

# Beyond WTO Program

## A design for Phase II

FINAL

Prepared for:

AusAID, DfID and the  
Government of Vietnam

**March 2009**

# Contents

<b>Glossary</b>	<b>4</b>
<b>Executive summary</b>	<b>5</b>
<b>1 Strategic context and rationale</b>	<b>9</b>
Strategic context	9
Higher level objectives to which the program contributes	14
Assessment of Phase I and lessons learnt	14
<b>2 Program description</b>	<b>19</b>
Approach	19
Proposed components of MDTF support under Phase II	20
Results framework	27
Indicative budget and timing	31
<b>3 Implementation</b>	<b>33</b>
Partnership arrangements	34
Institutional arrangements for the management of the MDTF	35
MDTF work programming processes	37
Financial Management (including accounting and auditing)	39
<b>4 Risk, cross-cutting issues and sustainability</b>	<b>41</b>
Risks	41
Cross-cutting issues	43
Sustainability	45
<b>APPENDIXES</b>	<b>47</b>
<b>A Progress towards the Millennium Development Goals</b>	<b>49</b>
<b>B Reviews of Phase I</b>	<b>50</b>
<b>C Results framework and monitoring</b>	<b>54</b>
<b>D Budget</b>	<b>58</b>
<b>E The MDTF Steering Committee and MDTF Office</b>	<b>59</b>
<b>F Implementation arrangements</b>	<b>69</b>
<b>G Financial management and disbursement arrangements</b>	<b>74</b>

<b>H</b>	<b>Design team terms of reference</b>	<b>78</b>
<b>I</b>	<b>Persons consulted</b>	<b>89</b>
	<b><i>ATTACHMENT (OPERATIONAL MANUAL)</i></b>	<b>91</b>
	<b>Boxes, charts and tables</b>	
1.1	Integration, poverty reduction and Millennium Development Goals in Vietnam	10
1.2	The genesis of the BWTO program	13
1.3	The Multilateral Trade Assistance and Reform Project (MUTRAP III)	14
2.1	Results framework: components of Phase II	22
2.2	Logical framework for Phase II	28
2.3	MDTF contributions	32
3.1	Institutional arrangements for implementation of the GAP and MDTF support	34
3.2	Organisational structure for management of the MDTF and its activities	36
3.3	Work planning process	38
4.1	Risks and mitigation measures	43
A.1	Vietnam – progress towards Millennium Development Goals	49
C.1	Results framework: components for Phase II	55
C.2	Logical framework for Phase II	56
D.1	MDTF contributions	58
E.1	Structure of the Office of the MDTF	62
F.1	Organisational structure for management of the MDTF and its activities	69
F.2	Proposed work planning process	71
G.1	Proposed schedule for release of funds	77
I.1	Agencies and persons consulted	89

# Glossary

BWTO	Beyond WTO
CIDA	Canadian International Development Agency
CPV	Communist Party of Vietnam
DfID	Department for International Development
EC	European Commission
GDP	Gross Domestic Product
GOV	Government of Vietnam
ISC	Integration Steering Committee
M&E	Monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development
MDTF	Multi-donor Trust Fund
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Investment
MUTRAP	Multilateral Trade Assistance and Reform Project
GAP	Government Action Plan
NCIEC	National Committee for International Economic Cooperation
NME	Non-Market Economy
OOG	Office of Government
OSC	Office of the Steering Committee
PAP	Provincial Action Plan
PRSC	Poverty Reduction Support Credit
SEDP	Socio-Economic Development Plan
VDG	Vietnam Development Goals
WTO	World Trade Organization

# Executive summary

- The Beyond WTO Program was developed in response to a request from the Government of Vietnam for donor support to help with managing economic integration and the transition to a market economy in the period after Vietnam's accession to the World Trade Organization (WTO). The first preparatory phase of the program, which was launched in January 2007 shortly after Vietnam formally acceded to the WTO, was designed to help the Government to develop a comprehensive national action plan (GAP) and robust institutional arrangements for coordinating integration and related reforms, and to test a nationally managed multi-donor trust fund (MDTF) to provide pooled donor support for implementation of the plan. This document presents the proposed design for the second phase, aimed at supporting actions under the GAP.
- The design draws on the lessons from the first phase, and on consultations with key stakeholders concerning the priority areas for support over the next few years. The main elements of the approach proposed for the design, which will maintain the Program's status as a key vehicle for harmonised donor support on integration and economic transition, are as follows.
  - The Program will combine a focus on agreed core priority policy areas and activities with sufficient flexibility to address changing and emerging priorities.
  - The Program will provide support for the Government's GAP management and coordination function.
  - The Program will provide support to strengthen the management of the MDTF.
  - Phase II will clearly distinguish management arrangements for the MDTF from the management and coordination arrangements for the Government of Vietnam's implementation of the GAP, while recognising the conceptual and substantive linkage between the plan and the activities funded by the MDTF.
  - Monitoring and evaluation will be an essential part of the Program, with a results framework that focuses clearly on implementation of the GAP.
- The goal of the Program during Phase II will continue to be 'to strengthen government's capacity to manage the integration of Vietnam into the global economy and the transition of Vietnam to a socialist market economy'. The Program's purpose is 'implementation of priority policy actions from the Government's Action Plan'. The plan has been constructed to enhance Vietnam's capacity to sustain pro-poor growth and protect poverty reduction gains.

- The design recognises that the Government's GAP does not yet provide a sufficiently well-articulated set of priorities that is integrated into the work programs and budgets of ministries and agencies. Nor, given the nature of the activities that the Plan involves, can it reasonably be expected to do so, at least to a degree sufficient to allow a fully open-ended and flexible program of support. The design, therefore, envisages an additional step of developing priorities and work programs for two key areas of action in the GAP and the coordination of an integration-related reform agenda. The two areas, selected on the basis of priorities expressed during the design mission, analysis of the GAP and reports commissioned by the Program, reflect priorities in recent resolutions of the Communist Party of Vietnam and are:
  - strengthening the institutions of a market economy; and
  - addressing the social and economic challenges of integration for the rural sector.
- Phase II of Beyond WTO will have five components.
  1. **Strengthening the institutions of the market economy**, addressing issues identified by the Government as priorities for extricating Vietnam from the Non-Market Economy Status conferred by some current members of the WTO, including price controls, interest rate policy, policies on state owned enterprises, state enterprise reform, land policy and management, implications of socialisation of public services and competition policy.
  2. **Addressing social and economic consequences of integration for 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.
  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 (selected on the basis of the quality of their action plans) to realise the significance of the integration related challenges they face and constraints on the resources they can access to address these challenges to implement selected activities identified in plans and to incorporate integration issues into their socio-economic planning processes.

5. **Management of the MDTF**, providing a range of support for the institutional arrangements for Fund management, which could include 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 (at least in the early stages of program implementation). This component will also include a contingency for response on an ad-hoc basis to priority requirements for new activities agreed with donors.
- Components 1, 2 and 3 will have the capacity to provide support to any central ministry or agency that has activities in their action plans relevant to the specified focal areas, while component 4 will initially target a select group of provinces to explore the scope for effective support for provincial roles in addressing the challenges of integration and the changing role of the state in a market economy.
  - It is proposed to revise the institutional arrangements for implementation of the Program to reflect recent decisions of the Government with respect to coordination of international economic integration issues and responsibility for oversight of implementation of the GAP. The Prime Minister has confirmed the continuing role of the National Committee for International Economic Cooperation (NCIEC) as the focal point for managing and coordinating all international economic integration issues. The Ministry of Industry and Trade (MOIT) has been assigned responsibility for monitoring, assessing and speeding up the implementation of the GAP, and the Steering Committee for the Program that was established during Phase I will now be led by a Vice Minister of MOIT. A streamlined MDTF Management Board will be established with more limited membership from key agencies involved in integration and economic reform to manage the trust fund and its activities. Representatives of donors financing the Fund will participate as formal observers in the meetings of the Steering Committee and the Management Board. The Committee and Board will be supported by an MDTF Office built around the current Office of the Steering Committee located in MOIT and the Office of the NCIEC.
  - The MDTF Management Board will oversee annual work programming processes for each component of the Program. These processes will be led by a lead ministry or agency, and produce matrices of key policy actions and necessary support from the Fund for approval by the MDTF Steering Committee and donors.
  - The budget for the Program will ultimately depend on the decisions made by donors. However, core MDTF funding of US\$13 million is expected from AusAID and DfID, with an additional US\$4 million likely to be provided by CIDA, Irish Aid and Switzerland. Payment of annual tranches will be dependent on donor approval of annual work programs. There will also be earmarked funding (approximately US\$3 million) outside of the MDTF, and in-kind support from the World Bank.

- There is considerable risk associated with the Program, since it lies at the heart of the policy and institutional change processes associated with Vietnam's transition to a market economy and ongoing reforms. There are risks related to the politics of change, continuation of government ownership and external shocks that may derail the reform process, along with risks linked to institutional capacity, accountability, corruption, conflicts of interest and predictability of donor financing. There are, however, specific features of the design that mitigate those risks that are within the ambit of the Program's reach, and there is no compelling evidence to suggest a diminution of the strong Government and political ownership of the reform process in which the Program is embedded.



# 1 Strategic context and rationale

## Strategic context

### Integration and Vietnam's development strategy

- 1.1 International trade and investment, when coupled with domestic reform and sound macroeconomic policies, is a powerful engine for promoting sustained economic growth, employment opportunities and poverty reduction. This has been demonstrated in a number of developing countries – not least in Vietnam – that have achieved impressive economic growth rates and substantial reductions in poverty while removing barriers to integration with the rest of the world (box 1.1).
- 1.2 However, some developing countries are experiencing difficulty in capturing all of the benefits of more open trade and investment policies. This is often because market institutions are not fully established; domestic regulations continue to impede responses to changing circumstances; or effective instruments to address the social and environmental consequences of change are not well developed. This can mean that countries may lack the capacity to manage some of the risks that increased exposure to shocks in the rest of the world may bring. In Vietnam, as in other transition economies, the current global financial crisis and its impact on world economic growth are highlighting problems associated with a partial implementation of the reform agenda that successful economic integration requires. Structural problems associated with the continued dominance of state enterprises that are not subject to full commercial and economic disciplines, and a continuing willingness to resort to protectionism and restrictions on competition in strategic sectors, are magnifying stresses associated with the global downturn. These in turn exacerbate the risk of reversal of past gains in poverty reduction by reducing the flexibility of the economy to adjust to changing circumstances.

### **1.1 Integration, poverty reduction and Millennium Development Goals in Vietnam**

Vietnam has been remarkably successful in achieving economic growth and improvements in the well-being of its people since it began its comprehensive program of restructuring and renovation in the late 1980s. GDP growth has averaged over 7 per cent per annum in the two decades since the program started – one of the strongest performances in the region and in the world. This growth has brought about a spectacular reduction in poverty, with the number of people living in poverty falling from over 70 per cent of the population in the early 1990s to 16 per cent in 2006.

Liberalisation of trade and investment, and the pursuit of integration with the regional and world economy have played a pivotal role in Vietnam's renovation process and in generating growth. Exposure to international markets, foreign investors and external competition have provided strong stimulus to develop the legal, judicial and institutional underpinnings of a market economy, while at the same time they have brought resources, technology and know-how to support economic development. The early stages of integration were pursued largely through unilateral reductions in barriers to trade and investment. In recent years, bilateral, regional and multilateral initiatives have played a greater role, culminating in accession to the World Trade Organization in 2007.

Vietnam's growth and poverty performance has been accompanied by strong achievements across other dimensions of development. The pattern of growth remains relatively equal at the aggregate level with no significant increase in inequality. Social indicators are higher than those of other countries at similar levels of GDP per capita. Vietnam has already met four of the ten targets of the Millennium Development Goals (relating to poverty, hunger, gender equality, and malaria and other diseases), and is expected to reach all but two of the remaining six (see appendix table A.1).

However, protecting past reductions in poverty, and enabling even more people to lift themselves out of poverty will require a deepening of reforms, continued pursuit of more sophisticated forms of regulation that do not stifle competition – domestic or international – and the development of well-targeted social safety nets. This will also require dealing with the consequences of past reluctance to address structural problems in the financial system and more aggressive programs to impose financial, economic and competitive disciplines on state owned enterprises.

- 1.3 The persistence of these only partially resolved structural problems also raises strategic issues for prioritisation of future integration activities. Vietnam is continuing to negotiate and enter into additional regional and bilateral trade and investment agreements, which may add additional layers of complexity to trade, even while securing greater or more secure market access. But the unwillingness of some trade partners to accord Vietnam 'market economy status' (largely driven by perceptions concerning the extent of behind-the-border constraints on economic activity and the continued priority given to state enterprises) reduces the benefits that these agreements seek to obtain.
- 1.4 Under its current Socio-Economic Development Plan for 2006 to 2010 (SEDP), Vietnam is committed to deepening its integration into the global and regional economy as a means of realising its growth and poverty reduction goals. Accession to the World Trade Organization (WTO), and implementing the various agreements that this has entailed, has been an important milestone in pursuing this commitment. But the Government of Vietnam (GOV) acknowledged that much more would need to be done to realise the benefits of integration when it began work in 2006 on a National Action Plan to ensure rapid and sustainable development in the post-accession period.
- 1.5 The GAP was issued in February 2007, along with the Government's Resolution 16/2007/NQ-CP, which lays out how to implement the February 5, 2007 Resolution No. 08-NQ/TW of the fourth plenum of the Xth Party Central Committee on some major guidelines and policies for rapid and sustainable economic development when Vietnam becomes a member of the WTO.
- 1.6 Following that, all ministries, agencies and provincial authorities were required to develop plans indicating how they would be meeting their responsibilities under the GAP. These were used to revise the GAP and are being used to develop a framework for monitoring and evaluating implementation of the Plan. At the same time, the Government reviewed the institutional arrangements for coordinating and overseeing the GAP, and relevant policy and institutional reform initiatives, drawing on recommendations made by the High Level Advisory Group established under Phase I.
- 1.7 At the end of November 2008, the Steering Committee submitted to the Prime Minister the report titled '*Review of the Action Plans in implementation of the Resolution no. 16/2007/NQ-CP and the index of activities and key priorities to be carried out in order to address the difficulties and constraints during the implementation of the Government's Action Plan*' (herein after referred to as 'Trigger Report 1'). This report suggested ten broad components. They are: (i) communication and dissemination; (ii) institutional development; (iii) utilising and developing human resources; (iv) environment protection and sustainable development; (v) agriculture and rural development; (vi) mechanisms for

participation of related stakeholders in society; (vii) Non-Market Economy Status and improving elements of a market economy; (viii) socio-cultural and security and defence issues; (ix) wrap-up/summary reporting on implementation of the Action Plan; and (x) other issues.

- 1.8 The plan spells out actions needed to progress important elements of the SEDP. It is being used by GOV as a key vehicle for marshalling continued efforts in Vietnam's transition to a market economy and in addressing the social implications of uneven regional development associated with economic growth.

### **Donor support strategies and rationale for involvement**

- 1.9 Reflecting the priority given to integration and its implications for Vietnam's transition and economic governance in the SEDP, donors have continued to support relevant actions under the various pillars of the Poverty Reduction Support Credits (PRSCs) that have become the principal instrument for policy based budget support to Vietnam.
- 1.10 Both Australia and the UK recognise the critical importance that well-planned approaches to trade liberalisation and economic integration can have in accelerating progress towards the Millennium Development Goals. In line with Vietnam's own development priorities, Strategy Objective One of the draft Vietnam-Australia Country Program Strategy (2008-2015) is to support Vietnam to plan and effectively manage the long term opportunities and risks of international economic integration to ensure pro-poor growth. Similarly, DfID's Country Assistance Plan Strategy for Vietnam (2007-2011) aims to help Vietnam fulfil its WTO commitments and at the same time ensure that the poor participate in opportunities that come from Vietnam's integration into the global economy.
- 1.11 The alignment of these two donors' assistance strategies with the Government's intention to develop the GAP provided the rationale for their positive response to a request to design a mechanism for harmonised donor support for implementation of the plan. This led to the design and funding of Phase I of the resulting Beyond WTO program, and provision of support to articulate the plan and related institutional arrangements, as well as for high priority plan actions (box 1.2).
- 1.12 This alignment also underpins the rationale for these donors to consider supporting the second phase of the program. In the current external economic environment for Vietnam's development, there is a strong case for donor assistance to help deal with urgent further 'behind the border' reforms to protect past gains and develop appropriate regulatory and financial policies to weather the global downturn.

## 1.2 The genesis of the BWTO program

In 2005, the GOV began developing a national action plan for integration into the global economy in anticipation of Vietnam's accession to the WTO. In 2006, the GOV requested the financial support of donors to formulate the plan and to fund the technical assistance required to implement it. Deputy Prime Minister Vu Khoan asked AusAID and DfID to design a mechanism for donor support in order to implement the Plan.

After intensive consultation with donors and key stakeholders, including government agencies, research institutions and think tanks, a phased approach was suggested by the design team. An initial one year preparatory phase has supported the GOV to develop a five year comprehensive action plan for implementing WTO commitments and advancing its wider economic integration agenda under the Socio-Economic Development Plan 2006–2010 (SEDP) and test a multi-donor trust fund (MDTF) for pooled donor support to implement the action plan. A second (five year) phase of Beyond WTO (BWTO) was proposed to support implementation of the action plan through the trust fund.

Phase I of the program was launched in January 2007, when AusAID and DfID signed the financing agreement to set up the MDTF. The trust fund has been overseen by the Program's Steering Committee, while its day to day management has been the responsibility of the Office of the Steering Committee. Donors approved annual plans that identified priority areas for MDTF support and commented on individual activity proposals prior to their approval.

In addition to the MDTF funding provided by AusAID and DfID, the World Bank supported Phase I through the provision of in-kind resources, including a part-time technical advisor.

- 1.13 The World Bank has indicated that it will continue to provide a range of in-kind supports to the program, including advice on the substance of activities, access to its in-house technical expertise, and assistance with identifying appropriate experts to undertake consultancy activities. It will also assist in advising funding donors and the GOV in their role in approving activities supported by the program.
- 1.14 Several other donors (for example Canada, Switzerland and Ireland) have expressed interest in joining Phase II as co-financiers, and other donors supporting economic integration are committed to aligning their programs under the BWTO framework. The European Commission (EC) has indicated that it would to earmark a third of Phase III of its Multilateral Trade Assistance and Reform Project (MUTRAP) to support BWTO activities (see box 1.3).

### **1.3 The Multilateral Trade Assistance and Reform Project (MUTRAP III)**

MUTRAP III is a project of the European Union that aims to assist Vietnam to implement the SEDP and the Government's action plan for post-WTO integration for sustained pro-poor growth through stronger integration into the global trading system. Unlike the BWTO MDTF, it only provides support to the Ministry of Industry and Trade, focusing on the capacity of MOIT to coordinate and implement WTO commitments, to negotiate and coordinate regional trade related agreements, facilitate trade in services and implementation of the competition law. It has the potential, however, to provide important support in some of the components of the BWTO program – see next section – and the procedures for the program have been designed to ensure that advantage is taken of this potential.

## **Higher level objectives to which the program contributes**

- 1.15 The BWTO program aims to strengthen the GOV's capacity to manage the integration of Vietnam into the global economy and its transition to a socialist market economy. In doing this, it will contribute directly and indirectly to helping Vietnam to sustain pro-poor growth and protect poverty reduction gains and thus meet the targets set out in the SEDP (2006–2010) and in the Vietnam Development Goals (VDGs). It will directly support implementation of the Government's National Action Plan for integration and sustainable development, and the Resolution of the 4th Congress of the Central Committee of the CPV (10th term).

## **Assessment of Phase I and lessons learnt**

- 1.16 Phase I of the BWTO program was intended to:

- support development of the GAP (envisaged as a five-year comprehensive action plan for implementing WTO commitments and advancing the wider economic integration agenda under the SEDP (2006-2010)); and
- test a MDTF for pooled donor support for implementation of the action plan.

- 1.17 The main outputs of Phase I were to be:

- a participatory action planning process involving all key stakeholders resulting in a National Action Plan to implement the integration elements of the SEDP;
- a new or strengthened institutional arrangement for coordinating integration and related reforms;

- systems and procedures for delivering the Action Plan, including identifying constraints to the implementation of WTO commitments and operation of the MDTF; and
  - funded actions arising out of urgent WTO commitments in the implementation roadmap for the period 2006-07, as detailed in the GAP.
- 1.18 Donors agreed that formulating a comprehensive and credible implementation plan and adopting clear and robust institutional arrangements for coordinating WTO implementation would be the trigger for initiating Phase II of the program. (A third trigger was the existence of a critical mass of donors willing to fund Phase II.)

### **Assessments of Phase I**

- 1.19 Various reviews of Phase I assessed operational aspects of the program, and of performance with respect to triggers. Some of these reviews (see annex A) were internal, and others were external to the program. They found problems with respect to operational management and completion of the triggers. The reviews observed that, while important activities had been funded by the MDTF, a monitoring and evaluation (M&E) framework for the program had not been developed, the Operational Manual regarding use of the MDTF funds had not been finalised nor were the requirements of the draft manual fully adhered to, and the triggers were not satisfactorily completed. But the reviews also considered that Government ownership was very high, that the program had the potential to provide very strategic support to the GOV, and that it was being used to explore some of the key challenges of inter-ministerial coordination and strengthening processes for high-level policy review and performance monitoring.
- 1.20 The key lessons emerging from these reviews are as follows.
- The design of Phase I probably under-estimated the complex nature of the challenges associated with the outputs that formed the triggers for moving to Phase II. In seeking donor assistance with its post-WTO accession reform program, the Government had asked donors to help with a critical aspect of the development of the structure and machinery of government and with dealing with issues of very considerable social and political sensitivity. Traditional GOV planning mechanisms (and standard donor approaches to results-based assistance management) were not well adapted to the exploratory nature of the institutional and policy change processes that are involved. Nor were the traditional task-based mechanisms and steering committee approaches to oversight and coordination well-placed to deal with issues where ministerial mandates may lead to conflicting positions, or with issues that have no clear institutional 'home'.

- Given the wide-ranging nature of issues covered by the GAP, and the nature of activities that it involves, it was neither feasible nor desirable to try to spell out a detailed implementation program for all elements during Phase I. Scheduling and approaches to implementation would need to be responsive to changes in the overall external and internal context for Vietnam's development. The specification of actions to be undertaken would also need to adapt to lessons emerging at each step in implementation. More important than a 'detailed plan' was the establishment of the institutional mechanisms to coordinate implementation, provided that they had procedures and processes for ensuring that gaps are filled, contradictions resolved, priorities regularly assessed and responsibilities allocated.
- The absence of a detailed implementation plan and an agreed results framework, however, makes it difficult for donors to support a fully flexible and open-ended assistance program through an MDTF. Phase II requires some narrowing of both the scope and the type of activities that will be supported by the MDTF compared with the approach in Phase I. Criteria for BWTO funding needs to be clarified and management requirements need to be simplified and provided with more explicit and comprehensive support.
- It is important to distinguish between the high-level institutional arrangements for overseeing and coordinating the GAP, and the arrangements for managing the Program and the MDTF. During Phase I, pending establishment of the overall coordinating institution for the GAP, the Program Steering Committee tried to fill a dual function. But it had neither the authority to drive the development and implementation of the GAP, nor the focus and capacity to properly manage the Program and the MDTF. For Phase II, it is essential that this conflation of coordination of the GAP, and coordination and management of the Program, is not repeated.

## Other lessons

- 1.21 Besides the lessons to be learnt from Phase I, AusAID's experience with the Capacity Building for Effective Governance Facility provides some pointers for the Program. The mid-term review of the Facility observed that many recipient agencies found it hard to develop activity proposals and designs that met the strategic and quality criteria of the Facility, and considerable support was needed to bring proposals up to standard. This involved working with agencies on problem definition and solution choice as much as meeting the specifications of design documents, and required support from people with subject matter expertise and familiarity with the Vietnamese policy making and implementation context. The Facility also encountered difficulties with a lack of clarity about responsibility and accountability in the use of trust funds – similar to problems encountered in Phase I. The Review also pointed to



problems arising from the construction of the Facility as a 'demand driven' and 'flexible' arrangement when the capacity of potential recipients to make good use of donor technical assistance was very variable. In particular, the Review urged caution with regard to the efficacy of working at provincial levels.

- 1.22 The Review suggested that future governance support should concentrate on support to a limited number of agencies that have: clear GOV mandates for reform; a track record of applying analytical approaches to policy development; an institutional capacity to diagnose problems and develop solutions amenable to assistance that donors can provide; and scope for developing relationships that foster trust and confidence in support from a donor country's organisations. These suggestions are broadly reflected in the design of Phase II.

### **Completion of Phase I outputs**

- 1.23 During 2008, the Government transferred responsibility for chairing the BWTO Steering Committee, and the functions of the Office of the Steering Committee from the Office of Government to the Ministry of Industry and Trade. At the end of 2008, the Government announced its response to recommendations from the Steering Committee regarding the implementation plan and institutional arrangements, thus completing the triggers for Phase II of the Program. It accepted Trigger Report 1 and announced that the National Committee on International Economic Cooperation (NCIEC) would be the focal point for managing all international economic integration issues.
- 1.24 The GAP is comprehensive in its coverage of integration related issues, extending beyond implementation of WTO agreements to dealing with behind-the-border issues of liberalisation and regulatory reform, development of markets and market-based institutions (especially land and capital), and strengthening arrangements to ensure continued broad based participation in the growth that integration brings. It also covers strengthening measures to ensure environmental and other forms of sustainability, and human resource development, and has a strong focus on agricultural and rural development.
- 1.25 The institutional arrangements laid out for the GAP assign a pivotal coordination role for the NCIEC, which is chaired by a Deputy Prime Minister and has membership at Vice-Ministerial/Director General level from all agencies involved with international economic integration and trade agreements. The NCIEC's Secretary General is a Vice Minister of Industry and Trade, and its office is a subordinate unit of the Ministry of Industry and Trade.
- 1.26 At the same time, the Government reaffirmed MOIT's responsibility for monitoring, assessing and speeding up the implementation of the GAP. It

confirmed that the Program Steering Committee would continue to have the same composition and responsibilities during Phase II of the Program. However, a Management Board – comprising Steering Committee members from the Office of Government (OOG), Ministry of Finance (MOF), Ministry of Planning and Investment, Ministry of Justice (MOJ) and MOIT – will be established and most of the functions of the Steering Committee will be delegated to this Board.

## 2 Program description

### Approach

2.1 The main elements of the approach proposed for Phase II of the Program are as follows.

- The Program should provide support to manage and support the GAP, and for the integration coordination function of the NCIEC.
- The Program should also provide support to strengthen the management of the MDTF.
- The distinction between the management and coordination arrangements for the GOV's implementation of the GAP and the management arrangements for the MDTF needs to be clearer than it was in Phase I.
- The design of Phase II needs to combine a focus on agreed core priority policy areas and activities with sufficient flexibility to address changing and emerging priorities.
- M&E of the Program needs to be strengthened and a framework developed at the outset of the Phase.

### Defining priorities and scope of support: requirements for effective use of the MDTF

2.2 As has been described in section 1 above, while the GAP and the Action Plans developed by provinces and Government agencies list many relevant proposed areas of action, they do not provide a sufficient basis for prioritising and planning support needs and, specifically, for identifying how the MDTF should be most effectively used to support government priorities.

2.3 Without a much greater engagement of donors in decisions about the management and use of the MDTF, which would conflict with the important dimensions of government ownership, effective operation of the MDTF will require the following.

- A well-articulated framework of priorities that is integrated into the work programs and budgets of the responsible government ministries, agencies, or provinces.

- A robust framework for monitoring and evaluating the use of the MDTF that enables the GOV and donors to assess how well the MDTF assists with implementation of the GAP.
- Clearly agreed criteria for activities to be supported with the MDTF to provide guarantees that resources are matched both to government priorities and to donor objectives in providing support. This is likely to involve some narrowing of both the scope and the type of activities that will be supported by the MDTF compared with the approach in Phase I. These criteria will also ensure that there has been adequate consultation with relevant stakeholders (especially in the business community), and that environmental, gender equality and social considerations have been taken into account in selecting and designing the activity. It is also important that the activities selected for support reflect an understanding of the appropriate role of the state in a market economy. (Many of the activities in the Action Plans prepared to date appear to reflect some confusion, with some public sector actions proposed that would more appropriately be private sector functions.)

## **Proposed components of MDTF support under Phase II**

- 2.4 The GAP (including the recently completed matrix of supporting actions) does not in itself provide the basis for meeting the above requirements — nor, given the nature of activities that it involves, could it reasonably be expected to do so, at least to a degree sufficient to allow a fully open-ended and flexible program of support. Since a process of redefining the GAP so that it would meet these requirements is neither feasible nor desirable, an alternative approach is proposed that will involve an additional step of developing priorities and work programs for a *subset* of the areas of actions included in the National Action Plan. The proposed approach involves the identification of five components to be supported by the MDTF in Phase II, with an emphasis on two main areas of the GAP, and on coordination of the integration-related reform agenda.
- 2.5 The two main areas of the GAP to be targeted by MDTF support are:
- strengthening the institutions of the market economy; and
  - addressing social and economic challenges of integration for the rural sector.
- 2.6 These areas were selected based on the design mission's discussions with stakeholders, analysis of the Action Plans, and the report of the High Level Advisory Group. The first area reflects priorities set out in Party Resolution 6 and the second reflects priorities in Party Resolution 7. It is envisaged that these components will primarily support work being undertaken by the main

central ministries and agencies with responsibility for social and economic policies (such as the Ministries of Industry and Trade (MOIT), Finance (MOF), Planning and Investment (MPI), Agriculture and Rural Development (MARD), Labour, Invalids and Social Affairs (MOLISA), Natural Resources and the Environment (MONRE) and Justice (MOJ) and the Vietnamese Competition Administration Department.)

- 2.7 Support for coordinating the integration related reform agenda reflects the priority attached to inter-ministerial coordination, stronger processes for addressing inter-sectoral issues, and assessing cost and benefits of policy interventions that have economywide consequences in high level reports prepared during Phase I. It also reflects the perceived need to strengthen the functioning of the NCIEC and its office expressed in these reports and discussions with the High Level Advisory Group, and the limited success of previous donor efforts targeting the operations of the Committee.
- 2.8 Table 2.1 summarises the key elements of the proposed approach: the following sections describe the proposed components in more detail.

### **Component 1: Strengthening the institutions of the market economy**

- 2.9 This component will provide support to selected priority areas of action to strengthen the market economy. This support should be within the areas that the Government has identified as required as priorities for addressing the Non-Market Economy (NME) issue, including:
- price controls
  - interest rate policy
  - policies on state-owned enterprises (SOEs)
  - SOE reform
  - land policy and management
  - implications of socialisation of public services.
- 2.10 It will also provide support to the further development of appropriate approaches towards promoting competition and addressing regulatory constraints to competition within the Vietnamese economy. This could involve support to strengthen processes of regulatory review, development of more rigorous approaches to state enterprise reform and assessments of regulatory arrangements for utilities and 'natural' monopolies, as well as building the capacity of the competition agency to analyse and take action against anti-competitive practices.

## 2.1 Results framework: components of Phase II

<i>No.</i>	<i>Component</i>	<i>Activities</i>	<i>Lead Agency</i>	<i>Outputs</i>	<i>Outcomes</i>
1	<b>Strengthening the institutions of a market economy</b>	Providing support to priority policy actions to address NME issues and strengthen market economy institutions	MPI or appropriate agency determined by government	Policy analysis carried out Improved capacity of organisations and individuals	Policy actions achieved (from six areas identified by MPI)
2	<b>Addressing social and economic challenges of integration for the rural sector</b>	Policy research, and analysis and support to pilot initiatives to improve understanding of, and development responses to, challenges facing the rural sector in the context of integration	To be determined based on activities	Research and policy analysis carried out; Improved capacity of organisations and individuals	Policy actions achieved Improved understanding of issues reflected in policy approaches
3	<b>Supporting capacity for management and coordination of integration</b>	Building capacity for more effective implementation of GAP and responses to challenges and opportunities of integration	NCIEC/MOIT/OOG	M&E of Action Plans carried out in inclusive manner Improved capacity of organisations and individuals	Implementation of Action Plan priorities
4	<b>Supporting implementation of Provincial Action Plan (PAP) activities</b>	Piloting support to implement activities in PAPs of selected provinces	MDTF Management Board, working through Provincial Integration Committees in selected provinces	Priorities from Action Plans identified and incorporated into budget and work programs of pilot provinces Improved capacity of organisations and individuals	Implementation of Action Plan activities in selected pilot provinces Development of an approach for supporting PAP activities and incorporating integration into SEDPs nationally
5	<b>Management of MDTF</b>	Support to work programming process for all components Approval and monitoring of work programs	MDTF Management Board	Work Programs completed Annual monitoring reports on progress carried out	Successful implementation of work programs for components 1–4 with outputs and outcomes achieved

- 2.11 Progress in these areas will help to support Vietnam's attempts to secure recognition by trading partners of the country's market economy status in line with the plans developed by MPI for achieving this objective. However, achieving recognition of market economy status by specific trading partners (notably the European Union and the United States) will in part be determined by domestic political considerations, rather than purely as a result of reforms undertaken in Vietnam. The main value of the market economy commitment is that it provides a clear impetus for necessary reforms whose main benefit will be in terms of improved economic efficiency.
- 2.12 This component will place particular emphasis on processes used to develop policy positions and to assess implementation and overall impacts. The component will provide support for integrated processes of policy research (especially using independent research agencies such as the Vietnamese Academy of Social Sciences, the Central Institute for Economic Management, the Institute for Economic Research), consultation and dissemination to improve public understanding and garner broad public support.
- 2.13 The activities to be supported will be developed as part of the proposed MDTF Work Programming process, taking into account other forms of assistance that are available and the specific priorities for policy action. It is envisaged that the activities supported under this component are likely to include analysis and research to assess the impacts and options for implementing priority policy actions, support to legislative and regulatory redrafting, and capacity development activities (including training). Work on the issue of land conversion and consolidation was frequently identified as a possible focus for work under this component, with strong linkages to Component 2.

## **Component 2: Addressing social and economic challenges of integration for the rural sector**

- 2.14 Intensified international economic integration has very uneven sectoral and spatial implications. Understanding these is critical to addressing the social and economic consequences of the integration process, with the implications for the rural sector in which the large majority of the population live and work (and where poverty is concentrated) being of central importance. The Action Plans place a high priority on improving understanding of these issues and their implications for policy choices. Specifically, the Action Plan of the Ministry of Agriculture and Rural Development includes a set of proposals for 'Research projects and programs for international integration, and agricultural and rural industrialisation and modernisation', which could form a basis for the selection of some activities. In part, therefore, this component could support the agenda of policy analysis and policy research that has been identified. It could also support the development of specific initiatives and

policy responses (including, potentially, in relation to social and economic issues relating to land policy as noted under Component 1, and to some of the stresses that rural Vietnam will face during the current global economic crisis when the rural sector may have to re-absorb people who moved to urban areas for jobs in industry and services that may now be under threat). The overall focus will be on measures concerned with continued poverty reduction and protecting previous gains on the rural poverty front.

- 2.15 The development of specific activities in this area should be informed by the Rural Development Strategy that is currently being developed by MARD. It will also be informed by the results of work on the social impacts of integration on rural women currently being carried out (with AusAID funding) by UNIFEM and the Institute of Labour Science and Social Affairs **under MOLISA**.

### **Component 3: Supporting capacity for management and coordination of integration**

- 2.16 Since 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', the MDTF will provide support to building capacity for management and coordination of integration processes. The GOV has confirmed that this coordination function will be the responsibility of the NCIEC. In the past, the NCIEC has been mainly involved in coordinating work on negotiating trade agreements. If it is to successfully deliver a coordination function with respect to implementation of the GAP, it will need considerable support to be able to deal with the more complex challenges and broader scope that the GAP entails. Component 3 will include support to:

- monitor and evaluate GAP implementation;
- further adapt the GAP in the light of experience;
- conduct the three and five year evaluations of the impact of WTO membership;
- assess issues falling outside the mandate of individual ministries (this may involve commissioning relevant studies or research, supporting inter-ministerial cooperation processes, or advising the GOV on institutional mechanisms to handle such issues); and
- address priority capacity development needs.

- 2.17 It is envisaged that technical assistance may be provided to the Office of the NCIEC over the first year, with additional funds available to undertake studies and address capacity development needs. As is outlined below, the overall



organisational performance of the coordination function will be assessed during the Work Programming process.

#### **Component 4: Supporting implementation of Provincial Action Plan (PAP) activities**

- 2.18 It is important that the MDTF provide support to implement aspects of the PAPs, both to recognise the substantial efforts made by Provinces in developing them, and to ensure that resources are applied to deal with integration issues at the local level. The proposed approach for Component 4 takes account of: (i) the variable quality of the PAPs and the fact that (as with the Action Plans in general) they fall some way short of fulfilling the three criteria for effective use of the MDTF listed above; (ii) the danger of spreading resources too thinly across provinces so that impact is limited; and (iii) the limited value in promoting development of an additional ongoing planning process, as opposed to supporting incorporation of integration issues in the long-standing SEDP process.
- 2.19 The approach is, therefore, to support the implementation of priority integration related activities identified in a selection of PAPs, initially on a pilot basis. The MDTF Steering Committee would select provinces, based on the following proposed criteria.
- The quality of the PAP in terms of its relevance, focus and the likely success of the specific activities proposed for support. The quality of proposals submitted by the Province in Phase I of the BWTO program should also be taken into account.
  - The relative significance of the integration challenges faced by the province and the capacity of support provided by the BWTO program to assist in addressing these challenges.
  - The need for resources from the program (in terms of lack of access to alternative sources of funding, overall levels of income and poverty incidence in the province, and other indicators of need).
- 2.20 The pilot process is designed to provide further support (through the Province Integration Committee) to: the identification of priority activities and their integration into the Province's development plans and budget; the provision of support to specific activities; and the building capacity to respond to integration challenges and opportunities. Rather than promote the continued development of PAPS, any support for further planning activities is targeted at ensuring that provincial socio-economic plans developed as part of the national SEDP process adequately address trade and integration issues. The results of the PAP support is to be reviewed after the first year with a view to identifying how best to support provincial level integration activities in general.

- 2.21 Initially, up to four provinces (satisfying the criteria listed above) will be selected for support. Support will take the form of technical assistance to help with the design of specific activities selected from the PAP, and to assist with the integration and mainstreaming of these activities into the provincial budget and development plans. In addition, a fund will be used to finance activities within the PAP. (The total budget earmarked for these pilot activities is envisaged to be no more than US\$600,000.) Lessons from the pilot will be used to design the possible roll out of additional support in subsequent years.

### **Component 5: Management of the MDTF**

- 2.22 Experiences during Phase I made it clear that more explicit and comprehensive support will be required for the management of the MDTF. Section 3 presents the institutional arrangements required to manage the Fund — this component will provide a range of supports to these arrangements.
- 2.23 These include contracting of some of the key technical functions (such as the services of financial controller, a project design expert and an M&E expert) if they have not been directly recruited by the proposed MDTF office. It could also include higher level support with coordination (including coordination with donors) and appraisal functions. (This would be delivered by some combination of contracted inputs, such as a long term Senior Technical Advisor and a Senior Program Coordinator (at least for the first year of implementation) and a group of short term international and local senior experts on key priority themes/components of the Phase II support, including specialists on gender, civil society, and private sector development).) These inputs will help in the process of screening proposals and to undertake a quality assurance role with respect to the outputs and outcomes of the program funded activities.
- 2.24 In addition to providing support, the component will also have a capacity building element aimed at developing more effective program and financial management practices within the MDTF office and across the agencies that participate in the program.
- 2.25 This component also includes a contingency for response on an ad-hoc basis to important requirements to undertake new activities that are agreed to by donors and the MDTF Management Board (or, where necessary the Steering Committee). In light of the rapid deterioration in Vietnam's external economic environment, there is a need for both urgent actions to protect past gains as well as carefully considered policy responses to longer term challenges. To help respond to these needs, the contingency will be managed in a responsive way, with fast track appraisal and approval processes, and will be delegated as much as possible to the Management Board.

## Results framework

- 2.26 The goal of the Beyond WTO Program is defined as: ‘to strengthen government’s capacity to manage the economic integration of Vietnam into the global economy and transition of Vietnam to a socialist market oriented economy’.
- 2.27 It is not proposed that this Goal should be changed for Phase II of the Program. However, the purpose of Phase 1 was defined as: ‘to establish a coherent and consistent basis for government’s 5 year Beyond WTO approach to global integration whilst ensuring that urgent WTO related actions are funded’. This purpose was focused specifically on the development, approval and adoption of the National Action Plan. A revised purpose is, therefore, required for Phase II that relates to the effective implementation of (priority policy actions from) the Action Plan.
- 2.28 Table 2.2 presents a proposed logical framework (as the basis for a Results Framework for Phase II). The key elements are the following.
- Successful implementation of GAP priorities will achieve the overall program goal provided that key conditions are met (relating to the external economic environment providing favourable opportunities for integration, appropriate selection of priority policy actions and the implementation of appropriate supporting investments).
  - Outputs are related to each of the four proposed components that focus on policy analysis and institutional strengthening. The achievement of the purpose will depend on successfully implementing priority policies in line with the implications of the analysis conducted, and on effectively using the capacity that is developed in support of policy making.
  - Activities to produce these outputs take place under each of the five components, including support to the work planning process (under component 5). Achievement of the planned outputs based on satisfactory carrying out of the activities in each component area requires that institutional conditions for capacity development to be successfully used are in place.
- 2.29 The results framework (table 2.1) envisages the following monitoring processes.
- Assessing progress against the goal as part of SEDP monitoring. This will be the subject of a review of impacts of and response to WTO implementation (to be undertaken three to five years after WTO Accession).
  - Monitoring of the GAP by the GOV will assess the purpose level of the Program (since the Program will be supporting implementation of key priorities in the Action Plan).

## 2.2 Logical framework for Phase II

<i>Description</i>	<i>OVI</i>	<i>MoV</i>	<i>Assumptions</i>
<b>Goal:</b>			
To strengthen government's capacity to manage the integration of Vietnam into the global economy and the transition of Vietnam to a socialist market economy	<p>Economic growth rates (in aggregate and sectorally)</p> <p>Social and environmental indicators</p> <p>Maintenance of relatively egalitarian patterns of economic growth</p> <p>Sustained poverty reduction</p>	<p>Review of impact and response to WTO implementation (after 3 or 5 years)</p> <p>SEDP monitoring</p>	
<b>Purpose:</b>			
Implementation of priority policy actions from Action Plans		Monitoring of Action Plans	<p>(Purpose to Goal)</p> <p>External economic environment provides favourable opportunities for integration</p> <p>Priority policy actions appropriately selected as relevant and effective to achieve managed integration</p> <p>Supporting investments in infrastructure and communications carried out</p>
<b>Outputs:</b>			
<p>Policy analysis and institutional strengthening in the following areas (Components 1-4 of Phase II):</p> <p>1. Strengthening institutions of a market economy</p> <p>2. Addressing social and economic challenges of integration for the rural sector</p> <p>3. Supporting Capacity for Management and Coordination of Integration</p> <p>4. Supporting implementation of Provincial Action Plan activities</p>	<p>Policy priorities and targets within each area to be established in annual work programming process</p> <p>Approach developed for supporting implementation of Provincial Action Plans and incorporating integration into SEDPs nationally</p>	<p>Annual review of MDTF work program implementation</p>	<p>(Output to Purpose)</p> <p>Implementation of policies in line with implications of the analysis conducted</p> <p>Capacity developed (organisationally and individually) is used effectively in support of policy making</p>

*Continued on next page*

## 2.2 Logical framework for Phase II (Continued)

<i>Description</i>	<i>OVI</i>	<i>MoV</i>	<i>Assumptions</i>
<b>Activities:</b>			(Activity to Output)
Components:			
1. Providing support to priority policy actions to address NME issues and strengthen market economy institutions	Completion, approval and ongoing monitoring of work program  Policy analysis completed	Monitoring by lead agency of each component  Project monitoring reports and other project documentation for each activity specified in the work program	Institutional conditions for training and other capacity building activities to be effective.
2. Policy research and analysis and support to pilot initiatives to improve understanding of, and development responses to, challenges facing the rural sector in the context of integration	Policy research completed to peer reviewed standard		
3. Building capacity for more effective implementation of Action Plans and response to challenges and opportunities of integration			
4. Piloting support to implementation of selected Provincial Action Plan activities and incorporation of integration into SEDPs			
5. Support to work programming process for all components			

- The Annual Review of MDTF implementation (which will take place ahead of each round of the Annual Work Programming process) will monitor the outputs of the Program in terms of capacity development, policy analysis and other outputs.
- Monitoring of individual activities will be undertaken by the lead agency for each of the five project components defined below, and by the MDTF
- The Steering Committee will draw on project monitoring reports, whose format is defined as part of the Operations Manual.

- 2.30 There will also be a mid-term review of the Program, which will provide an opportunity to assess the appropriateness and relevance of the components as well as the performance of activities funded under each of them.
- 2.31 The review of the Phase I experience highlighted the need for the M&E process to incorporate a wide range of stakeholder perspectives and to pay specific attention at each level of indicator (goal, purpose, output and activity) to cross-

cutting GOV objectives, specifically in the areas of gender equality, environment and wider social goals.

- 2.32 At this stage, in the absence of an agreement on the specific policy priorities that the MDTF will be used to support, or of detailed work programs that will specify the outputs to be produced within each component of the Program, it is difficult to move beyond a generic discussion of the types of indicators that should be selected. A key part of the Work Programming process will be the development of indicators related to each of the specific outputs that are decided.
- 2.33 The Summary Results Framework identifies three main types of output that are envisaged from Phase II of the BWTO Program:
- policy analysis, consultation and formulation;
  - at the Provincial level, incorporation of priorities identified in PAPs into the socioeconomic plans, budgets and work programs of pilot provinces (that is, so that overall work programs address opportunities and challenges from integration more effectively); and
  - improved capacity (of organisations and individuals).
- 2.34 For component 5 (Management of the MDTF), key outputs are the Work Programs for the other components and the annual monitoring report.
- 2.35 At the output level, the quality and relevance of policy analysis and related activities (such as research) should be addressed through the monitoring and evaluation process. At the purpose level, the main issue is the extent to which there is evidence that the policy analysis conducted has, in fact, informed decisions taken as part of implementation of the Action Plan.
- 2.36 The key indicators for supporting the implementation of PAP activities relate (at the output level) to the evidence on how effectively actions from the PAPs are incorporated into socioeconomic plans, work programs and budgets, as well as the quality and relevance of specific pieces of analysis that are undertaken. At the purpose level, the indicators will relate first to the evidence of effective implementation of the PAP activities in selected pilot provinces, and second to the development of a credible approach and plan for supporting provincial level integration-related activities and incorporating integration issues into socioeconomic planning processes, based on lessons emerging from the pilot experience.
- 2.37 The M&E of capacity development activities requires, in principle, a systematic baseline assessment of organisational performance (defined as the ability of the organisation to meet its goals and achieve its overall mission) and constraints at the institutional, organisational and individual level for the main organisations targeted for support under the Program. On the basis of this,

specific targets and indicators could be defined for improvements in capacity. How far it will be feasible to implement this approach in relation to Components 1 and 2 will depend on the extent to which the Work Programming process in fact focuses on capacity development in a relatively comprehensive way within particular organisations. For Component 4, it is likely that an assessment of constraints on organisational performance in relation to priorities to address integration in the selected pilot provinces will form part of the overall support provided. While Component 5 is primarily concerned with the arrangements for MDTF management, it is also expected to help develop more effective program and financial management capabilities in agencies involved in the Program.

- 2.38 It is Component 4 that will probably have the relatively largest capacity development component, since it focuses on the effective performance of the management and coordination function. A systematic examination of organisational performance in relation to this function should, therefore, be undertaken as part of the Work Programming process — once decisions have been taken about the organisational locus of this function. Specific indicators of capacity development for this function should be defined as part of the Work Program for Component 4.

## **Indicative budget and timing**

### **Budget**

- 2.39 During the design of Phase I it was expected that around US\$30 million would be required for the implementation of a second, five year phase of the program. However, the significant under-expenditure in Phase I and the decision to strengthen focus under Phase II mean that fewer financial resources are likely to be required.
- 2.40 While the budget for the program will depend on the priorities identified in individual annual work programs under each Component, it is expected that a total budget of US\$20–25 million will be sufficient to meet the program's objectives. This budget would comprise a combination of resources delivered through the MDTF, earmarked support from donors and in-kind contributions from the World Bank and the GOV.

### **MDTF contributions**

- 2.41 Table 2.3 summarises the expected contributions to the MDTF from AusAID and DfID.

## 2.3 MDTF contributions

<i>Donor</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>Total</i>
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
AusAID	1	2	2	2	1	8
DfID	1	1	1	1	1	5
<b>Total</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>13</b>

## Earmarked support outside of the MDTF

- 2.42 The European Union has agreed to earmark €2 million (approximately US\$2.4 million) under the MUTRAP III Program to support Beyond WTO activities. This assistance is likely to be programmed as annual work plans for each component are generated.
- 2.43 In addition, both DfID and AusAID will earmark support outside the MDTF (up to US\$500 000) to support independent review, audit and evaluation.

## In-kind support

- 2.44 The World Bank will provide in-kind contributions, including the use of its Hanoi-based sector experts and advisors and relevant research. The GOV will continue to contribute in-kind support through the provision of program staff, office facilities and equipment.

## Timing

- 2.45 It is expected that Phase II of the Program will formally commence around March 2009. However, the GOV has confirmed its interest in accessing some interim funding from DfID for technical assistance to start the work programming exercises for the main components.
- 2.46 A mid-term review (at which overall performance and the relevance of the five components will be assessed) will be held in 2010-11.

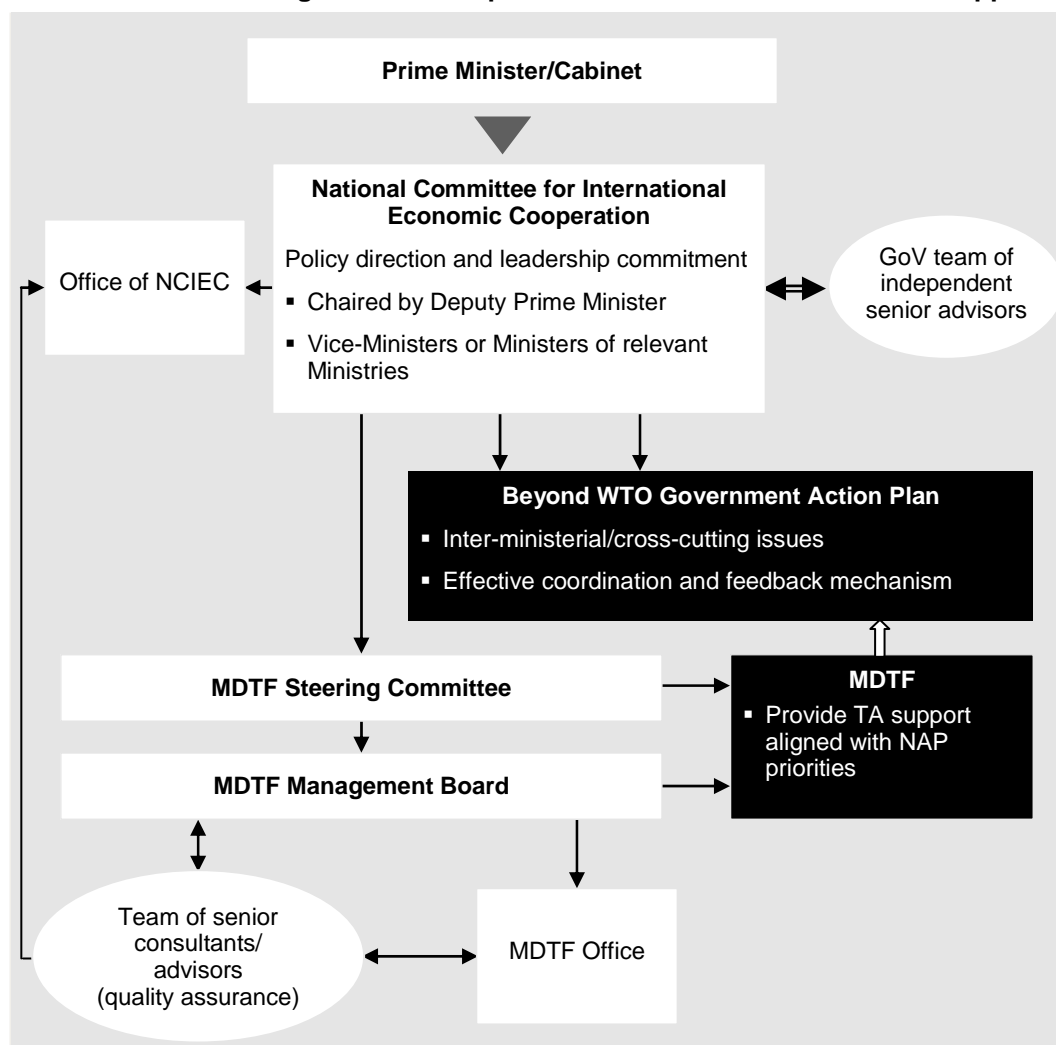


## 3 Implementation

- 3.1 This section describes implementation arrangements for the program, including institutional arrangements for managing the MDTF and coordinating the activities the fund supports, and the processes that will be used to determine and oversee the use of MDTF resources. The institutional arrangements are closely linked to the structures that the GOV has put in place to coordinate and oversee implementation of the GAP.
- 3.2 In its response to the *Report on Institutional Arrangements on Integration* developed by the High Level Advisory Group (hereafter referred to as ‘Trigger Report 2’) during Phase I, the GOV confirmed that the NCIEC will act as the focal point for managing and coordinating all international economic integration issues, and has assigned to MOIT – which also houses the Office of the NCIEC – the responsibility for monitoring, assessing and speeding up the implementation of the GAP. The Steering Committee for the BWTO Program that was established during Phase I will be led by a Vice Minister of MOIT, and will delegate a significant part of its functions to an MDTF Management Board. This Board will have members from OOG, MOIT, MOF, MPI and MOJ.
- 3.3 These decisions define the institutional arrangements for coordinating implementation of the GAP, and the governance arrangements for implementing the Program and managing the MDTF. The NCIEC will oversee the implementation of the GAP, provide a vehicle for ensuring inter-ministerial coordination on cross-cutting issues, advise the Prime Minister on policy and institutional issues arising from implementation of the plan and manage (and develop where necessary) feedback mechanisms. The MDTF Management Board will have the key task of managing the trust fund and coordinating the M&E of MDTF activities. It will coordinate and oversee preparation of annual work programs for formal approval by the Steering Committee and donors (the Committee will also have the task of coordinating with the NCIEC on issues relating to overall implementation of the GAP). On the basis of approved Work Programs, the Management Board will approve proposals for funding and reviewing activity implementation. The main funding donors (AusAID and DfID) will have formal observer status at meetings of both the Committee and the Board: other donors may also be invited to attend meetings.

- 3.4 The Office of the MDTF has been established from the current Office of the Steering Committee (OSC) with additional functions including a financial controller, a project design expert, and an M&E expert provided by direct recruitment or under a management contract — these additional functions will be paid for by MDTF operational costs.
- 3.5 Chart 3.1 illustrates the linkages and functions of the institutions involved in the Program. More detail on the functions and responsibilities is provided in the attached Operational Manual.

### 3.1 Institutional arrangements for implementation of the GAP and MDTF support



## Partnership arrangements

- 3.6 AusAID and DfID, the two donors providing the pooled funding to the MDTF in Phase I, will continue to provide support for Phase II. The World Bank will provide in-kind support to the Program. The lead donor (AusAID) will have

an important role in liaising with the World Bank and in coordinating the other new donors under MDTF. The lead donor will coordinate donor comments on the Annual Work Programs, on progress reports from the MDTF Management Board and Office and on any requests from MDTF Office for in-year adjustments to the Annual Work Program, including proposals for use of the contingency managed under Component 5. Close communication between the Bank and the lead donor will be established.

- 3.7 AusAID and DfID will attend all meetings of the Steering Committee and Management Board as observers. Other donors involved in funding the Program or delivering complementary support (such as the World Bank and EU) will attend meetings of the Steering Committee at the invitation of the GOV upon recommendation by AusAID and DfID.

### **Disbursement mechanism**

- 3.8 A Joint Financing Agreement between the GOV and the donors will specify the disbursement schedule for funds. The Government and each donor will sign a bilateral letter of exchange for each donor contribution to the MDTF from their bilateral programs. To determine this, an assumption about annual intake of MDTF will need to be made during the preparation of annual work programs. Information on funding needs by year will be available once activity plans for all five components have been prepared. Annual tranches from donors will be conditional upon their approval of Annual Work Programs.

### **Reporting**

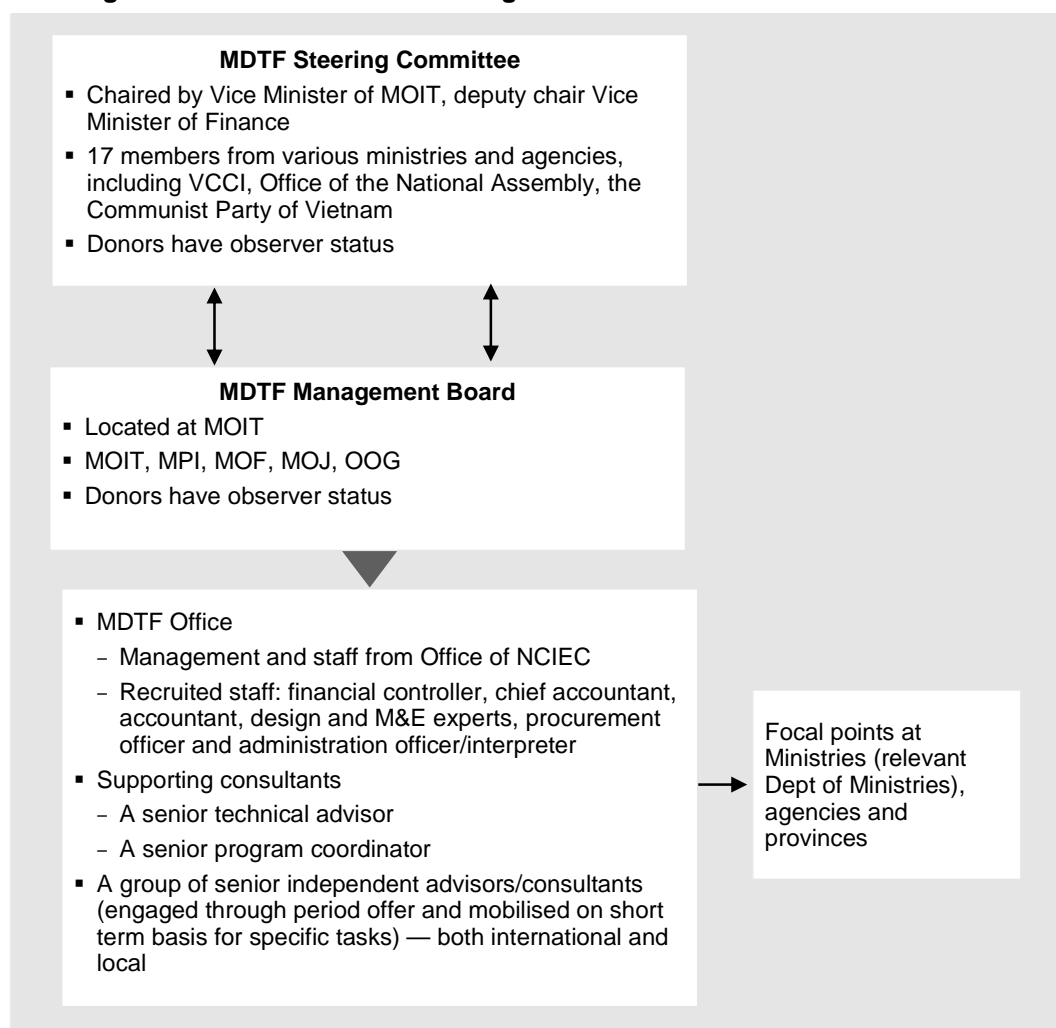
- 3.9 Reporting under Phase II will involve streamlining arrangements used under Phase I, while ensuring accountability to MDTF donors. The MDTF Board Committee will provide six-monthly and annual progress reports on the implementation of the Annual Work Program and copies of quarterly expenditure performance reports will be provided to the lead donor and participating donors (as well as to the Steering Committee). In addition to these reports, the lead donor will provide informal bimonthly briefings to participating donors.

## **Institutional arrangements for the management of the MDTF**

- 3.10 The MDTF will be executed by the recipient and will be governed by: i) the Joint Financing Agreement between participating donors and the Government; and ii) the Grant Agreement or Letters of Exchange between each bilateral donor and the Government.

3.11 The overall organisational structure for the management and operation of the MDTF is presented in chart 3.2. The Steering Committee, strengthened under Prime Ministerial Decision No. 591/QD-TTg of 21 May 2008, will continue to have overall responsibility for managing, coordinating, monitoring and evaluating MDTF funded activities, and for ensuring that funds are used in accordance with Government procedures and commitments under relevant financing agreements. However, in light of the lessons learnt from Phase I, the GOV decided to establish a Managing Board for the MDTF to which the Steering Committee will delegate the majority of its management functions. Both the Committee and the Board will be chaired by a Vice Minister of MOIT.

### 3.2 Organisational structure for management of the MDTF and its activities



3.12 The Committee will meet at least twice a year to discuss progress on overall MDTF implementation. One of these meetings will be a joint meeting with donors to approve Annual Work Programs. The Management Board will, among other things, approve proposals for funding within approved annual work programs and review implementation of funded activities.

- 3.13 To make the program strategic and responsive to critical needs, the MDTF Management Board will be proactive in planning the activities to be funded on the basis of Trigger Report 1 and the agreed components for Phase II.
- 3.14 The operation of the MDTF in Phase II will be managed by an MDTF Office as was the case under Phase 1 (when it was named the Office of Steering Committee). The Office will be based on the current Office of the Steering Committee (OSC) with additional functions including a chief accountant, and accountant, a financial controller, a project design expert, a procurement officer, an M&E expert and an administration officer/interpreter provided by direct recruitment or under a management contract. These additional functions will be paid from the operational budget for the MDTF.
- 3.15 Both the Management Board and the MDTF Office will be supported by a long term Senior Technical Advisor and Senior Program Coordinator (at least for the first year of implementation) and a group of short term international and local senior experts specialized on key priority themes/ components of the Phase II support, including specialists on gender, civil society, and private sector development. These consultants will help in screening proposals and in undertaking a quality assurance role with respect to the outputs and outcomes of program funded activities.

## **MDTF work programming processes**

- 3.16 The framework for support to be financed by the MDTF will be set by the Government Action Plan with its matrices and the five components discussed in section 2. Under Phase II, the bulk of the funds will be earmarked to support the implementation of activities in the first four components and the remainder will be earmarked for the operation expenses of the MDTF Office, including expenses for support services and a contingency for important small-scale ad-hoc activities as agreed by MDTF Steering Committee and the donors.
- 3.17 The details of the work plan for the MDTF will be developed annually through an MDTF annual work programming process (see chart 3.2).

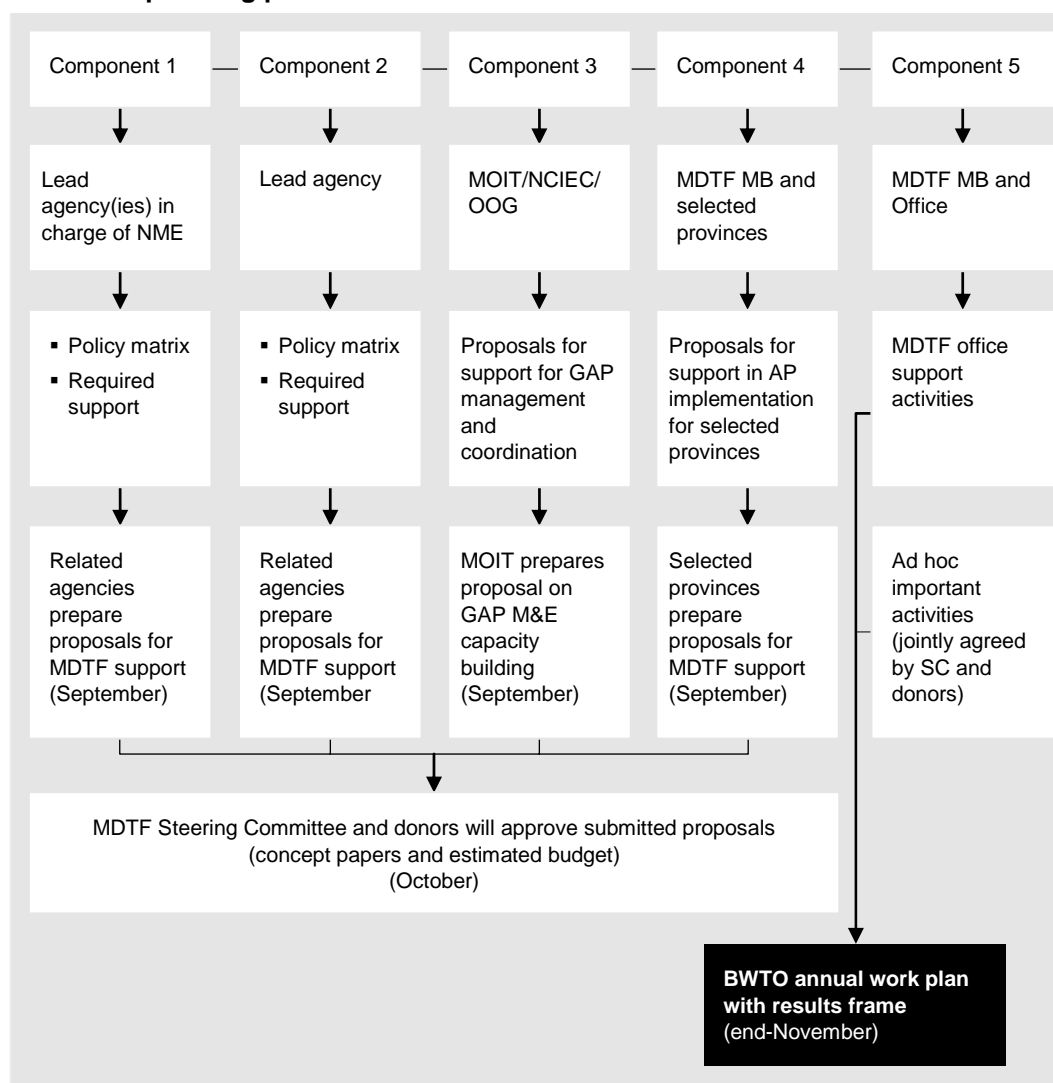
## **Component 1: Strengthening the institutions of the market economy**

- 3.18 For Component 1, the MDTF Office will assist the GOV's lead agency in charge of coordinating the work on NME issues to coordinate with the agencies undertaking relevant tasks to develop a policy matrix and to define priority policy actions. From that basis, the line ministries requiring technical assistance from MDTF will prepare a proposal/ concept note.
- 3.19 This concept note will specify:
  - the policy issues that the agency is dealing with;

- the activities to be supported by MDTF funding; and
- the expected policy actions and outcomes that the TA support can help to achieve and the timeframe for implementation of the project/activity.

3.20 The MDTF Operation Manual (Attachment) provides a format and guidance for preparing concept notes. These notes will be submitted to the MDTF Management Board and donors for approval. The MDTF Office and consultants will provide advice and support to the Office and donors for this process. Approved proposals will then be included in the MDTF annual work program.

### 3.3 Work planning process



## **Component 2: Addressing social and economic challenges of integration for the rural sector**

- 3.21 For Component 2, policy actions will be determined using the same work program process as Component 1, once the lead agency and the issues to be focused on under this component are clearly defined and agreed between GOV and donors. It is envisaged that the MDTF Management Board and Office will collaborate with donors in defining the content and focal areas for this component before Phase II comes into operation.

## **Component 3: Supporting capacity for management and coordination of integration**

- 3.22 For Component 3, a small activity will be led by MOIT in the first year of Phase II to assist in formulating future processes for updating the GAP, elaborating the tasks and support needed by the NCIEC and its office, refining and bedding-in the M&E framework and related review processes for the GAP, and proposing ways of providing a voice for the business community in the ongoing GAP review and implementation processes.

## **Component 4: Supporting implementation of provincial action plan activities**

- 3.23 For Component 4, after certain provinces have been selected by the MDTF Management Board, the MDTF Office will coordinate the selection of activities for submission to the Board and donors for approval.

## **Component 5: Management of the MDTF**

- 3.24 The MDTF annual work plan will include the detailed activities of each of the five components. The plan for Component 5 will include the operational work plan of the MDTF Steering Committee, the Management Board and the MDTF Office, and for management of the contingency for ad-hoc important activities. This work plan will then be approved formally by the Steering Committee and the donors prior to 31 December of each calendar year for implementation, and will be subject to a mid-year review.

## **Financial Management (including accounting and auditing)**

- 3.25 Since GOV mechanisms require further strengthening, separate fund flow, accounting and auditing mechanisms will continue to be used under MDTF Phase II. Funds flowing to the Government under this arrangement will be kept in and disbursed from a separate bank account held by the Government. The Operational Manual (including guidance on financial management, procurement, monitoring and evaluation, as well as the process and criteria for

approving proposals) for the MDTF is attached to the design document for GOV and donors to approve. MDTF management will strictly follow the Operational Manual without issuance of any further guidance, regulations or decisions.

- 3.26 To facilitate better management and control of the fund, it is also proposed that a Trust Fund account and sub-Trust Fund accounts (for benefiting agencies) will all be opened at one bank (most logically the current bank servicing the MDTF – Vietnam Bank for Agriculture and Rural Development). This will allow consistency in fund management and the conduct of spot checks and other expenditure tracking exercises.
- 3.27 In executing the fund the Government will be required to clear Terms of Reference and short lists with the donors (in the first year at least via the Senior Technical Advisor). The views of donors may be sought with regard to sensitive positions, but this will be on an informal basis. There will be no tying of the aid to use of any country's suppliers, contractors or consultants. In other respects GOV will be required to follow Vietnamese procurement rules and standards stipulated in the newly issued Public Procurement Law and sub-law documents and guidance.
- 3.28 To enhance the responsibility and accountability of related agencies involved in the MDTF management, fiduciary risk mitigation measures, including spot checks and expenditure tracking jointly conducted by donors and MDTF Office will be used during the course of implementation, and annual audits (by donors) will be undertaken. The accounts relating to the fund will be audited in accordance with the international normal systems, standards and requirements. Copies of audit reports will be made available to donors.
- 3.29 The MDTF office will be required to provide the following financial reports to donors: confirmation of fund transfer from donors to MDTF account; quarterly reports on MDTF disbursement (statement of expenditures) and balances in the MDTF; bi-annual reconciled financial statement; and a reconciled end-of-financial-year financial report. The benefiting/ recipient agencies will submit the following reports to the MDTF Office: a mid-term reconciled financial statement and an end of project/ activity acquittal report with supporting eligible documents.



## 4 Risk, cross-cutting issues and sustainability

### Risks

- 4.1 There are considerable risks associated with a program of this ambition and complexity. These risks related to Vietnamese politics, government ownership, external shocks, institutional capacity, accountability, corruption and conflicts of interest and predictability of donor financing.
- 4.2 As the program deals with issues lying at the heart of the policy and institutional change process associated with Vietnam's ongoing transition to a market economy, there are considerable political risks which cannot be ignored. The Communist Party of Vietnam and the Government are, however, strongly committed to integration (as indicated by the resolutions that have led to formulation and adaptation of the GAP). The Government is using the post-WTO accession period to mobilise efforts for the transition and to strengthen mechanisms for dealing with potential social and environmental costs of change and growth.
- 4.3 The Government is also using the GAP (and the BWTO Program itself) as a catalyst for developing stronger institutional mechanisms for inter-ministerial coordination and oversight of progress and impacts of policy change processes. Ownership of the GAP reform agenda is exceptionally high, and since the program is fully integrated into Government structures, risks of derailment due to low implementation efforts at lower levels of the administration will be minimised.
- 4.4 This said, concerns have been expressed by high level local advisors about the ability of the NCIEC to effectively coordinate and drive some of the challenging processes that integration and related economic reforms bring. The GAP is much more than a trade program — it covers a large part of Vietnam's overall economic reform and development agenda, and as such operates on a much larger canvas than trade negotiations that have been the main concern of NCIEC in the past. GAP implementation will also involve dealing with conflicting interests and points of view — resolving these differences will require development of more sophisticated and transparent processes for policy review. It is expected that Component 3 of the Program will provide

support for NCIEC and Government agencies to develop these processes and access capacity to refine and implement them. Further, the expertise located in and mobilised through the Office of the MDTF will can help NCIEC to consider ways of dealing with these challenges.

- 4.5 While ownership is high, there is a risk that external economic shocks, such as the ongoing financial crisis, and the resulting lack of confidence in international financial architectures may lead to a more cautious approach to elements of the reform program. On the other hand, fear of negative fall outs may prompt an acceleration of efforts to develop a stronger and better targeted social security system, an important part of the GAP. The strong linkage of the GAP with the SEDP, and the high level of donor support through the PRSC process ensure continuing technical as well as financial support to manage possible spill-over effects of external shocks.
- 4.6 Lack of institutional capacity to fully drive, execute and monitor such a complex process is a concern. Experience to date has shown that apprehensions expressed in the design of Phase I were not misplaced. New responsibilities for coordination, consultation, information sharing, implementation and monitoring are being established. This requires not only institutional capacities, but also changes in behaviour and understanding of the role of government in a market economy. GOV is aware of the need for change in its procedures and has shown evidence of a commitment to promote change. Strong TA support through the MTDF will reduce the risk related to capacity, and alignment with the PRSO agenda and process bolsters the support available to the Government to meet this challenge.
- 4.7 Experience with AusAID's Capacity Building for Effective Governance Facility showed that a number of Vietnamese agencies find it difficult to develop high quality activity. This can show itself in poor problem definition and in difficulties in aligning activities with overall Program priorities and requirements for achieving value for money, and in specifying activities in ways that can be readily implemented. To counter this, the Program will provide support through the design and subject matter expertise available through the MDTF Office to help project proponents to define and refine activity ideas and to formulate activity proposals.
- 4.8 Overarching policy programmes such as this can be derailed by lack of clear lines of responsibility and accountability – and lack of mechanisms to fully evaluate policy options in a transparent, economy-wide fashion. The program design defines clearly the responsibilities and the accountability of the various actors involved. It is also explicitly providing support to the coordination function, and access to additional resources will be one of the major incentives to assure good implementation. Development of a robust M&E framework and

government mechanisms for assessing outcomes of program activities will reinforce accountability.

- 4.9 An under-funded programme or the imposition of procedures that hamper and delay the implementation can be a major stumbling block to such a complex change programme. Donor commitment to provide adequate finance for the GAP – including the MDTF – through an efficient aid delivery system is an important condition for its success.
- 4.10 Corruption could impact on Beyond WTO in various ways, not least by undermining donor confidence in the approach. Recent cases have drawn attention to the fact that the Government's own resources are as much at risk as those of donors. The Government recognises the costs of corruption, and is adopting broader and more systematic measures to root out corruption wherever it is found, and to increase the functionality of transparency and accountability mechanisms to deter corrupt behaviour.
- 4.11 In the past there has been a large amount of donor assistance in the area of integration. Coordination has been problematic, duplication common, and GOV has had to deal with a multiplicity of donor systems. The MDTF should considerably reduce complications in this area, and the NCIEC's role with respect to oversight and coordination of GAP implementation should provide a clearer basis for better coordination and targeting of donor support, even for donors who are unable to channel support through the MDTF. (The EU, for example, has signalled that it will coordinate its trade related assistance with the GAP and its management arrangements.
- 4.12 Table 4.1 summarises key risks and mitigation measures for the Program.

## Cross-cutting issues

- 4.13 The Phase II program will support two main areas of the GAP: strengthening the institutions of a market economy, and addressing social and economic challenges in the rural sector. As such, it will engage with a series of important cross-cutting issues, including recasting the role of government, dealing with some of the key social and distributional effects of growth and integration, and implementing regional as opposed to purely provincial approaches to the spatial allocation of public spending and development. Work undertaken during Phase I on cross-cutting issues more directly associated with WTO membership has had a strong influence on the revision of the GAP

### 4.1 Risks and mitigation measures

<i>Type</i>	<i>Risk</i>	<i>Mitigation measures</i>
<b>Activity</b>	Institutional capacity of the NCIEC is insufficient to coordinate GAP implementation. NCIEC fails to	Specific support under component 4 of the Program to develop this

<b>related</b>	develop an authoritative voice in dealing with conflicting inter-sectoral and inter-ministerial perspectives	capacity. This will include a Senior Technical Advisor and services of a group of short term international and local experts. Continued high level dialogue to support efforts to improve inter-ministerial coordination and development of processes to improve whole of government and economy-wide assessment of policy issues
	Program funds low-priority activities.	Annual Work Programming process and arrangements for GOV/donor approval of programs for each component reduces this risk considerably. Support will be given through the MDTF Office to help agencies formulate strong activity ideas and proposals
<b>Strategic fit</b>	Adverse external economic developments might derail commitment to integration reforms or slow them down.	Strong pre-existing political government ownership to the reform ensures that GOV will stay the course. Strong linkages of the GAP to the SEDP PRSO processes ensure financial and technical support to deal with the consequences of such shocks.
	Strong donor support for Program and MDTF may not be forthcoming.	Integration is a key element of AusAID and DfID country assistance strategies, and is a priority for support from other donors and the World Bank.
<b>Fiduciary</b>	Management of the MDTF may not meet donor fiduciary standards, leading to inappropriate use of resources. Experience with Phase I has highlighted significant capacity shortcomings with respect to management of donor trust funds. Corruption remains a significant problem with respect to procurement under government systems.	The design envisages a range of risk mitigation measures, including requiring all accounts to be held with a single bank, joint donor/GOV spot checks and expenditure tracking, auditing of accounts in accordance with international norms and standards. The Operational manual is embedded in the design: and it will be a requirement that MDTF management will follow the manual with no alternations or issuance of further guidelines, regulations or decisions.
<b>Donor coordination</b>	Continued delivery of integration related assistance through a range of donor systems may add to the burden on GOV and lead to poor coordination of activities.	The expanded role of the NCIEC with respect to GAP oversight, and the broad coverage of the GAP should reduce risks of poorly coordinated support. Many donors have signalled that they will channel support through the MDTF, and some who are unable to do this have signalled that they will coordinate assistance with the GAP and associated arrangements.

*Continued on next page*

#### 4.1 Risks and mitigation measures (Continued)

<i>Type</i>	<i>Risk</i>	<i>Mitigation measures</i>
<b>Donor coordination (continued)</b>	Inadequate resourcing of AusAID's lead donor function erodes or causes discontinuity in engagement with GOV and other donors on policy and program issues.	Establishment of a Technical Advisory Group to assist AusAID in the engagement will help provide for continuity, and AusAID will act to adequately resource the leadership function.

4.14 The GAP covers, to varying degrees, the key cross-cutting issues of private sector development, transparency, environment and gender. The criteria for approval of the outputs of the Work Programming processes for the first four components of the Program will require that adequate analysis (including where appropriate, stakeholder consultation) has been undertaken of the impact of proposed activities on Government objective with respect to these issues. Components 1 and 2 of the Program will directly engage with environmental and gender issues in their proposed dealing with land use and the rural social impacts of integration.

### Sustainability

- 4.15 Sustainability of the outcomes of the Program will depend on two key factors.
- The first is the level of government ownership of the reform processes that are supported. This is very high, as reflected by the fact the Program has been developed in response to high level requests, and that Phase I, despite some of its problems, has been used by GOV to address critical issues of public administration reform and changes in the role of government.
  - The second factor is the success of the Program in building useful and appropriate capacity, particularly for policy analysis and inter-ministerial coordination, that will play a continuing role in Vietnam's policy and institutional development after the Program is completed. The design of the Program, particularly its support under Component 4 to the management and coordination of integration caters directly to this objective.



---

## *Appendixes*





# A Progress towards the Millennium Development Goals

## A.1 Vietnam – progress towards Millennium Development Goals

<i>Goal/target</i>	<i>Description</i>	<i>Progress</i>	<i>Status</i>
<b>Goal 1</b>	<b>Eradicate extreme poverty and hunger</b>		
Target 1	Halve between 1990 and 2015 the proportion of people living in poverty	Poverty reduced by more two thirds between 1993 and 2006	Already achieved
Target 2	Halve between 1990 and 2015, the proportion who suffer from hunger	Proportion reduced by more than two thirds between 1993 and 2006	Already achieved
<b>Goal 2</b>	<b>Achieve universal primary education</b>		
Target 3	By 2015 boys and girls to complete a full course of primary schooling	Grade 5 completion rate (gross) is 104 percent for boys and 98 per cent for girls	Likely to be achieved
<b>Goal 3</b>	<b>Promote gender equality</b>		
Target 4	Eliminate gender gaps in primary and secondary education no later than 2015	Gender equality at all school levels, except for ethnic minorities	Already achieved
<b>Goal 4</b>	<b>Reduce child mortality</b>		
Target 5	Reduce by two thirds between 1990 and 2015, the under-five mortality rate	Reduced by 65 percent between 1990 and 2005 (down from 53 to 19 per 1000)	Likely to be achieved
<b>Goal 5</b>	<b>Improve maternal health</b>		
Target 6	Reduce maternal mortality by three quarters, between 1990 and 2015	Fell by two thirds, from 250 per 100,000 births in 1990 to 85 in 2007	Likely to be achieved
<b>Goal 6</b>	<b>Combat HIV/AIDS and other diseases</b>		
Target 7	By 2015 have halted and begun to reverse the spread of HIV/AIDS	Infection rate went up from 0.34 percent in 2001 to 0.44 in 2005	Likely to be achieved
Target 8	By 2015 halted and reverse the incidence of malaria and other diseases	Malaria cases severely reduced; with only 35 malaria-related deaths in 2007	Already achieved
<b>Goal 7</b>	<b>Ensure environmental sustainability</b>		
Target 9	Embrace sustainability and reverse the loss of environmental resources	Forest cover up but loss in closed-canopy forest and biodiversity	Uncertain to be achieved
Target 10	Halve, by 2015 the share of people without drinking water and sanitation	Rapid progress on drinking water; much slower on hygienic sanitation	Uncertain to be achieved

Source: World Bank 2008 Vietnam Country Overview.

## B Reviews of Phase I

- B.1 There have been a number of reviews of progress under Phase I of the program, and of the outputs that were produced and activities that were funded. They include:
- an internal review carried out by AusAID, DfID and the Office of the Steering Committee in November 2007;
  - an external review of Phase I carried out in March 2008;
  - a review of the management and internal control system for the Program, carried out in May-June 2008;
  - a draft review of the development and roll out of national action plans by line ministries, and provinces prepared by the Ministry of Industry and Trade in May 2008; and
  - a draft report on implementation, monitoring and evaluation of the GAP prepared in July 2008 by the High Level Advisory Group.
- B.2 These reviews found significant problems with the management of the MDTF, due in part to the delay in finalising the Operational Manual and the adoption of ad hoc procedures that were inconsistent with the intentions of the Manual. They concluded that accounting for MDTF funds was of erratic quality, and that not all activities provided value for money. At the same time, however, they concluded that government ownership was exceptionally high and that some strategic and high priority actions were being funded.
- B.3 Donors and GOV agreed on three triggers for initiating Phase II. At the completion of the Phase I, one trigger – a critical mass of donors had been met. The other two – a comprehensive and credible implementation plan; and clear and robust institutional arrangements for coordinating WTO implementation, had not. Reviews concluded that delays in completing these triggers were partly tied up with the major restructuring of the Government that took place in 2007, and also to the Prime Minister’s decision in 2008 to transfer responsibility for the Program from OOG to the newly created Ministry of Industry and Trade (MOIT). But they also reflected the considerable challenge that delivering these key outputs of Phase I entailed.
- B.4 Of particular importance are the three internal reports on the National Action Plan and the ministerial, agency and provincial plans that were prepared during Phase I of the Beyond WTO Program. The reports are:

- MOIT1 — Ministry of Industry and Trade, *Report on the development and roll-out of action plans by line ministries and provinces in order to implement the government's action plan issued together with Resolution No 16/2007/NQ-CP*, May 2008;
- SCG — BWTO Senior Consultative Group, *Implementation and Monitoring and Evaluation Framework for National Action Plan*, July 2008; and
- MOIT2 — Ministry of Industry and Trade, *Studying and producing a list of activities and key work to be undertaken to deal with difficulties and constraints in the action plan implementation process of various ministries/agencies and local authorities for the implementation of the government's resolution no. 16/2007/NQ-CP dated February 27,2007*, August 2008.

- B.5 MOIT1 comments on the documents prepared by Ministries, agencies and Provinces indicating what they intend to do to implement the action plan issued with Resolution No 16 — the GAP — and on what has been achieved under the GAP. SCG comments on these documents and the GAP itself, and offers suggestions for institutional arrangements to coordinate and supervise implementation of the GAP. MOIT2 specifies activities to address difficulties and constraints in implementing the GAP.
- B.6 The first two documents presented detailed assessments of the achievements and weaknesses of the GAP and the ministerial, agency and action plans
- B.7 SCG argues that there are some deep-seated issues of public and government perception that have meant that the plans have not completely come to grips with all of the issues associated with integration. These are a mindset that sees implementation of international commitments as a 'duty' and the desire to prolong trade protection for some products. The report suggests that there are key issues (such as reform of financial sector regulation, dealing with the tensions between competition policy and the slow pace of SOE equitisation and the current commitment to economic groups of SOEs, re-conceiving industrial master plans) that need to be informed by a better understanding of the underlying rationale for integration and how it delivers its benefits.
- B.8 The design team also thinks that some of the plans reflect the lack of overarching view about the role of government. Some plans envisage a direct government role in areas that would logically be left to the business sector in a market economy. In other cases, plans do not seem to reflect consideration of the best policy instruments or forms of intervention to achieve objectives. This may in turn reflect the absence of a whole of government approach to issues: for example, as the government develops a stronger social security system, the need for sectoral assistance and industry subsidies to protect vulnerable people will disappear. But plans still talk of finding ways of directing credit or providing other forms of enterprise level support.

- B.9 At another level, it is clear that some provincial authorities have struggled to define how integration affects their people and enterprises, and what, given their powers and responsibilities, they should include in their action plans.
- B.10 SCG observes that the problems with the plans stem to a fair degree from the absence of a clear organisational structure for implementation and of an effective framework for monitoring and evaluation – this is seen as the key weakness of the GAP process.
- B.11 The design team agreed with this assessment, and with comments made on the plans. The absence of an overall coordination/supervision function has meant that there has been no mechanism for:
- ensuring that all ministries and provinces prepare plans;
  - ensuring action on plans by provinces and ministries;
  - initiating action on gaps or cross-cutting issues and for improving cross-ministerial coordination;
  - resolving high level conflicts in policy direction (such as may be generated by approaches to competition policy and state enterprise development);
  - setting priorities across ministries or agency plans; and
  - ensuring the quality of analysis, or the depth of consideration of policy impacts on government objectives with respect to cross-cutting issues such as gender and the environment.
- B.12 Some of the weaknesses in the plan may not be of long run significance if the coordinating arrangements have procedures and processes for ensuring that gaps are filled, contradictions resolved, priorities regularly assessed and responsibilities allocated. What this implies is that the coordination function may need to go beyond a mechanism for ensuring that agencies do what they have said they will do.
- B.13 The team also observes that the task of preparing the plans was very challenging. The GAP – necessarily – ranges across a very broad range of reform issues, and touches on nearly every aspect of Vietnam development strategy. It also involves thinking about significant changes to the role and mechanisms of government. There are no obvious precedents for planning this kind of initiative.
- B.14 SCG presents two options for the coordinating arrangements, involving creation of a new body reporting to the Prime Minister or a Deputy Prime Minister, or strengthening and streamlining the existing National Committee on International Economic Cooperation.
- B.15 The design team suggested that some attention be given to the terms of reference for the body as well as how it is structured and its membership. We

think that the body should do more than just supervise implementation of plans, but also be in charge of:

- facilitating coordination on cross-cutting issues
- decision-making on feedback from evaluation processes
- commissioning analysis on institutional or policy 'gaps'
- ensuring the quality of policy formulation processes

B.16 *MOIT2* proposes actions to address weaknesses and difficulties in ministerial and provincial action plans. It presents a matrix of actions which can be used to further elaborate parts of the matrix of the National Action Plan. *MOIT2* has suggestions for addressing the serious gap regarding involvement of the business sector in the plans, and also makes a range of proposals for addressing environmental issues. It also spells out a range of things that should be done with respect to improving the functioning of the market economy and addressing the Party priority for dealing with agriculture and the rural economy.

B.17 The report does not, however, address all of the issues identified in *SCG*, including those related to the underlying misperceptions of the role of integration in Vietnam's development. Some of these higher level problems may have to wait until the coordinating function is in place and able to propose ways of changing perceptions, or of putting in place institutional mechanisms to subject sectoral and other strategies to more stringent evaluation against the national interest. The GAP provides a strong incentive to work through ways of integrating an economy-wide, whole of government approach to economic management, since it brings into light some of the contradictions in current strategies.

## C Results framework and monitoring

C.1 Table C.1 presents the components for Phase II of the Program, and table C.2 presents the logical framework.

## C.1 Results framework: components for Phase II

<i>No.</i>	<i>Component</i>	<i>Activities</i>	<i>Lead Agency</i>	<i>Outputs</i>	<i>Outcomes</i>
1	<b>Strengthening the Institutions of a Market Economy</b>	Providing support to priority policy actions to address NME issues and strengthen market economy institutions	MPI or appropriate agency determined by government	Policy analysis carried out; Improved capacity of organisations and individuals	Policy actions achieved (from six areas identified by MPI)
2	<b>Addressing Social and Economic Challenges of Integration for the Rural Sector</b>	Policy research and analysis and support to pilot initiatives to improve understanding of, and development responses to, challenges facing the rural sector in the context of integration	To be determined based on activities	Research and policy analysis carried out; Improved capacity of organisations and individuals	Policy actions achieved Improved understanding of issues reflected in policy approaches
3	<b>Supporting Capacity for Management and Coordination of Integration</b>	Building capacity for more effective implementation of Action Plans and response to challenges and opportunities of integration	NCIEC/MOIT/OOG	Monitoring & Evaluation of Action Plans carried out in inclusive manner; Improved capacity of organisations and individuals	Implementation of Action Plan priorities
4	<b>Supporting Implementation of Provincial Action Plan activities</b>	Piloting support to implementation of activities in Provincial Action Plans (PAPs) of selected provinces	MDTF Management Board, working through Provincial Integration Committees in selected provinces	Priorities from Action Plans identified and incorporated into budget and work programs of pilot provinces; Improved capacity of organisations and individuals	Implementation of Action Plans in selected pilot provinces; Development of an approach for supporting PAPs nationally
5	<b>Management of MDTF</b>	Support to work programming process for all components  Approval and monitoring of work programs	MDTF Management Board	Work Programs completed; Annual monitoring reports on progress carried out	Successful implementation of work programs for components 1-4 with outputs and outcomes achieved

## C.2 Logical framework for Phase II

<i>Description</i>	<i>OVI</i>	<i>MoV</i>	<i>Assumptions</i>
<b>Goal:</b>			
To strengthen government's capacity to manage the integration of Vietnam into the global economy and the transition of Vietnam to a socialist market economy	<p>Economic growth rates (in aggregate and sectorally)</p> <p>Social and environmental indicators</p> <p>Maintenance of relatively egalitarian patterns of economic growth</p> <p>Sustained poverty reduction</p>	<p>Review of impact and response to WTO implementation (after 3 or 5 years)</p> <p>SEDP monitoring</p>	
<b>Purpose:</b>			
Implementation of priority policy actions from Action Plans		Monitoring of Action Plans	<p>(Purpose to Goal)</p> <p>External economic environment provides favourable opportunities for integration</p> <p>Priority policy actions appropriately selected as relevant and effective to achieve managed integration</p> <p>Supporting investments in infrastructure and communications carried out</p>
<b>Outputs:</b>			
<p>Policy analysis and institutional strengthening in the following areas (Components 1-4 of Phase II):</p> <p>1. Strengthening institutions of a market economy</p> <p>2. Addressing social and economic challenges of integration for the rural sector</p> <p>3. Supporting Capacity for Management and Coordination of Integration</p> <p>4. Supporting implementation of Provincial Action Plan activities</p>	<p>Policy priorities and targets within each area to be established in annual work programming process</p> <p>Approach developed for supporting implementation of Provincial Action Plans and incorporating integration into SEDPs nationally</p>	<p>Annual review of MDTF work program implementation</p>	<p>(Output to Purpose)</p> <p>Implementation of policies in line with implications of the analysis conducted</p> <p>Capacity developed (organisationally and individually) is used effectively in support of policy making</p>

*Continued on next page*



## C.2 Logical framework for Phase II (Continued)

<i>Description</i>	<i>OVI</i>	<i>MoV</i>	<i>Assumptions</i>
<b>Activities:</b>			(Activity to Output)
Components:	Completion, approval and ongoing monitoring of work program	Monitoring by lead agency of each component	Institutional conditions for training and other capacity building activities to be effective.
1. Providing support to priority policy actions to address NME issues and strengthen market economy institutions	Policy analysis completed	Project monitoring reports and other project documentation for each activity specified in the work program	
2. Policy research and analysis and support to pilot initiatives to improve understanding of, and development responses to, challenges facing the rural sector in the context of integration	Policy research completed to peer reviewed standard		
3. Building capacity for more effective implementation of Action Plans and response to challenges and opportunities of integration			
4. Piloting support to implementation of selected Provincial Action Plans			
5. Support to work programming process for all components			

## D Budget

- D.1 It is expected that there will be three sources of resources to implement the Beyond WTO Program: resources delivered through the MDTF, earmarked support from donors and in-kind contributions from the World Bank and the GOV.
- D.2 While the budget for the program will depend on the priorities identified in individual annual work programs under each Component, it is expected that a total program budget of US\$20–25 million will be sufficient to meet the program's objectives. Table D.1 presents the expected contributions to the MDTF. The European Union has agreed to earmark €2 million (approximately US\$ 2.4 million) under the MUTRAP III Program to support Beyond WTO activities, and DfID and AusAID will earmark support outside of the MDTF (up to US\$0.5 million) to support independent review, audit and evaluation activities.) The World Bank will provide in-kind contributions, including inputs and advice from Hanoi-based sector experts and advisors, and relevant research. The Government is expected to continue to contribute in-kind support through the provision of program staff and office equipment and facilities.

**D.1 MDTF contributions**

<i>Donor</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>Total</i>
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
AusAID	1	2	2	2	1	8
DfID	1	1	1	1	1	5
<b>Total</b>	2	3	3	3	2	13

## E The MDTF Steering Committee and MDTF Office

- E.1 This appendix presents the terms of reference for the MDTF Steering Committee, the MDTF Management Board and the Office of the Steering Committee.

### **MDTF Steering Committee**

- E.2 The MDTF Steering Committee (SC) has been established to provide policy guidance and take responsibility for effective management and use of the MDTF.

#### **Structure**

- E.3 The Committee will have the following members.
- Chairman: Vice Minister of Ministry of Industrial and Trade — in charge of integration.
  - Permanent members at the director level from key ministries and agencies as specified in Prime Ministerial Decision 591/QD-TTg of 21 May 2008. Permanent members of the SC will attend and contribute to periodical meetings.
  - Key funding donors will have official observer status at all meetings of the SC.

#### **Functions**

- E.4 The Committee will oversee the management of the MDTF and coordination with donors regarding the work programs supported by the Fund.

#### **Responsibilities**

- E.5 Besides the responsibilities assigned in the Decision 591/QD-TTg, the Committee will have the following responsibilities for the Program:
- (a) coordinating with the NCIEC responsible for overall implementation of the Government Action Plan, and managing technical assistance and other support delivered by the MDTF;

- (b) overseeing and coordinating preparation of the annual work programs under the five components of the BWTO Program;
- (c) adopting (along with donors) the annual work programs, which contain concept notes/detailed outlines of the projects/activities proposed under the Program components;
- (d) reviewing and approving implementation projects proposed by ministries and agencies to be funded by the MDTF;
- (e) coordinating and harmonising activities of ministries, agencies and provinces under the BWTO Program;
- (f) monitoring and evaluation of projects executed within the framework of the MDTF; and
- (g) overall management of the MDTF, mobilising and supervising all resources, both domestic and international, for implementation of the Program.

## **MDTF Management Board**

E.6 The MDTF Management Board (MB) is established to carry out functions delegated by the SC.

### **Structure**

E.7 The Board will have the following members.

- Chairman: Vice Minister of Ministry of Industrial and Trade – in charge of integration.
- Permanent members at the director level from key ministries and agencies with direct responsibilities relating to integration and the transition to a market economy (Ministries of Industry and Trade (MOIT), Planning and Investment (MPI), Finance (MOF) and Justice (MOJ), and the Office of Government (OOG). Permanent members of the MB will attend and contribute to periodical meetings.
- Key funding donors will have official observer status at all meetings of the MB.

### **Functions**

E.8 The Board will oversee management of the MDTF and coordinate with donors regarding the work programs supported by the Fund on behalf of the SC. It will also exercise all functions provided in E.5 under delegation from the SC, except the responsibilities items (a) (c) and (e) in paragraph E.5.

## **The Office of the MDTF**

### **Functions**

E.9 The Office of the MDTF is a secretariat and implementing body of the MDTF Steering Committee, set up by the Committee to assist in the discharge of its responsibilities.

### **Responsibilities**

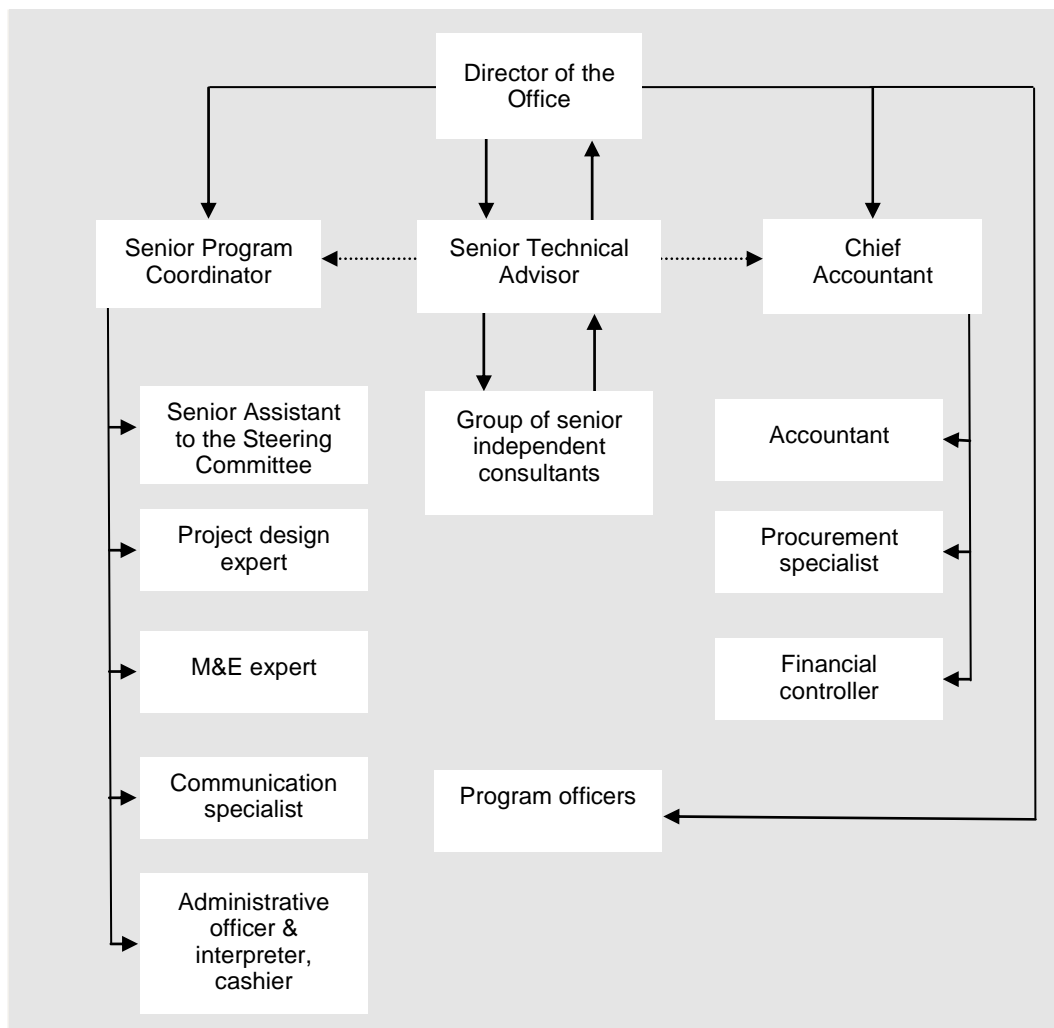
E.10 The responsibilities of the Office are as follows:

- coordinating advice and planning for the activities supported by the MDTF, and supporting the Steering Committee with the preparation of advice on integration and WTO policies, strategy, programs of actions and the National Action Plan provided to the Integration Steering Committee;
- technical support for policy planning in the framework of the BWTO Program;
- preparation of contents and logistics for meetings of the MDTF Steering Committee;
- coordination with focal points in charge of economic integration of ministries, agencies and provinces to implement the activities of the Steering Committee;
- reporting to the Steering Committee about activities that ministries, agencies and provinces are implementing or will implement under the BWTO Program;
- identifying issues that need the coordination of the SC for ministries, agencies and provinces concerned;
- daily management of MDTF;
- appraisal of proposals in form of project/sub- project concept note/detailed outline and sub-project document by ministries, agencies and provinces and their submission to the SC for approval;
- the overall monitoring and evaluation of the implementation of work programs and activities funded by the MDTF;
- reporting on program execution to the SC; and
- formulating recommendations on proposed changes focus of the BWTO program and its components.

### **Structure of the MDTF Office**

E.11 Chart E.1 shows the proposed structure of the Office of the MDTF

## E.1 Structure of the Office of the MDTF



## Job descriptions of Office personnel

### Director of the Office

E.12 The Director of the MDTF Office will be responsible to the SC for the Office's activities and implementation as well as outcomes of Program and effective use of finance from MDTF.

#### *Responsibilities:*

E.13 The Director will be responsible for:

- overall management of activities of Office and specialists belonging/ reporting to the Office and the overall coordination of all activities/ projects funded by the MDTF;

- coordinating with the MDTF Steering Committee and donors, ensuring coordination of Program activities and reporting to the Committee and donors on any possible events negatively affecting the Program' performance at the timely manner;
- controlling the implementation and compliance of financial management and procurement procedures approved by the Steering Committee;
- drafting regulations and guidance of the Program submitting to the Steering Committee for approval and issuance;
- preparing the annual work plan, six-month reports for donors, and periodically (monthly and quarterly) reports to Steering Committee;
- taking lead in appraisal of proposals in form of project/sub- project concept note/detailed outline and sub-project document by ministries, agencies and provinces and their submission to the Steering Committee for approval;
- reporting directly to the Steering Committee;
- managing all staff (provided by GOV or recruited by the Program) to ensure the Office is well functioning;
- signing documents, on behalf of the Steering Committee, from MDTF with implementing agencies after officially approved by the Steering Committee; and
- taking the lead on reporting (including M&E) on all project and sub-projects when needed.

*Authorities:*

E.14 The Director will have the following authorities:

- executing the activities approved by BWTO SC and donors;
- making decisions on the allocation of MDTF funds based on the approved annual work programs under the components of the BWTO Program;
- approving the transfer of funds from the MDTF to the sub-trust fund set up by the agencies implementing activities.

**Senior Assistant to Director of the Steering Committee**

E.15 The Senior Assistant to Director of the Steering Committee will be responsible for the following:

- acting as coordinator for all members of the Steering Committee;
- coordinating all senior members to seek for comments and consultation for the Steering Committee regular meetings, drafting terms of reference for and contracting senior advisors when needed;
- working closely with the senior technical advisors of the Program;

- providing secretariat services for the Steering Committee and the Director whenever required;

### **Communication Manager**

E.16 The Communication Manager will be responsible for the following:

- drafting a communication strategy for the program for submission to the Office and then to the Steering Committee for approval and adoption;
- implementing the approved communication strategy;
- assisting activity project owners to undertake communication activities related to the projects; and
- managing the overall communication activities of the Program.

### **Program officers**

E.17 Up to five Program Officers will be provided by GOV to:

- Support the Director to discharge his overall responsibilities for coordination of the MDTF Steering Committee and Board;
- Assist with preparation of Program documentation, including reports for the Steering Committee, the MDTF Board and donors;
- Provide support as required to agencies in the preparation of activity concept papers and budgets;
- Coordinate with and provide support to implementing agencies during activity implementation;
- Other tasks as assigned by the Director, including secretarial work for the Senior Program Coordinator, and the Senior Technical Advisor.

### **Positions to be recruited by the Program**

#### *Chief Accountant*

E.18 The Chief Accountant will be responsible for:

- overall financial management of the MDTF and co-signing cheques and vouchers with the Director;
- sharing responsibility for the use of the MDTF with the Director;
- financial planning for the MDTF and evaluating the financial needs of proposed projects;
- issuing detailed procedures for fund management, financing and accounting; and
- formulating procedures and implementation guidance for projects in terms of finance and reimbursement;



- ensuring the use of the accounting system and the principles of the procurement procedures is in line with program requirements and in accordance with Vietnamese and donor standards and requirements;
- managing a team responsible for financial management of the Program, including an accountant, a financial controller, and a procurement expert.

#### *Accountant*

E.19 The accountant will work on the principle that he/she is 'not a direct subordinate' of the Director so that he/she can make subjective and independent financial decisions. The Accountant is responsible for:

- accounting activities for the Program, including controlling data input and the validity of financial data;
- assuring the transparency and conformity of all financial activities following donor norms and Vietnamese norms;
- monitoring and implementing the payments made by the Office;
- checking on the validity of financial documents submitted from the sub-projects;
- preparing Statements of Expenditure every 6 months:
  - reports should explain advance payments and the need for supplementary budgets.
  - reports should be signed by both the financial controller and the Director; Expenses, and will be sent periodically for checking to an independent auditor;
- assisting independent auditors; and
- handling all other tax liability of the program;

#### *Financial Controller*

E.20 The financial controller will be responsible for:

- making sure the financial management of the program is in accordance with Vietnamese and donor standards and requirements;
- conducting regular check and balance activities to ensure the compliance of day-to-day financial activities;
- making recommendation to changes and improvement to the financial management procedures for betterment; and
- producing regular internal audit report to Director.

#### *Procurement Officer*

E.21 The procurement officer will be responsible for:

- reporting to financial controller on all procurement activities and expenses;
- drafting all procurement guidelines and documents for recruiting local and international consultants involving in the Program;
- providing guidance to agencies implementing activities on procurement processes;
- post-checking the procurement implementation of ministries/ agencies;
- coordinating with the financial controller in assuring all procurement activities be in line with donor and GOV procurement principles;
- reporting to the Office and the Director on all procurement activities undertaken by the Office activity implementers.

#### *Project Design/Management Expert*

E.22 The Project Design/Management Expert will be responsible for assisting:

- activity proponents in preparing project proposals and concept note/detailed outline and sub-project documentation;
- activity proponents to understand the guidelines, principles, and regulations of the Program;
- activity proponents with starting up sub-projects and other management issues as assigned by Director;
- the Director in assessing component work programs, activity proposals and design documents;
- • implementing agencies activity implementation.

#### *Monitoring and Evaluation (M&E) expert*

E.23 The M&E expert will be responsible for:

- reporting directly to OSC Director;
- drafting M&E guidelines for all implementing agencies;
- assisting director in monitoring and evaluation of program activities;
- monitoring all project implementation plans, and progress reports from all activities, including reports by local and international experts mobilised by OSC;
- consolidating all activity reports into a program report on a regular basis;
- provide timely reports to the Director;
- coordinating with donors on M&E activities;
- other tasks as assigned by the Director;

#### *Administration Officer cum Interpreter*

E.24 The Administration Officer cum Interpreter will be responsible for:

- reporting directly to OSC Director;
- providing English and Vietnamese documents translation and interpretation;
- acting as program interpreter at official events, meetings and presentations;
- contributing to the smooth running of the program activities by providing logistical support to the members of Office team including TA experts;
- ensuring adequate supplies of office stationery at all times and organize delivery of office supplies for the Office in a timely manner;
- contributing to the organisation of activities by acquiring quotations, pro-forma invoices, organizing transportation, travel, preparation of materials and additional support;
- other tasks as assigned by the Director.

### **Supporting Positions to be recruited by the Program**

#### *Senior Program Coordinator*

E.25 A Senior Program Coordinator will be responsible for:

- reporting to the OSC Director;
- coordinating all program activities whether being implemented by OSC itself or by participating agencies (relevant ministries or provinces);
- managing directly a project management team of five people, including the senior assistant to the OSC, the project design/management expert, the communication manager, the M&E expert, and the administration officer/cum interpreter;
- conducting assessments, with assistance from local and international short term experts/advisors of project proposals, for submission to the Steering Committee;
- closely coordinating with implementing agencies in the framework of the Program;
- Providing six-monthly reports to the Steering Committee; and
- Setting up and applying an M&E mechanism for the program

#### *Senior Technical Advisor*

E.26 A Senior Technical Advisor will be recruited (at least for the first full year of operation of the Program to help with the development of the component work programs, advise on appropriate methodologies, assist with identifying suitable experts to provide technical assistance where required and help to explore international experience with key institutional and policy challenges associated with implementation of the GAP.

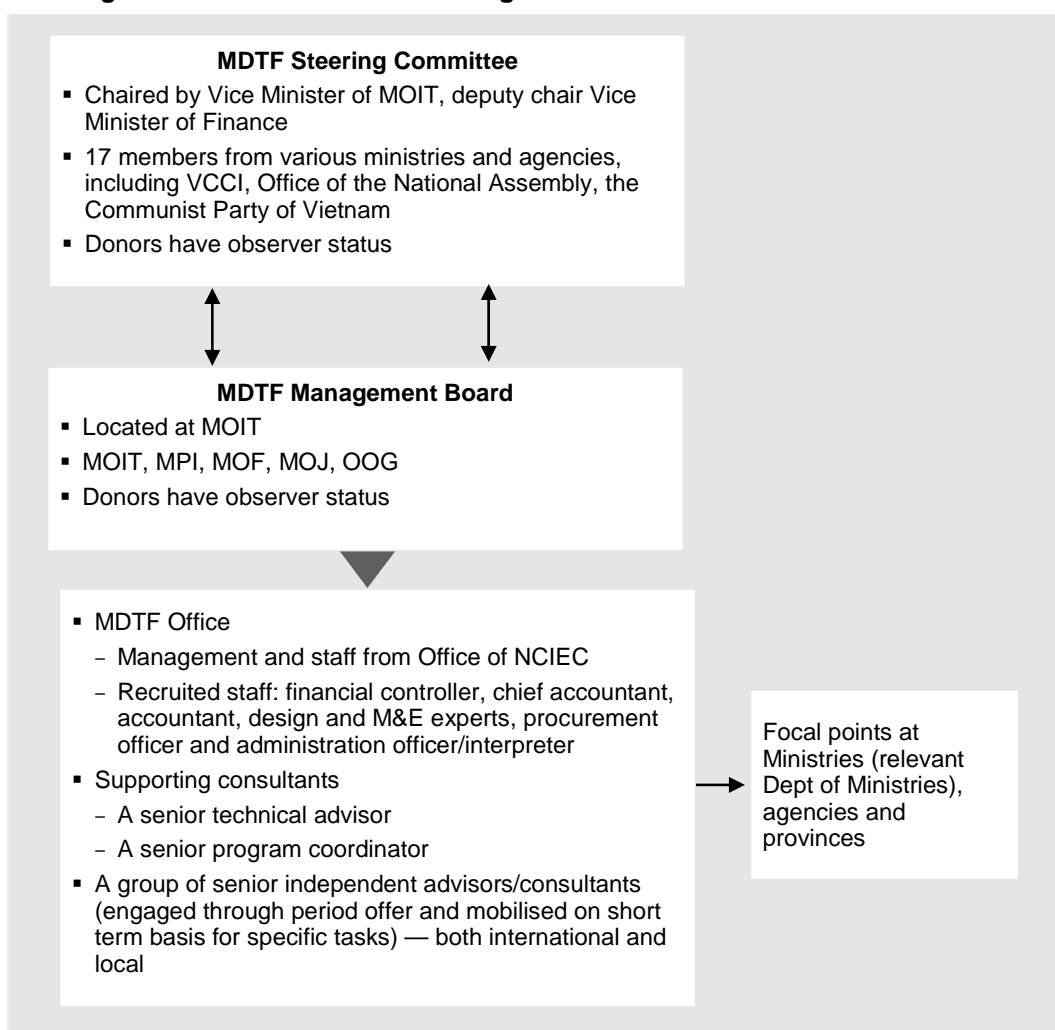
E.27 The advisor will assist the MDTF Steering Committee (and through it the Integration Steering Committee where appropriate) with the following tasks:

- reviewing the work done on the GAP, in consultation with concerned stakeholders and identifying key lessons learnt and additional work that needs to be done in relation to each of those tasks;
- helping lead agencies for each component to develop coherent and well-coordinated annual work programs, and assist with developing M&E frameworks for these programs;
- developing TORs for consultants working for the program, identifying appropriate resource persons or teams to conduct the work; reviewing and commenting on products prepared for the Program; preparing documents and manuals to support policy discussions and recommendations;
- conducting, as requested by the Steering Committee, analytical work in relation to the key focal areas of the Program; interact with local research institutes and think tanks; closely collaborate with Vietnamese experts; and contribute to the development of local analytical capacity; and
- assisting with liaison with the donors supporting the Beyond WTO initiative and with outreach to the broader donor community;

## F Implementation arrangements

- F.1 The MDTF will be executed by the recipient and will be governed by i) the Joint Financing Agreement between participating donors and the Government and ii) the Grant Agreement or Letters of Exchange between each bilateral donor and the Government.
- F.2 The overall organisational structure for management and operation of the MDTF is presented in chart F.1.

### F.1 Organisational structure for management of the MDTF and its activities

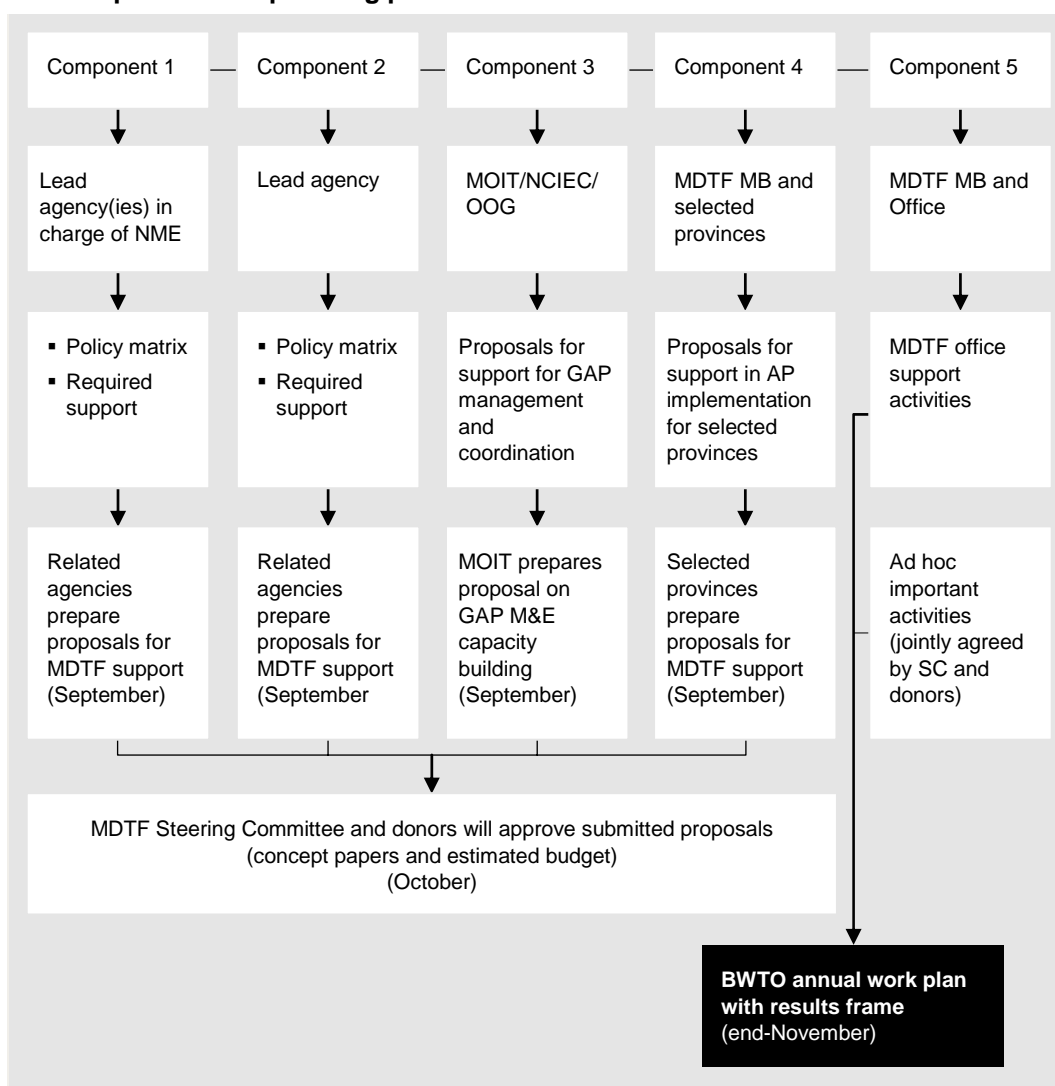


- F.3 Based on the lessons learnt from Phase I and from consultation with various key line ministries during the design, it has been determined that an MDTF Management Board will be established to which the MDTF Steering Committee will delegate a large number of its functions. The Board comprise members from the following key ministries in charge of integration and ODA management: as the Ministries of Industry and Trade (MOIT), Finance (MOF), Planning and Investment (MPI), Justice (MOJ) and the Office of Government (OOG). It will be located at the MOIT, chaired by a Vice Minister of MOIT. The MDTF Steering Committee will have the overall responsibility for management, coordination, monitoring and evaluation of MDTF funded activities, but will delegate most of work and decision making associated with these responsibilities to the Board.
- F.4 The Board will meet at least twice a year to discuss progress on overall MDTF implementation, and make recommendations for an annual meeting of the full SC (at which annual work programs will be approved). While the Committee will approve annual work programs and review implementation of funded activities, the Board will approve proposals for funding under work programs, and use of the contingency provided for under Component 5.
- F.5 To make the program strategic and responsive to critical needs, the MDTF Board and Steering Committee will be proactive in planning the activities to be funded on the basis of the Trigger Report 1 and the agreed components for Phase II.
- F.6 The operation of the MDTF in Phase II will be managed by an MDTF Office as was the case under Phase 1 (when it was named the Office of Steering Committee). The Office will be based on the current Office of the Steering Committee (OSC) with additional functions including a chief accountant, and accountant, a financial controller, a project design expert, a procurement officer, an M&E expert and an administration officer/interpreter provided by direct recruitment or under a management contract. These additional functions will be paid from the operational budget for the MDTF.
- F.7 Both the Steering Committee, the Board and the MDTF Office will be supported by a long term Senior Technical Advisor (at least for the first year of implementation) and a group of short term international and local senior experts specialized on key priority themes/ components of the Phase II support, including specialists on gender, civil society, and on private sector development. These consultants will help in screening proposals and in undertaking a quality assurance role with respect to the outputs and outcomes of program funded activities.

## MDTF work programming processes

- F.8 The framework for support to be financed by the MDTF will be set by the Government Action Plan with its matrices and the five components discussed in section 2. Under Phase II, the bulk of the funds will be earmarked to support the implementation of activities in the first four components and the remainder earmarked for the operation expenses of the MDTF Office, including expenses for support services and a contingency for important small-scale ad-hoc activities as agreed by MDTF Steering Committee and the donors.
- F.9 The details of the work plan for the MDTF will be developed annually through an MDTF annual work programming process (see chart F.2).

### F.2 Proposed work planning process



### **Component 1: Strengthening the institutions of the market economy**

F.10 For Component 1, the MDTF Office will assist the GOV's lead agency in charge of coordinating the work on NME issues to coordinate with the agencies undertaking relevant tasks to develop a policy matrix and to define priority policy actions. From that basis, the line ministries requiring technical assistance from MDTF will prepare a proposal/ concept note.

F.11 This concept note will specify:

- the policy issues that the agency is dealing with;
- the activities to be supported by MDTF funding; and
- the expected policy actions and outcomes that the TA support can help to achieve and the timeframe for implementation of the project/activity.

F.12 The MDTF Operation Manual (see Attachment ) provides a format and guidance for preparing concept notes. These notes will be submitted to the MDTF Steering Committee and donors for approval. The MDTF Office and consultants will provide advice and support to the Office and donors for this process. Approved proposals will then be included in the MDTF annual work program.

### **Component 2: Addressing social and economic challenges of integration for the rural sector**

F.13 For Component 2, the policy actions to be determined using the same work program process as Component 1 once the lead agency and the issues to be focused on under this component are clearly defined and agreed between GOV and donors. It is envisaged that the MDTF Management Board and Office will collaborate with donors in defining the content and focal areas for this component before Phase II comes into operation.

### **Component 3: Supporting capacity for management and coordination of integration**

F.14 For Component 3, a small activity will be led by MOIT in the first year of Phase II to assist in proposing future processes for updating the GAP, elaborating the tasks and support needed by institution established by GOV, refining and bedding in the M&E framework and related review processes for the GAP, and proposing ways of providing a voice for the business community in the ongoing GAP review and implementation processes.



#### **Component 4: Supporting implementation of provincial action plans**

- F.15 For Component 4, after certain provinces have been selected by the MDTF Steering Committee, the MDTF Office will coordinate the selection of activities for submission to the Management Board and donors for approval.

#### **Component 5: Management of the MDTF**

- F.16 The MDTF annual work plan will include the detailed activities of each of the five components. The plan for Component 5 will include the operational work plan of the MDTF Steering Committee, the MDTF Management Board and the MDTF Office, and for management of the contingency for ad-hoc important activities. This work plan will then be approved formally by the Steering Committee and the donors prior to 31 December of each calendar year for implementation, and will be subject to a mid-year review.

#### **Guidelines for development of Component Work program and activities**

- F.17 Detailed guidelines for preparation of Component work programs and specific activities within the components are provided in the Operational Manual.

## G Financial management and disbursement arrangements

- G.1 DfID, AusAID and other donors will finance a Multi-donor Trust Fund (MDTF) to help Vietnam in running Phase II of the BWTO Program. The purpose of the MDTF is to assist GOV to implement elements of its National Action Program for integration and sustainable development.

### **Amount and timing of the fund**

- G.2 The amount of the Phase II fund is up to US\$13 million, which will be disbursed over a five year period from March 2009 to September 2013.

### **Scope of expenditure**

- G.3 The fund is available to support individual developments identified and agreed in advance in Government of Vietnam's BWTO annual work plans. The MDTF will cover mainly technical assistance (TA) needs. In particular the MDTF will cover:
- implementation of key actions prioritized in the Action Plan to implement WTO obligations, as articulated in the annual work programs developed for each component of the Program;
  - government policy making and capacity to implement this change process strengthened;
  - the alignment of the BWTO Program with other government socio-economic development strategies (SEDP, PRSCs) both in terms of policy and institutional aspects;
  - more effective policy making, implementation and coordination support within government and full ownership by government of the process including an institutional support where applicable; and
  - strengthening supervision, monitoring, auditing and evaluation of the action planning.
- G.4 Donors will wish to undertake a review of the impact of their support after 12 months and will do so based on the framework agreed with donors and Government of Vietnam.

## **Cost norms**

- G.5 In preparing activity budgets, agencies will use the cost norms approved by GOV in Circular 108/2007/TT-BTC, EU Cost Norms.

## **Financial controls**

- G.6 Funds flowing to the Government under this arrangement will be kept in and disbursed from a separate bank account by the Government. The Operational Manual specifies guidance on financial management, procurement, monitoring and evaluation, as well as the process and criteria for approving proposals.
- G.7 To facilitate better management and control of the fund, it is also proposed that a Trust Fund account and sub-Trust Fund accounts (for benefiting agencies) will all be opened at one bank (most logically the current bank servicing the MDTF – Vietnam Bank for Agriculture and Rural Development). This will allow consistency in fund management and the conduct of spot checks and other expenditure tracking exercises.
- G.8 In executing the fund the Government will be required to consult with donors on short lists and terms of reference via the Senior Technical Advisor. The views of donors may be sought with regards to sensitive positions, but this will be on an informal basis. There will be no tying of the aid to use of any country's suppliers, contractors or consultants. In other respects GOV will be required to follow Vietnamese procurement rules and standards stipulated in the newly issued Public Procurement Law and sub-law documents and guidance.
- G.9 To enhance the responsibility and accountability of related agencies involve in the MDTF management, it is suggested to apply some fiduciary risk mitigation measures, including spot checks and expenditures tracking jointly conducted by donors and MDTF Office during the course of implementation, and annual audits (by donors). The accounts relating to the fund will be audited in accordance with the international normal systems, standards and requirements. Copies of audit reports will be made available to donors.
- G.10 The MDTF Office will be required to provide the following financial reports to donors: confirmation of fund transfer from donors to MDTF account; quarterly reports on MDTF disbursement (statement of expenditures) and balances in the MDTF; bi-annual reconciled financial statement; and a reconciled end-of-financial-year financial report. The benefiting/recipient agencies will submit the following reports to the Office: a mid-term reconciled financial statement and an end of project/ activity acquittal report with supporting eligible documents.

## **General Procurement requirements**

- G.11 The GOV will be required to follow Vietnam procurement rules and standards stipulated in the newly issued Public Procurement Law and sub-law documents and guidance, specifically the Decree 58/2008/ND-CP on procurement.

## **Reporting**

- G.12 In relation to the trust fund activities, the GOV will supply six monthly work plans and activity based budgets for the following 6 months together with a review of the previous 6 months. Expenditure may not normally be incurred unless provided for in these plans. However, the GOV will be able to propose variations in budget allocation when submitting the six monthly account statements. In exceptional circumstances, donors may be consulted on specific proposals not provided for in the budget that exceed \$50,000 in cost. Smaller variations should be reported through the six monthly accounting statements.
- G.13 The GOV will also provide annual work plans and activity based budgets together with a review of the overall strategy for the modernisation programme as a whole. In this plan they will set out technical assistance requirements for the programme as a whole.
- G.14 The GOV will undertake six-monthly consultation meetings with the trust fund donors about the operation of the fund.
- G.15 The GOV will also hold six-monthly meetings with all donors about progress with the financial management modernisation programme as a whole.

## **Fund Flow and Banking**

- G.16 Funds will flow from donors into a single commingled account. It will be disbursed from there by DfID and AusAID under a back to back arrangement with the GOV. DfID and AusAID will release funds to the GOV every six months and will base the release on the requirements set out in the work plan and budget discussed with donors.
- G.17 Donors will provide funds to the trust fund in accordance with the following schedule in table G.1.
- G.18 In administering the fund, DfID/ AusAID will ensure that they arrange releases to GOV so that the balance in the fund bank account with GOV does not exceed \$500k.

### G.1 Proposed schedule for release of funds

<i>Release date</i>	<i>AusAID</i>	<i>DfID</i>	<i>Other donors</i>	<i>Total</i>
	US\$	US\$	US\$	US\$
15 January 2009		500 000	TBC	
15 July 2009	500 000		TBC	
Total				

Note: TBC = to be confirmed.

### Termination

- G.19 Any donor may give 6 months notice of terminating this arrangement and their contributions subject to the provision below.
- G.20 After 12 months operation, donors would like to consider the scope for diverting all or some of their subsequent contributions to a separate trust fund to be administered directly by GOV under GOV's own procurement rules and procedures.
- G.21 In either event, the contractual commitments entered into by the Government at the point of termination will be calculated and the donors will jointly and severally be responsible for ensuring that funds to support those commitments are made available to the trust fund. This will, for example, cover long term contracts entered into with consultants.
- G.22 In the event of failure to supply the information or undertake the communication set out in this statement or if audit reviews reveal irregularities, payments under the schedule will cease until such time as the circumstances have been fully discussed with Government and rectification taken place.

# H Design team terms of reference

## **TERMS OF REFERENCE** **DESIGN OF BEYOND WTO PROGRAM: PHASE II**

---

### **1. Introduction**

The Australian Agency for International Development (AusAID) and the British Department for International Development (DfID), in co-operation with donor partners, will undertake design mission to update the existing program design document to support implementation of Phase II of the Beyond WTO Program (the Program) in September 2008.

The design team will consult with relevant Government of Vietnam and donor partners as well as analyse relevant program documentation and GoV policies and priorities. The team will update the design for the Program on the basis of this consultation and analysis.

### **2. Background**

International trade, when coupled with domestic reform and sound macroeconomic policies, is a powerful engine for promoting sustained economic growth, employment opportunities and poverty reduction. This has been demonstrated in a number of developing countries that have achieved impressive economic growth rates and substantial reductions in poverty. However, many developing countries are experiencing difficulties in capturing the benefits of more open trade. In these countries, governments, institutions and enterprises often lack the capacity to compete effectively in increasingly competitive global markets and take full advantage of trade opportunities.

Under its current Socio Economic Development Plan (2006-10), Vietnam is committed to deepening its integration into the global and regional economy as a means of realising its growth and poverty reduction goals. This includes efforts to maximise the opportunities associated with integration as well as policies to plan for and manage any short-term negative impacts.

Both Australia and the UK recognise the critical importance that well-planned approaches to trade liberalisation and economic integration can have in accelerating progress towards the Millennium Development Goals. In line with Vietnam's own development priorities, Strategy Objective One of the draft Vietnam-Australia Country Program Strategy (2008-2015) is to support Vietnam plan and effectively manage the long term opportunities and risks of international economic integration to ensure pro-poor growth.

Similarly, DfID's Country Assistance Plan Strategy for Vietnam (2007-2011) aims to help Vietnam fulfil its WTO commitments and at the same time ensure that the poor participate in opportunities that come from Vietnam's integration into the global economy.

*(a) Government of Vietnam Policy and Institutional Context*

In 2005, the GOV commenced the development of a National Action Plan for integration into the global economy in anticipation of Vietnam's accession to the World Trade Organisation (WTO) in 2006. GOV requested the financial support of donors to formulate the plan and to fund the technical assistance required to implement it. Deputy Prime Minister Vu Khoan requested that AusAID and DfID design a mechanism for donor support for implementation of the Beyond WTO Action Plan.

After intensive consultations with donors and key stakeholders, including government agencies, research institutions and think tanks, a phased approach was suggested by the design team. An initial one-year preparatory phase has supported GOV to develop a five-year comprehensive Action Plan for implementing WTO commitments and advancing its wider economic integration agenda under the Socio-Economic Development Plan 2006-2010 (SEDP) and test a multi-donor trust fund for pooled donor support for implementation of the action plan. A second (five-year) phase of Beyond WTO (BWTO) will support implementation of the action plan through the trust fund.

BWTO aims to strengthen the Government of Vietnam's (GOV) capacity to (i) manage the integration of Vietnam into the global economy and its transition to a socialist market economy; and (ii) respond to key, long-term strategic issues as they arise during the global integration process (eg. the social and environmental impacts of integration). It directly supports Government's Resolution No. 16 of February 2007 regarding the National Action Plan for Integration.

Resolution No. 16 stipulated the responsibilities of the Office of Government (OoG) and the Ministry of Trade (now MoIT - Ministry of Industry and Trade) in coordinating the implementation of the Government Action Plan on Integration. The Implementation Plans, developed by line ministries, agencies and provinces, are critically important. They are the key to ensuring that integration policies accurately detail and implement Vietnam's commitments, are comprehensive and coherent across sectors and regions, and deliver broad-based benefits for society. The risk is that line ministries, agencies and provinces are not used to working in this way and that cross-cutting issues will fall between the gaps. This makes the coordinating role of the Ministry of Industry and Trade and the screening role of the Office of Government important.

4.16 Shortly before a review of Phase in March 2008, the Prime Minister decided to transfer the responsibility for chairing and servicing the SC for the BWTO program from the OOG to the MOIT. According to a number of

legal documents issued by The GOV<sup>1</sup>, responsibility for program management was finally transferred from OOG to MOIT on 23 May, 2008. The OOG will be responsible for ensuring completion of all work under Phase I of the Program. MOIT will also have major responsibility for leading negotiations with donors on Phase II.

- 4.17 While this decision is primarily concerned with the management of the technical assistance program, it necessarily impacts on development of the broader institutional arrangements for coordinating implementation of the National Action Plan (GAP).

***(b) Multi-Donor Trust Fund***

Under Phase One, a multi-donor trust fund (MDTF) was established to provide coordinated donor support for the program. The trust fund was overseen by the Steering Committee of the program while its day to day management was the responsibility of the Office of the Steering Committee. Donors approved annual plans that identified priority areas for MDTF support and commented on individual activity proposals prior to their approval.

While this trust fund has proved an effective vehicle for supporting high-priority capacity building activities, the absence of a final, agreed Operational Manual for the trust fund during Phase I meant that there was some confusion over the roles and responsibilities of stakeholders in approving programs as well as fiduciary requirements. Therefore, a critical part of the design for Phase II will be the finalisation of an agreed Operational Manual which is able to be implemented by the GOV and is able to attract broad donor support for the MDTF.

**3. Phases of the Program**

BWTO was launched in January 2007 originally with two phases. However, due to the change in the responsible coordinating ministry for the Program, a transitional period was agreed by GOV and donors.

***(a) Phase I (January 2007 to March 2008)***

Phase I supported Vietnam to develop a 5-year Implementation Plan for Integration and implement some urgent activities associated with being a new member of WTO. These activities include training, legislative development and education and targeted public awareness activities. A multi-donor trust fund (MDTF) for pooled donor support has been established.

In Phase I, key donors are the Australian Agency for International Development (AusAID) and the UK Department for International Development (DfID). Total contributed fund to the MDTF from the two donors was US\$2,000,000. The WB

---

1.1 <sup>1</sup> Announcement 1345 of the Chairman of OOG dated 3 March 2008; Decision 591 of Prime Minister dated 21 May 2008 and Decision 3498 of the Minister of Industry and Trade.



contributed to this Program by nominating a part-time technical advisor to assist with operational issues.

***(b) Transitional period (April 2008-September 2008)***

This period was approved by donors and the GOV in order to finalise the triggers that were not completed in Phase I; strengthen the co-ordination role of the new OSC and prepare for the approval and implementation of Phase II.

***Expected outcomes*** from this transitional phase focus on the fulfilment of the triggers for moving to Phase II, i.e. (i) the establishment of a credible and consultative Action Plan, including cross-cutting issues and a monitoring and evaluation framework for assessing progress under the Plan and (ii) clear institutional arrangements for coordination of integration-related issues. Other outputs of the transitional phase include (iii) completion of the Operational Manual; and (iv) an update of the design for the consideration of GOV and donors.

***(c) Phase II (2008-2012)***

Phase II remains contingent upon the successful outcomes of Phase I, and the *Transitional period*, will support line ministries/agencies/provinces operationalise the Implementation Plan.

***Expected outcomes*** from Phase II include:

1. Strengthened government capacity to implement the Action Plan.
2. Specific programmes funded by the MDTF and other sources designed, assessed, monitored and evaluated according to Beyond WTO principles and guidelines.
3. MDTF ensuring that government's Action Plan is financed in an integrated, efficient and timely basis and in response to demand.
4. Other programmes related to integration, both on-going and new coordinated, monitored and evaluated within the framework of the Action Plan.

**4. Program implementation and Reviews**

***(a) Program implementation***

Phase II of the Program will be coordinated by a Steering Committee led by a Vice Minister from the Ministry of Industry and Trade (MOIT). Permanent members are at the director level from key ministries and agencies with responsibilities relevant to integration. There is an Office of the Steering Committee (OSC) established and led by a Deputy-Director within MOIT.

***(b) Reviews of Program implementation***

In March 2008, AusAID and DfID conducted an independent review of the implementation of the BWTO program. The review found that the BWTO

program is providing valuable assistance to GOV to pursue reforms, policy formulation and institutional reforms that are critical to achievement of the goals of the SEDP and Vietnam's continued progress in reducing poverty. The review report considered that Phase II should be approved, provided that the two remaining triggers are met.

AusAID will take primary role in mobilisation of the design team, providing inputs in the itinerary of the design and co-ordinate the comments from donors on the design report.

#### ***(c) Other Donor Support***

Several donors (e.g. CIDA, Switzerland and Ireland) have expressed interest in joining Phase II as co-financiers.

Other donors supporting economic integration are committed to align their programs under the BWTO framework. The EC has decided to earmark a third of Phase III of its Multilateral Trade Assistance and Reform Project (MUTRAP) to support BWTO activities.

### **5. Objectives of the Design**

To update the design document for the Program by:

- Evaluating the completion of the required triggers for Phase 2
- Identifying the objectives, outputs and potential focal areas under Phase II, ensuring alignment with the priorities identified in the Action Plan
- Providing recommendations of the effectiveness and efficiency of the governance aspects of the Program, particularly in relation to coordination arrangements and the processes surrounding the multi-donor trust fund.
- Developing a framework for monitoring and evaluating the program
- Developing risk assessment and risk management strategy, particularly in relation to fiduciary risk aspects
- A five-year Program budget based on the GOV costings of the Action Plan and, where available, estimates of the contributions of donors partners.

#### ***(a) Appraisal of Triggers***

The appraisal of the triggers will be principally informed by the recommendations of the review of Phase I.

This aspect of the updated design will focus on efforts undertaken by the GOV since the review of Phase I to finalise the Action Plan and establish appropriate institutional arrangements to support its implementation.

#### ***(b) Focal Areas***

The updated design will suggest priority areas where donors' technical assistance can best support the implementation of the Action Plan. In line with the recommendations of the Phase I review, these areas should focus on those cross-cutting issues which are likely to be under-resourced and where there is a lower capacity to develop and implement sustainable policy approaches.

Indicative areas for exploration should include:

- Regulatory impact and competitiveness
- Regional development
- Non-tariff barriers, including SPS and non-market economy status
- Social and environmental impacts
- Outreach and stakeholder engagement
- Monitoring and evaluation
- Institutional coordination
- New and emerging issues

The updated design will also recommend on how to increase focus under the program, including opportunities to strengthen GOV and donor cooperation in the appraisal and approval of individual activities.

#### *(c) Management and Operational Arrangements*

The updated design will also offer recommendations regarding the management and operational aspects of the program. This should include an assessment of the capacity of the new Office of the Steering Committee within the Ministry of Industry and Trade, the roles and responsibilities of a full-time Senior Technical Adviser to be placed within this Office and the donor staff resources available to manage the Program.

The updated design should also include an appraisal of the Operational Manual as the principal document governing the approval, allocation and supervision of resources drawn from the multi-donor trust fund. This appraisal will draw from the outcomes of the independent audit of Phase I and conform to AusAID and DfID fiduciary management guidelines and available policies concerning the use of partner government systems for the provision of technical assistance.

#### *(d) Monitoring, Evaluation and Risk Management*

The updated design will include a monitoring and evaluation framework, including provision for a mid-term review of Phase II in 2010-11 to inform the broader review of the Vietnam Australia Country Strategy. This framework should leverage and draw upon Australia's existing work on M&E developed in partnership with the Ministry of Planning and Investment.<sup>2</sup>

---

1.2 <sup>2</sup> Under the Vietnam Australia Monitoring and Evaluation Strengthening project (VAMESP).

A risk management strategy will also be developed, in line with AusAID and DfID guidance.

***(e) Program Budget***

An indicative program budget and costings will be developed in line with estimates of the contribution of the GOV and other donor partners.

**6. Timeframes and Reporting**

Timeframes for the design mission are as follows:

<b>No</b>	<b>Steps</b>	<b>Timing</b>
1	Review and analysis of literature and other documents	1 week
2	In country mission: consultations	1 ½ weeks
3	In country mission: report writing	1 week
4	Appraisal and Peer Review	2 weeks
5	Finalization and submission	2 weeks

***Duration and Phasing***

The design team will commence work on 25 August 2008 and will provide the first draft of the design report by 22 September 2008.

The phasing of the design mission will include:

- Briefing including desk study (5 working days) within the period from 25 August 2008 to 7th September 2008. The following Tasks should be done in this period:

*Review of key documents, including but not limited to the following:*

- Draft Consolidated National Action Plan (GAP) prepared by Ministry of Industry and Trade, in accordance with Resolution 16 and relevant documents.
- Draft Report of Institutional Arrangement for monitoring the implementation of the GAP.
- Available translated version of the ministries' action plans and typical action plan submitted by the provinces.
- Program Design Document (original)
- Joint Financing Agreement
- Exchange of Letter that formalise the transitional period

- Documents issued by the GOV on the Program's establishment and operation<sup>3</sup>;
  - Operational Manual (current and revised draft versions)
  - First Year Work Plan
  - Six-monthly reports
  - Contract & amendments of the Program's activities (selected).
- In-country visit and debriefing (8 working days) – 8 September 2008 to 17 September 2008. The following Tasks should be done in this period:
    - Prepare a background document and key issues for discussion based on desk study for dissemination to participating agencies;
    - Meeting with DfID, World Bank and AusAID to confirm priorities and focus for the design, reporting expectations;
    - At program-level, meeting with representatives of OOG, MOIT and OSC to have an overview of BWTO progress to date - Achievements, issues and barriers as well as Outline of potential opportunities to strengthen or expand the work of the Program in Phase II. It is expected that the team will also discuss with MPI, OOG, MOIT, MOF, VASS/CAF, NCIEC and BWTO High level Advisory Council<sup>4</sup>.
    - At activity-level, meeting with key recipient agencies in the Phase I of the Program, such as MPI\CIEM, MOJ, MOF, Social Policy Bank, MOLISA, MARD, and MONRE.
    - Meeting with other donors e.g. EC, ADB, CIDA, Ireland, Switzerland, etc.
    - Meeting with provinces, business community and producer groups<sup>5</sup>.

---

<sup>3</sup> Including Announcement 1345 of the Chairman of OOG dated 3 March 2008; Decision 591 of Prime Minister dated 21 May 2008 and Decision 3498 of the Minister of Industry and Trade.

1.3

1.4 <sup>4</sup> MPI - Ministry of Planning and Investment; MOF - Ministry of Finance; VASS - Vietnam Academy of Social Science; CAF - Center for Analysis and Forecast; CIEM - Central Institute for Economic Management; NCIEC - National Committee for International Economic Integration; MOJ - Ministry of Justice. *BWTO High level Advisory Council* was established in Phase I by the Head of the SC and consisted of senior researchers, former high-ranking government official (from vice-minister level) and representative of entrepreneurs.

1.5

1.6 <sup>5</sup> Subjects of these meeting will be recommended by the OSC.

- Write-up draft Design report (5 days) – 18 to 23 September 2008
- Report finalisation  
Finalising the design report within 5 days of receiving comments from stakeholders.

## **7. Team Composition and Skills**

The collective qualifications and experience of the team should include:

- High academic qualification in relevant fields such as international trade and/or economic.
- Strong experience in international development;
- A strong background in assessment of institution coordinating integration and reforms;
- Familiarity with the trade liberalisation agenda in Southeast Asia;
- Understanding and experience with development of public policy;
- Experience in trade related capacity building activities in developing countries or another area closely related to the Program's area of focus;
- Understanding and experience with public finance management in Vietnam;
- A high standard of report writing and oral communication skills;
- Good understanding of donors' systems and processes; and
- Excellent interpersonal and representational skills.

The Design team will consist of the following team members:

- ***Team Leader, Mr Bob Warner (AusAID Governance Adviser - Trade Economist), will be responsible for:***
- Planning and logistical arrangements in liaison with AusAID and DfID;
- Overall management and direction of the team;
- Taking the lead in consultations with GOV and other organisations;
- Oversight and responsibility for report preparation, including of the mission Aide Memoire;
- Incorporating the views of donors to finalise the report;

***Design Specialist***, Mr. Stephen Jones, Oxford Policy Management, will be mainly responsible for taking lead role in formulation of the Phase II of BWTO program.

He will also be responsible for:

- Providing technical input to the assessment and analysis of activity design, program progress and the management team performance;
- Identifying recommendations as appropriate for improving program performance;
- Drafting of the revised design document.

- **AusAID Vietnam PFM Advisor (Ms. Hong-Loan Duong):** will be mainly responsible for assessing the public finance management issues in place for BWTO coordination and implementation in Vietnam. This will include taking a leading role in revising the Operational Manual of the MDTF for the implementation in Phase II.

She will also be responsible for:

- Providing technical input to the assessment and analysis of activity design, program progress and the management team performance;
- Identifying recommendations as appropriate for improving program performance;

Two representatives of AusAID and DfID will support the Team Leader's overall tasks and bear primary responsibility for the assisting in the finalisation of the Design report.

Donors who have interest in participating in the Program may nominate their staff or consultants to join in the design team.

The WB's Technical Advisor will join in the field work as well as the comments of the design report.

During the mission, the team may be assisted by staff from the OSC, where appropriate, and an Interpreter provided by the OSC.

## **8. Reporting Requirements**

At the conclusion of the design mission, the team will have produced:

1. *Key discussion issues and background paper:* A succinct report will summarise the background for discussion and design methodology based on desk study. It will be provided by 3 September 2008.
2. In developing this report the design team will require to provide the following:
  - (i) A discussion of key evaluation questions to be answered; and
  - (ii) A draft questionnaire to ensure consistent questioning of key stakeholders and answering of those questions.
3. *An Aide Memoire:* A succinct report will provide a brief and clear summary of the design process, and include preliminary conclusions. It will be provided by 12 September 2008.
4. *The first draft of the update design report:* The design report should be a brief and clear summary of the mission outcomes and should provide information relevant to the transitional period and Phase II opportunities. It will be submitted to donors no later than 23 September 2008.
5. *A final version of the design report:* a final Design report to be delivered no later than 3 working days after receipt of donors' comments on the draft report.

6. *Total pages of the design report:* should not be more than 20 pages, excluding any annex. A one-page executive summary should be included in the main text of this report.

AusAID and DfID's final acceptance of the reports will be conditional upon timely submission and the reports meeting the specifications listed in these Terms of Reference and being of a quality acceptable to Donor.

All reports and other written documentation will be produced using Microsoft Word and/or Excel (for Windows). All reports and other documentation will be submitted to AusAID and DfID in both hard copy and electronic versions.



# I Persons consulted

## I.1 Agencies and persons consulted

<b>Agency</b>	<b>Persons consulted</b>
AusAID	Mr Cameron Hill, First Secretary Ms Duong Hong Loan, Senior Program Officer Mr Nguyen Quang Anh, Program Officer
DfID	Mrs Bridget Crumpton Ms Nguyen Thi Ngoc Minh, Economic Advisor
Ministry of Industry and Trade	Vice Minister Tu Ms Hoang Thi Thuyet Hoa, Deputy Director, Planning and Investment Department Mr Nguyen Van Long, Director General, National Committee for International Economic Cooperation Dr Trinh Minh Anh, Deputy Director General, National Committee for International Economic Cooperation Ms Binh, National Committee for International Economic Cooperation Ms Duong Hoai Thu, Official, Planning and Investment Department
Ministry of Justice	Mr Nguyen Khanh Ngoc, Deputy Director, Department of International Law
Vietnam Academy of Social Sciences	Dr Do Hoai Nam, President Mr Nguyen Xuan Thang, Vice President Mr Nguyen Thang, Director, Centre for Analysis and Forecasting
Ministry of Planning and Investment	Dr Mai Mr Thanh Ms Yen Hai Mr Trung, Central Institute of Economic Management
Ministry of Finance	Mrs Nguyen Van Chi, Deputy Director General, International Cooperation Department Mr Phung, Director General, State Asset Management Department
Office of Government	Mr Phan Chi Thanh
World Bank	Martin Rama, Lead Economist
Ministry of Agriculture and Rural Development	Mr Cong

*Continued on next page*

## I.1 Agencies and persons consulted (Continued)

<b>Agency</b>	<b>Persons consulted</b>
High Level Advisory Group	Mr Truong Dinh Truyen, Former Minister of Trade Mr Nguyen Mai, former Vice Minister, Ministry of Planning and Investment Mr Nguyen Xuan Thang, Vice Director, Vietnam Academy of Social Sciences Mr Yran Dinh Thien, Vice Director, Institute of Vietnam Economy Mr Bui Truong Giang, Vice Director, Institute of International Economics and Politics
Vietnamese Competition Administration Department	Mr Bach Van Mung, Director General
Ministry of Labour, Invalids and Social Affairs	Mr Le Quang Trung, Deputy Director General
Ministry of Natural Resources and Environment	Mrs Tran Thi Minh Ha, Director General, International Cooperation Department
National Assembly	Mr Nguyen Van Phuc, Deputy Chairman of Economics Committee
HCMC Institute of Economics	Mr Tran Du Lich, Chairman Mr Binh Anh, Director, WTP Centre
HCMC People's Committee	Mrs Nguyen Thi Hong, Vice Chairperson
An Giang People's Committee	
Vietnam Association of SMEs	Dr Nguyen Van Than, Vice President
Vietnam Chamber of Commerce and Industry	Mr Tran Huu Huynh, Chief. Legal Department
UNIFEM	Annleise Moser
ActionAID	
Multilateral Trade Assistance Project	Claudio Dordi, Chef de Partie

---

## *Attachment (Operational Manual)*