the Institute for Public Administration. Provincial integration index used to strengthen provincial level support for integration. Economic cooperation index (AsiaLink model) widely disseminated and used as input for trade related strategic planning.

Component	Expected Key Results
Provincial level integration	<ul style="list-style-type: none"> • Recommendations available to assist provinces to develop integration friendly strategies (e.g. using provincial integration index study, and lessons learned from pilot projects). • Growing use of WTO centres in HCMC and Da Nang by businesses to access integration related information. • Capacity of HCMC Peoples Committee to study and address barriers to integration and cross-border production enhanced via cooperation with Singapore research institutes to study the development of garments and logistics clusters in HCMC and surrounding provinces. • Pilot studies on value chains in Da Nang and neighbouring provinces initiated.
Management of MTDF	<ul style="list-style-type: none"> • Revised institutional arrangements helps improve the efficiency of delivery of B-WTO support. • Training provided to officials in BWTO supported projects (and OSC staff) in project management, accounting, and results based management. • Greater public awareness of B-WTO activities and results, with strengthened monitoring, reporting, evaluation and communications systems • Further development of international linkages helping to maximize value for money (e.g. between NCIEC and AsiaLink, HCMC WTO centre and University of Singapore, and between VCAD and ACCC (Australia), and VCAD and Dep't of Fair Trading (UK)).

MONITORING AND REPORTING

Project owners will be responsible for monitoring of progress and financial performance. Quarterly, half-yearly and yearly financial and progress reports will be prepared in accordance with the BWTO Operations Manual. The agreed Logical Framework Matrix will provide the foundation for monitoring of progress towards achieving outputs, outcomes and results. Care must be taken to include realistic and meaningful indicators and targets in the Logical Framework Matrix.

Project owners will also be required to provide brief evaluations of key activities (including all training programs, study tours, and workshops) after the completion of the activities. Guidelines for reporting on these evaluations will be provided by OSC. Project owners are also required to submit electronic and hard copies of draft and final studies, reports and other relevant outcomes as they become available. Project owners must report to OSC that date of all key events in advance of the event. OSC and donor representatives should normally be invited to all such events.

The OSC will aggregate project monitoring reports and provide quarterly summary reports to the B-WTO Steering committee and 6 month report to donors. OSC will also report on overall results of the B-WTO Program taking into account the M& E

framework which has been developed in 2010 with the support from external consultant (certain adjustments may be made for this framework in order to suit the reality).

5. FINANCIAL CONSIDERATIONS

OVERVIEW OF BWTO RESOURCES

As stated in the Joint Financing Agreement, AusAID has committed AUD 12 million (equivalent to US\$ 12,988,264) and DfID committed GBP 3.5 million (equivalent to US\$ 5,766,590) in funding to BWTO Phase II, plus additional support amounting to US\$0.5 to finance independent review, audit and evaluation activities. The Government of Vietnam has committed to provide total contribution of VND10 billion (equivalent to US\$0.57 million) in cash for implementation of BWTO. The Government will also provide in-kind support through the provision of programme staff, office arrangements through the programme management structure.

Table 1: Committed MTDF contributions

Component	Total Programme Budget (USD)
AusAID and DFID	18,754,855
The Government of Vietnam	571,500
Total	19,326,355

The EU financed MUTRAP has expressed interest in providing parallel funding to finance external technical assistance costs for selected projects. Other bilateral donors are considering providing additional support.

BUDGET FOR 2011 BY COMPONENT

Total budget for all projects are presented in the following table. The planning period is one year, but some projects will be implemented over up to more than one year. Flexibility is retained to fund additional high priority projects during 2011.

Table: Budget by component

Component	Donor Budget (million USD, total allocated to 25 concept notes approved in 2011)	Donor Budget (million USD, 2011)
1. Strengthening the institutions of market economy	2935	1066
2. Addressing socio-economic challenges of integration in rural areas	1230	430
3. Building capacity for management and coordination of integration	1488	516
4. Supporting implementation of Provincial Action Plan	1,060	414
5. Management of MDTF	900	900
Total	7,613	3,326

Note: The approved AWP2 will provide the maximum budget for all the 5 components in the duration that it will cover. For activities mentioned in the components from 1 to 4, the budget estimated were the maximum budget for the activities conducted in the third and the fourth quarters and the final budget shall be subject to design stage.

SUPPORT FROM LINE MINISTRIES AND AGENCIES

BWTO very much relies on the Government's administration system to undertake activities. The model had been well tested in Phase I and AWP 1. The process of prioritization, project preparation, and approval is time-consuming given the broad range of competing interests, but once implementation starts, ownership is strong and there are promising indications of sustainable achievements in most B-WTO supported activities. The continuing support from line ministries and Government's agencies will be critical to sustained success.

Financial contributions by the Government of Viet Nam include cash contributions and in-kind contributions such as staff, office and facility arrangements. Contributions in cash are determined in each proposal in accordance with the State budget regulations. BWTO does not require a minimum percentage for counterpart funding but, when prioritizing projects for selection, looks for indications that supported activities are directly linked to priority concerns of the owning agency.

6. TIMELINE FOR COMPLETION OF NEXT STEPS

Description	2011											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Implementation of AWP 1 projects												
Institutional Review and Restructure												
SC/donors agrees projects for AWP 2												
Project Design Documents												
SC/donors approve PDD for 2011												
Implementation of new projects.												
Quarterly progress reports provided to donors and SC												
SC meeting												
Independent audit B-WTO activities												
Communication												
Capacity building for OSC and projects												

7. RISK ASSESSMENT AND MITIGATION

RISK ASSESSMENT

There is considerable risk associated with the BWTO II program, since it lies at the heart of the policy and institutional reform processes associated with Viet Nam's transition to a market economy. There are risks of substantial delays or failure to implement the policy recommendations and/or institutional changes being supported by BWTO. Key elements of the BWTO design aimed at mitigating these risks are discussed below.

Overall, the level of risk is judged to be medium. There is relatively low risk on misuse of funds and improper accounting, provided that the Operational Manual provides sufficient guidance and safeguards on financial management. The donors have provided effective support to OSC in developing capacity in this area. There is considered to be medium risk on value for money – poorly planned research, study tours, workshops and a potentially high risk of duplications and overlapping within BWTO and other initiatives. The satisfactory performance of most BWTO supported projects under AWP 1 provides reasons for confidence that the risks are manageable.

Institutional risks for implementation are significant. There are numerous parties involved, requiring clarity of roles and responsibilities for each party. This also places a heavy burden on the co-ordination capacity of OSC as well as the need for effective knowledge management and information sharing across the project owners in the B-WTO portfolio. Some institutional changes could follow the next Party Congress that could impact on B-WTO management. The donors and the government have agreed to field a team to review institutional arrangements and report to the government and donors in early 2011. This review will provide options for improvements to be implemented as soon as possible following the Party Congress and election of the new government.

There is a risk of conflicts of interests whereas members of the Steering Committee (SC) representing project owners and there are proposers who have no seats in the SC hence have no voice in the decision making process (e.g. provincial governments). To ensure that the process of decision making (especially in selecting project to be funded) is sound and objective, the SC agreed on pre-defined and transparent criteria in selecting projects and activities for support. Two separate teams of OSC and independent consultants were asked to rate each concept note. With a few exceptions, the separate ratings produced remarkably consistent results. Remaining differences were discussed and the two teams reached agreement on the projects to be rejected, and those to be accepted for immediate processing (i.e. those included in this list).

There is clear desire amongst all parties to have an equitable ‘balance’ in the AWP (i.e. a balance between central and provincial governments, rural and urban, public and private, short and medium-term issues, regional parity, etc.). While balance is clearly desirable, the risk is that limited programme resources will be spread too thinly in too many areas. The OCS tried to mitigate this risk, by establishing clear strategic direction and priorities for selecting projects as described in this document. The OSC is confident that the work program outlined in this document provides an appropriate balance.

MITIGATING MEASURES

The key mitigating factor against the above-mentioned risks is the strong degree of national ownership of both the BWTO program and, especially, the individual BWTO supported projects. Many of the projects supported by BWTO are nationally (or provincially) directed priorities for the agency. The projects are not add-on to the agency’s work.

With strong ownership, project owners have demonstrated a commitment to use funds for the intended purposes, to properly account for all resources, and to consistently strive for value for money. The OSC also tries to link ongoing support and disbursements to project performance (e.g. disbursements depend on the achievement of milestones and follow-up support depends on earlier performance under BWTO support).

The funding arrangement between OSC and the implementing agencies, which governs how the proposed projects will be funded, implemented and managed, is an important managerial tool. The Operational Manual has proved a useful tool in setting out the clarity of procedures; robustness of checks and controls; and the consequences of non-compliance. While useful, experience under AWP 1, suggests room for improvement. The OSC has identified several core areas for improvement, and with SC approval, have just recruited a team of national consultants to help improve the OM.

The OSC continues to try to strengthen technical and co-ordination capacity through on-the-job, and specialized, training to OSC and project staff. The OSC is organizing training in project design for staff from agencies that have been asked to develop concept notes into full PDDS. Further training will be provided when projects have been finally approved for implementation.

Staffing of the OSC was substantially strengthened over the last 15 months with the recruitment of the Senior Technical Adviser, Senior Programme Co-ordinator and other expert staff. A communication service company has been recruited to help improve

communications services. Effective implementation of the findings of the institutional review will require further institutional strengthening within OSC.

The leadership of BWTO and its steering committee were heavily involved in supporting the hosting of ASEAN meetings in Viet Nam during 2010. At times this delayed management meetings and decision making. It is expected that it will be somewhat easier to meet and secure more timely BWTO management decisions now that these meetings have finished.

The OSC is confident that with these measures, and especially the implementation of the recommendations of the institutional review, including further institutional strengthening, the prospects for generating tangible results thorough 2011 look promising.

**APPENDIX 1: LIST OF PROJECTS CONCEPT NOTES APPROVED
FOR AWP 1**

No	Activity	Agency	Time Period	B-WTO Funding
Component 1				
1.	Enhancing Capacity for VCAD to Reinforce the Market Economy Institution in Vietnam	VCAD, MOIT	12 months	\$ 195,040
2.	Government Decree on Stipulating the State Capital Investment in the Enterprises	Department of Enterprise Finance, MOF	12 months	\$ 150,000
3.	Support to the formulation of GOV policy on land valuation in SOE equitization	Department of State Assets Management, MOF	12 months	\$ 150,000
4.	Support to the formulation of the Price Management Law	Department of Price Management, MOF	12 months	\$ 300,000
5.	Renewing corporate governance in state-owned enterprises and supervision of state economic groups in accordance with WTO commitments and market economy practices	CIEM, MPI	12 months	\$ 150,000
6.	The Improvement of Viet Nam Legal System to Implement WTO Commitments	International Law Department, MOJ	12 months	\$ 110,000
7.	Survey and evaluation of the current status, identification of the opportunities and challenges, and development of a strategy for environment service by 2020 and orientation for 2030	MONRE	12 months	\$ 224,044

No	Activity	Agency	Time Period	B-WTO Funding
8.	Formulation of legal policy and mechanism to develop organizations to provide services for the real estate market	MONRE	12 months	\$ 200,000
9.	Study to Recommend Solutions for Strengthening Production Capacity of Small and Medium Enterprises on The Basis of Promoting Their Advantages in The Process of Improving the Institutions of Market Economy in Viet Nam	SISME	12 months	\$189,000
Component 2				
1.	The impact of WTO accession on labour migration from rural area to urban area and industrial zones	Department of Employment, MOLISA	12 months	\$ 200,000
2.	Analysis and evaluation on impact of WTO commitments and regional commitments (impacts on economy, society, rural area, poverty, SME in agriculture)	MARD	12 months	\$81,000
3.	Research and development of database and regulations on Food safe and sanitary and SPS of commercial partners such as EU, Japan, Korea, America, China and ASEAN	MARD	12 months	\$31,904
Component 3				
1.	Research of functions, tasks, organizational structure and capacity improving of The Office of Government staff and civil servants in resolving joint sector issues in the context of international economic integration	OOG	12 months	\$ 110,000

No	Activity	Agency	Time Period	B-WTO Funding
2.	Assisting integration coordinating by means of supervision, examination and assessment mechanism of the implementation of tasks defined in the Action Plans of the Government, Ministries Agencies and local authorities to realize the Government's Resolution No.16/2007/NQ-CP	Department of Planning, MOIT	12 months	\$ 220,000
3.	Impacts of integration on Viet Nam's economy after three years of joining the WTO	CIEM, MPI	12 months	\$ 120,000
4.	Capacity building for the international economic integration focal points	NCIEC	12 months	\$ 200,000
5.	Increasing management capacity to implement WTO commitments for the leaders and managers at Province, Commune level at Administration and Politics Institute Area I	Administration and Politics Institute Area I	12 months	\$130,532
Component 4				
1.	Establishment of a Center for WTO Issues in Danang City & Development Plan of Wholesale Network and Retail Network in Danang City to 2020	Da Nang PPC	12 months	\$ 50,532 & 46,499
2.	Improving capacity of staff members and Farmers in developing rural small enterprises in An Giang, at the stage of 2010-2013	An Giang PPC	12 months	\$ 166,555
3.	Increase the capacity of Ho Chi Minh city through global economic integration.	Ho Chi Minh City PPC	12 months	\$ 190,000
	TOTAL			\$ 3,215,106

APPENDIX 2: PROCESS TO DETERMINE AWP2 PRIORITIES

The RTMs highlighted several strategic principles which should guide planning and selection of initiatives to be supported from 2011 as follows:

- Aim for fewer, more strategic projects to maximize efficiency, value for money and impact.
- Encourage collaborative initiatives (between different central and sub-national government agencies, research institutes, business associations, other civil society organizations).
- Focus more effort on improving the quality of concept notes and project designs, even if this means delays.
- Strategic relevance of proposals should be an important consideration in selecting projects.
- B-WTO should aim to build on earlier successful work where feasible.
- Important to consider equity issues (geographic, gender, etc) in developing proposals.
- Consideration should be given to including communication/information sharing strategies in project designs.

RTM discussions also noted that a new Socio-Economic Development Plan (SEDP, 2011-15) was being finalized, and that any new SEDP priorities should take precedence over Government Action Plan (GAP) priorities in developing AWP-2. Agreement was also reached that the Steering Committee should retain flexibility to: (i) approve projects that may expect to take more than one year to implement; (ii) approve high priority projects outside the scheduled processing cycle.

COMPONENT PRIORITIES

COMPONENT 1: STRENGTHENING THE INSTITUTIONS OF MARKET ECONOMY

Priorities for B-WTO funding for 2011 under Component 1 included: (i) Support legal, institutional and administrative reforms to comply with WTO commitments and market economy needs; (ii) State enterprise reform; (iii) Factor market development

(land, labour capital); (iv) Support to achieve recognition as market economy; (v) Development of business and professional associations role in integration process.

A key SEDS and SEDP focus is to increase competitiveness and productivity. Both documents emphasise the importance of integration and the need to develop market institutions to improve competitiveness and maximize benefits of integration. The SEDP emphasizes “*completion of the institutions of socialist oriented market economy. Creating an investment environment which is equal, clear, stable and open*”, and to “*develop and strengthen the laws on competition, gradually open credit, capital and banking market that are in line with international commitments*”. The draft SEDS and SEDP also stress the leading role SEs should play in integration, but notes that the “operating efficiency of state-run companies are still low and the equitisation process has been slow”. Sustained efforts to reform State enterprises are seen as important in increasing efficiency and in achieving broader recognition as a market economy. The draft SEDS also emphasizes that efficient factor markets are crucial to development of a market economy, and calls for action to “*Create conditions for real estate market's development through a better legal framework*”. The draft SEDP calls for “*support for enterprises, enterprise associations, other professional associations and organizations to build and implement those standards.*”

COMPONENT 2: ADDRESSING SOCIO-ECONOMIC CHALLENGES OF INTEGRATION IN RURAL AREAS

Intensified international economic integration can have uneven gender, spatial and sectoral implications. Both the B-WTO and the government action plan (GAP) on integration include a strong focus on these issues, because understanding the spatial and sector impacts of integration is important in addressing the social and economic consequences of integration.

The Party Central Committee's Resolution 26-NQ/TW 05/08/2008 on agriculture, peasantry and rural development also stresses the need to focus on rural development to address social inequities associated with growth. The draft SEDP (2011-15) identifies a need for: (a) a greater focus on more equitable rural development; and (ii) the formulation of holistic approaches to rural development. It emphasizes the need for a “new style rural area development” and includes a focus on developing new business and employment opportunities for all in rural areas, including forming: “regional industrial centres... developing agro and forestry processing industries, handicraft industries, and trade villages”. National programs are being developed to support balanced rural development (e.g., Decision 800/QD-TTg, 4/06/10, “National

Target Program on New Rural Development 2010-2020”).

Proposals supported under Component 2 are designed to respond to these needs and to help develop practical policies and actions by (i) building inter-agency capacity to model and assess economy wide impacts of integration using internationally comparable methodology; (ii) model impacts of integration on rural areas; (iii) develop capacity to develop policy recommendations to ensure more equitable rural development during integration; and (iv) develop capacity to assess linkages between integration and the environment. B-WTO will also support pilot efforts to maximize positive impacts of integration on rural development (e.g. via support to rural enterprise associations), and will support efforts to improve the institutional framework to facilitate equitable rural-urban transition (especially looking at rural labour transition issues. B-WTO place high priority on efforts to better understand ongoing the rural-urban transition process and issues, and comparative international experiences in dealing with similar issues.

It should also be noted that a major Component 3 project will looking at the socio-economic impacts following five-years of integration is also very relevant to this component, as is support to land policy and legislation reform under Component 1.

COMPONENT 3: BUILDING CAPACITY FOR MANAGEMENT AND COORDINATION OF INTEGRATION

1. Given that one of the overall objectives of the BWTO program is “to strengthen the Government of Vietnam’s capacity to manage the integration of Vietnam into the global economy and its transition to a socialist market economy”, and AWP 2 priorities include:

- Build capacity to manage and coordinate integration initiatives, including (i) capacity to review and undertake impact assessments of WTO accession (e.g. impacts on the environment, of legal commitments, equity impacts, etc.); (ii) capacity to develop and monitor implementation of strategies and road maps to implement Viet Nam’s bilateral and multilateral commitments; (iii) capacity to identify the socio-economic benefits of trade and investment agreements and to allocate resources accordingly; (iv) capacity of professional and business associations to engage in policy debate about integration; (v) capacity to increase community, business understanding of the implications of WTO and integration; and (vi) capacity exposure of officials to international experiences.
- Build analytical capacity to understand and address global developments, including support to analyse and understand the implications of global

development on opportunities and challenges for integration. Many key global developments (e.g. the Doha round and climate change) have potentially important inter-sectoral linkages that need to be better understood. For example, rural equity concerns might be addressed by increasing linkages with industrial development (e.g. food processing, furniture, footwear), and service development (retail and tourism services).

- Improving institutional arrangements for coordinating integration processes at central and provincial levels, taking account international experiences, and recent attempts to establish economic integration focal points.

COMPONENT 4: SUPPORTING IMPLEMENTATION OF PROVINCIAL ACTION PLAN

Strategic Component 4 priorities include:

- Build provincial level planning and implementation capacity to better implement decentralized integration commitments, including support for pilot initiatives to implement provincial action plans on integration, build capacity of provinces emerging as sub-national regional centres for provision of integration services (e.g., trade, logistics and investment services) to work with businesses and neighbouring provinces, and support to identify and communicate good practices in provincial support for integration.
- Develop regional (sub-national) approaches to decentralize support for integration, including pilot initiatives to bring neighbouring provinces and the business sector together to identify and address barriers to increased regional competitiveness (including development of economic corridors and zones, and integration service centres); develop mechanisms for decentralized planning and management of public investment to better meet sub-national integration needs, develop capacity of business associations to engage the government on regional bottlenecks to integration, and pilot initiatives to contribute to maximize benefits from provincial socio-economic development through integration

Provincial level capacity building is an important GAP and B-WTO priority. The draft SEDP (2011-15) calls for renewed effort to build provincial level capacity to support integration, and includes strong focus on building decentralized capacity. Given resource limitations, B-WTO decided to give priority to proposals for pilot initiatives, proposals that involved collaboration with the business community, and proposals that included cooperation with neighbouring provinces.

Immediate priorities identified for processing under AWP 2, component, 4 are

presented in the executive summary.

COMPONENT 5: MTDF MANAGEMENT

The focus of efforts under AWP 1 have been on getting the BWTO Office of the Steering Committee (OSC) established, the AWP developed, approved and implemented, and to begin building the capacity of the OSC itself. Notable achievements include:

- Established office and recruited staff.
- Provided formal and informal training for OSC staff.
- Developed and secured approval of AWP 1.
- Acted on recommendations of 2009 audit report.
- Provided training courses to officials in BWTO supported projects in project management and accounting.
- Developed a draft monitoring and evaluation systems, and organized periodic monitoring of project activities.
- Organized round table meetings and follow-up discussions to establish priorities for 2011 and beyond.
- International linkages have also been developed which will help maximize value for money (e.g. between HCMC WTO centre and University of Singapore, and between VCAD and ACCC (Australia), and VCAD and Department of Fair Trading (UK).
- Organized a review of BWTO institutional arrangements to address perceived short-comings in BWTO responsiveness.
- Despite delays in approval and start-up process, implemented many core AWP 1 activities, with most remaining activities expected to be completed in the first quarter 1011.

An immediate priority for 2011 is to implement an institutional review and to take actions to improve the responsiveness of the program as a recommended in the mid-year review. It is hoped that the review will include concrete recommendations on how to streamline the institutional structure and simplify project processing procedures. Action on recommendations is planned for Q1 2011. Other priorities for

2011 include:

- Finalize the changes to the operations manual (OM) in line with agreed Terms of Reference, and taking account of any recommendations of the institutional review accepted by BWTO leadership. The revised OM will include a revised OSC organization chart and terms of references as agreed by the BWTO leadership.
- Strengthen and implement monitoring and reporting systems. Prepare first BWTO results monitoring in Q1 2011.
- Implement audit of 2010 financial accounts.
- Finalize and implement communications strategy.
- Improve and regularly update website and other databases.
- Further develop linkages are now being developed between MOLISA and research institutes in China, Indonesia and Australia to study rural-urban labour transition issues.

