

JOINT FINANCING ARRANGEMENT

For

THE TECHNICAL ASSISTANCE PROGRAMME: ENHANCING VIETNAM'S CAPACITY TO SUSTAIN ECONOMIC GROWTH AND POVERTY REDUCTION AFTER WTO ACCESSION

**Between the Office of the Government, the Socialist Republic of Vietnam, the
Department for International Development, the United Kingdom of Great Britain and
Northern Ireland and AusAid, the Commonwealth of Australia**

1. Whereas the Office of the Government of the Socialist Republic of Vietnam (hereinafter referred to as 'OoG') has requested the support of the UK's Department for International Development (DFID) and AusAid (hereafter referred to as 'the Donors') to contribute towards the funding of a technical assistance programme to support the Government of Vietnam after WTO accession called the Beyond WTO: Enhancing Vietnam's capacity to sustain economic growth and poverty reduction after accession (hereinafter referred to as the 'Beyond WTO Programme'). The OoG and the Donors together are hereafter referred to as 'the Signatories'.
2. Whereas the Prime Minister of the Socialist Republic of Vietnam issued Letter No. 1888/TTg-QHQT dated November 17, 2006 approving the Programme Document of the Beyond WTO, and Decision No.80/QD-TTg dated January 17th 2007 on the establishment of an Inter-sectoral Steering Committee (hereinafter referred to as the 'Steering Committee'), based in OoG, to manage the Beyond WTO, and on the OoG, on behalf of the Steering Committee, committing itself to provide an agreed level of in kind contributions such as staff, offices and working facilities to the Beyond WTO, the Donors have committed themselves to support the Beyond WTO with financial assistance as requested by the OoG, as detailed in this Joint Financing Arrangement (JFA) .

3. Whereas the financial contributions by the Donors will be decided on within the bilateral arrangements/agreements between the OoG, representing the Steering Committee, and the Donors.
4. Whereas the Donors have committed themselves to the principles of harmonisation as reflected in this JFA and strive for the highest degree of alignment with the budgetary and accountability system so as to enhance effective Programme implementation.
5. Whereas the OoG, on behalf of the Inter-sectoral Steering Committee of the Beyond WTO Programme, and the Donors have reached an understanding on common procedures for consultation and decision-making, disbursement mechanism, monitoring and reporting, review and evaluation, audit, financial management and the exchange of information and cooperation between the Signatories as reflected in this JFA.

Now, therefore, the Signatories have decided as follows:

Paragraph 1 Goals of the Program and Scope of the JFA

6. The purpose of the Beyond WTO programme is to contribute to the support of Government's Action Plan to implement the WTO commitments and manage the economic integration of Vietnam into the world economy and the transition of Vietnam to a socialist oriented market economy as stated in the attached final Programme Document of the Beyond WTO programme, which was approved on 17th November 11, 2006 (Annex 1).
7. This JFA sets forth the jointly agreed terms and procedures for financial support to the Multi-donor Trust Fund (MTDF) for the Beyond WTO Programme and serves as a coordinating framework for consultation with the Steering Committee, joint reviews of performance, common procedures on disbursement, reporting and audits.
8. The Beyond WTO covers the period from January 2007 to December 2012 and has two phases. Phase One will end in December 2007 and will help Government to

develop details and TORs of the GoV's Action Plan to sustain economic growth and poverty reduction after WTO accession. During Phase One, the following outcomes will be envisioned and funded:

- concretisation of the Government's Action Plan to implement WTO commitments; drafting detailed actions and guidelines based on the Government's Action Plan to be used as input to the main phase;
- capacity building of executing agency, refinement of institutional arrangements and operational manual needed for the main phase;
- refinement of financial management tools for the main phase;
- support to urgent actions arising from WTO accession requirements.

9. Phase Two will take place over the next five years (2008-2012) and will support Government to implement the Action Plan, which has been detailed during Phase One, in full and to participate effectively in international trade fora.

10. The Donors will establish bilateral arrangements/agreements that are compatible with the spirit and provisions of this JFA and will refrain, as far as possible, from setting conditions in the bilateral arrangements/agreements which contradict or diverge from the spirit or of provisions of this JFA. If there is any inconsistency or contradiction between the terms and conditions of this JFA and any of the bilateral arrangements/agreements, the provisions of the bilateral arrangements/agreements will prevail. Insofar specific provisions of a bilateral arrangements/agreements deviate from the JFA, the Donor concerned will inform the other Donors thereof, by supplying a copy of it to each other Donor, specifying the provision(s) concerned.

11. The Donors will base their actual support on the progress attained in the implementation of the Beyond WTO Programme. Progress will be measured through the common agreed performance indicators as described in the M&E framework to be developed as part of the Beyond WTO action plan.

12. The Annexes to this JFA form an integral part of this Arrangement.

Paragraph 2 Responsibilities and Representation

13. The OoG, on behalf of the Steering Committee, will be fully accountable and responsible for the implementation of the Beyond WTO Programme and for the management of the financial contributions of the Donors. The Steering Committee will keep financial records of the support provided in accordance with the Vietnamese accounting standards. The OoG, on behalf of the Steering Committee, affirms that the support of the Donors will only be used to cover expenditures included in the Beyond WTO programme budget and only on expenditure on the Beyond WTO Programme. The Donors will not bear any responsibility and/or liability to any third party with regards to the implementation of the Beyond WTO Programme.
14. The OoG and the Steering Committee will oversee the Beyond WTO programme, ensuring all the government agencies and provinces eligible for this TA Program participate therein and receive an adequate support thereof.
15. OoG is committed to having OoG dedicated staff and possibly seconded staff from other Government agencies working on this programme.
16. The Donors are committed to compliance of the Hanoi Core Statement (HCS) principles during the implementation of this programme¹.
17. The Donors will strive to ensure the availability and the predictability of their financial support by informing the Steering Committee as soon as possible of the support they anticipate providing for the period 2007 -2012.
18. The Signatories will cooperate and communicate fully and in a timely manner with each other on all matters relevant to the implementation of the Beyond WTO Programme and this JFA. The Signatories will share all information on aid flows, technical reports, and any other documentation/initiative related to the implementation of the Beyond WTO Programme which is relevant to the support.

¹ Five HCS principles include (i) ownership, (ii) alignment; (iii) harmonization; (iv) managing for results; and mutual accountability.

19. The OoG and/or the Steering Committee will immediately inform all Donors of any circumstance which may interfere or threaten to interfere with the successful implementation of the Beyond WTO Programme with a view to resolve the issue, or will call for a meeting to consult with the Donors on remedial action to be taken.
20. As the focal points in matters pertaining to the implementation of this JFA, the OoG, on behalf of the Steering Committee, will be represented by the Office of the Steering Committee; and the Donors will be represented by DFID office in Hanoi, and AusAID office in Hanoi.

Paragraph 3 Financial Contributions

21. DFID will make available to the Government of Vietnam, via the Steering Committee based in OoG, by way of grant, a firm commitment not exceeding £0.6 million (six hundred thousand Pound Sterling) for Phase One (January 2007 to December 2007), an indicative funding for the Phase Two (January 2008 - September 2012) up to £3.4 million (three million four thousand Pound Sterling). A separate amount of £0.1 million will be available for independent audits commissioned by the Donors. AusAid will contribute AUD1.3 million in the first phase, and will consider contribution to the second phase. OoG and Steering Committee will work in a close and timely manner with Ministries and other government agencies with support from AusAID, DFID and other donors to ensure that the following benchmarks to monitor Phase One progress will be met: (i) First, Phase One must deliver a consistent framework for integration in the form of a detailed, credible and feasible Action Plan, based on the concretised Government's Action Plan and ones of Ministries, including addressing key social and environmental concerns. This action plan will be used as a credible input to the second phase; and. (ii) Second, clear institutional arrangements must be in place that ensures key stakeholder involvement.
22. The Donors' contributions will be channelled to an MDTF which will be set up at the beginning of the programme and managed by OoG, on behalf of the Steering Committee, via a dedicated account to be opened with a commercial bank. OoG and/or

the Steering Committee will immediately acknowledge the receipt of the funds in writing to the Donors.

Paragraph 4 Consultations

23. Regular consultations among the Signatories are considered critical to continued engagement by the Donors and effective implementation of the Beyond WTO Programme.
24. The Signatories will meet every year to assess programme progress. The review at the end of Phase One will assess progress against the triggers for Phase Two. A mid-term review will take place after the second year of Phase Two. The meetings will be called and chaired by the Steering Committee.
25. The results of the meeting will be recorded in Agreed Minutes. The Agreed Minutes will be drafted by the Steering Committee and a draft will be sent to all Donors, for their approval/comments, within two weeks after the meeting. The Donors will inform the Steering Committee of their approval/comments within ten days of receipt of the draft.
26. The Steering Committee and the Donors may from time to time establish *ad hoc* sub-groups and/or working group to address specific themes or issues in integration. Membership in such groups will be open to all key stakeholders.
27. Additional consultation meetings may be requested by the Steering Committee and/or a/the Donor(s) on any subject relevant to the implementation of the Beyond WTO programme.

Paragraph 5 Organisational Structure and Decision Making

28. Coordination between the Signatories will be organised through the Steering Committee and in accordance with the working arrangements established by the Government of Viet Nam according to the Programme Document of the Beyond WTO

Programme (attached) and the manual to be developed during the first phase to ensure proper planning, coordination and implementation of the Beyond WTO programme.

29. Organizational structure and decision making under this programme are articulated in the attached programme document and will be tested during Phase One of this programme.

Paragraph 6 Disbursements

30. A common disbursement mechanism will be decided upon between OoG (on behalf of the Steering Committee) and the Donors before the start of the fiscal year of Vietnam. It will take into account the government procedures and cash flow needs for the implementation of the Programme. The Donors will coordinate between themselves the timing and amount of their own disbursements contributions in such a way that the cash flow needs of the partner government and the common disbursement schedule will be covered.
31. The Donors will specify in their bilateral arrangements their respective disbursement schedules, which will be based on the agreed common disbursement mechanism. The first instalment will be released as soon as this JFA and bilateral MOU are signed, relevant accounts opened and the relevant request made by the OoG and/or the Steering Committee. Upon approval of the phase two, subsequent disbursements will be made bi-annually upon receipt and approval of written payment requests and, in the first year, on OoG's and/or the Steering Committee's submission of a work plan for that year, and in subsequent years on the Steering Committee's submission of a financial report for the previous year and a work plan for the coming year. In determining the actual instalments the Donors will take into account the actual progress achieved and actual programme liquidity needs.
32. Funds which have been placed at the partner government's disposal and which remain after completion of the programme will be returned to the Donors in proportion to their respective contributions.

33. If only part of the programme is carried out, the Donors may adjust any outstanding instalments to be paid to the Steering Committee accordingly on a fair *pro rata* basis, or may earmark the remaining part for the contribution to purposes to be decided on by the Signatories.

Paragraph 7 Procurement and Tax Exemption/Refund

34. The OoG and/or the Steering Committee will perform all procurement in accordance with the Government of Vietnam's procurement rules, guidelines and procedures. In areas where there exist major gaps between the Government and donor systems, there will be explicit guidelines in the form of a Programme Manual regarding which procedures are to be used. Where Government cost norms are found to be unworkable EU cost norms will be applied.
35. The OoG and/or the Steering Committee will upon request furnish the Donors with all relevant documents/information on its procurement practices and actions taken, including specifics on and copies of contracts awarded, for their information/approval.
36. As this is a grant aid programme, taxes for all expenses on goods and services in relation to the programme will be in accordance with Vietnam's current regulations in respect to grant aid projects/programmes.

Paragraph 8 Reporting

37. The OoG and/or the Steering Committee will send to the donors an annual Progress Report, annual income and expenditure statements, and annual workplan, including corresponding budgets in writing drawn up in English. The report will cover the period from January to December last year and will be submitted before the first of March the next calendar year. It should contain an overview of programme activities, information on actual outputs compared to planned outputs, a financial statement showing allocation and use of the funds, problems encountered and/or anticipated and any other information relevant to the implementation of the programme. The report shall also include the work plan to be carried out in the next twelve month period.

38. The financial reporting should compare costs for actual activities for the current reporting period with the budget for the same period, and in the same currency. The financial reports should be prepared in a form and at a level of detail that enables comparison of the budget with actual progress.

Paragraph 9 Review and Evaluation

39. The review process of the support of the Donors to the Beyond WTO Programme will be common for all Donors and will be aligned with the Steering Committee's review process. The OoG, the Steering Committee and the Donors will maintain a close dialogue regarding the support and the implementation of the Beyond WTO Programme.
40. Annual review meetings will be carried out by the Steering Committee and the Donors to assess programme progress. The review at the end of phase one will assess progress against the triggers for phase two. A mid-term review will take place after the second year of phase two. The costs of review/evaluation missions will be borne separately by the Donors. Furthermore, Donors would be engaged by Government at mid-year and end year Consultative Group meetings to assess progress against Action Plan indicators, SEDP and PRSC development outcome indicators to monitor progress towards Vietnam integration into the world economy.
41. The Donors will to the extent possible refrain from conducting unilateral reviews/evaluations of the Beyond WTO Programme. However, when a Donor is required to conduct a unilateral review/evaluation this Donor will in a timely fashion consult with the other Donors to discuss/reach a common position/decide on Terms of Reference (ToR), composition and scheduling. The Steering Committee will be consulted immediately on the proposed schedule and ToR. The Donor concerned will immediately share the results of the review/evaluation with all other Signatories.

Paragraph 10 Audit

42. Upon consultation with the Steering Committee, the Donors will commission an independent financial audit when Phase One completes and subsequent audits annually

on spending in selected areas and every two years on all expenditures in Phase Two. Corrective measures will be agreed with the Government and their implementation will be reviewed annually. In addition, other forms of audit including value for money audit and performance audit may be carried out at Donors' request and in consultation with the Steering Committee. The costs for the annual audits will be borne separately by DFID and will not be charged to the Programme's budget.

43. OoG and/or Steering Committee will furnish the Donors in a timely manner with copies of any audit or inspection reports on the programme carried out in accordance with government procedures.

Paragraph 11 Non-compliance, *force majeure*

44. In the case of non-compliance with the terms of this JFA and/or violation of the fundamental principles set out in this JFA, Donors may suspend further disbursements to the Beyond WTO Programme until the stakeholders reach a satisfactory solution.
45. The Donors may suspend or reduce new disbursements in the event of extraordinary circumstances beyond the control of the OoG and the Steering Committee which hinder effective implementation of the Beyond WTO Programme. If the Donors consider suspending new disbursements they will consult with the OoG at least six months in advance. The suspension will be lifted as soon as these circumstances have ceased to exist/ appropriate remedial actions have been implemented by the OoG and the Steering Committee.
46. If a Donor intends to suspend new disbursements according to Article 44 of this Paragraph, the Donor will call for a meeting with the other Signatories in order to reach a joint position on the measures, remedial or otherwise, required.

Paragraph 12 Corruption

47. The OoG and the Steering Committee will require that its staff, consultants and other beneficiaries under this programme financed by the Donors refrain from offering third parties, or seeking, accepting or being promised from or by third parties, for

themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.

48. The OoG or the Steering Committee will promptly inform the Donors of any instances of corruption as referred to in this paragraph.

Paragraph 13 Modification, Donor Accession and Withdrawal

49. The Signatories will annually review/discuss the implementation, application and effectiveness of the procedures outlined in this JFA.

50. Any modification/amendment of/to the terms and provisions of this JFA will only be approved if agreed in writing by all Signatories.

51. The Signatories welcome participation in this JFA by other Donors who wish to support the Beyond WTO Programme.

52. Upon a new Donor's written request and written acceptance of the terms and conditions of this JFA, the OoG and the Steering Committee may, as an annex to this JFA authorise in writing that Donor to become a Signatory. The OoG and the Steering Committee will promptly consult with the other in advance and furnish them with a copy of the letter of acceptance.

53. In case of any changes, which are viewed by Donors as causing significant damage to the Programme's basic development value, each Donor may withdraw/terminate his support for the Beyond WTO Programme by giving the other Signatories six months written notice. If a Donor intends to withdraw/terminate his support, that Donor will call for a meeting to inform the other Signatories of his decision (and to consult with them about the consequences for the Beyond WTO Programme).

Paragraph 14 Dispute Settlement

54. If any dispute arises between Signatories as to the interpretation, application or implementation of this JFA, Signatories will consult with each other in order to reach an amicable solution.

Paragraph 15 Entry Into Effect

55. This JFA will be signed by the representatives of OoG on behalf of the Steering Committee and the Donors in the English language and the Vietnamese language. Both languages have the equal validity. When there is a discrepancy in understanding the content of this JFA, the English version will be used for official interpretation. This JFA enters into effect for a given donor on the date of signature by OoG and that individual donor.

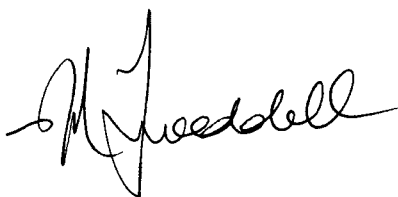
Signed in Hanoi, 24th January 2007

On behalf of DFID



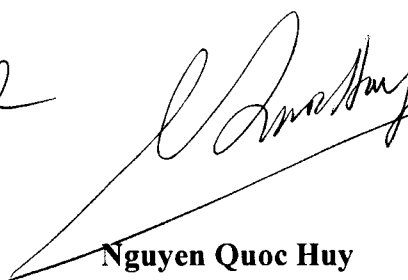
Donal Brown
Head, DFID Vietnam

On behalf of AusAid



Bill Tweddell
Australian Ambassador to
Vietnam

On behalf of the OoG



Nguyen Quoc Huy
Vice Chairman
Office of the Government

ANNEX
PROGRAMME DOCUMENT

TECHNICAL ASSISTANCE PROGRAMME
**“BEYOND WTO – ENHANCING VIETNAM’S CAPACITY TO
SUSTAIN PRO-POOR GROWTH AND PROTECT POVERTY
REDUCTION GAINS”**

PROGRAMME DOCUMENT

HANOI, AUGUST 2006

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ACRONYMS AND ABBREVIATION

AP	Action Plan
APEC	<u>Asia-Pacific Economic Cooperation</u>
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
AUSAID	<u>The Australian Agency for International Development</u>
CEO	Chief Executive Officer
CG	Consultative Group
CIR	Committee for Integration and Reforms
EC	European Commission
DFID	Department for International Development (UK)
EU	European Union
GOV	Government of Vietnam
HCS	Hanoi Core Statements
ICT	Information and communication technologies
ITC	International Trade Center
MDTF	Multi-Donor Trust Fund
MIC	Medium Income Country
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOT	Ministry of Trade
MOV	Means of Verification
MPI	Ministry of Planning and Investment
MUTRAP	Multilateral Trade Assistance Project by the EU
NCAA	National Committee for ASEAN Affairs
NCIEC	National Committee for International Economic Cooperation
NFGI	National Focus Group for Integration
OVI	Objectively Verifiable Indicator
OOG	Office of the Government
PAT	Programme Advisory Team
PGAE	Partnership Group for Aid Effectiveness
PMU	Project Management Unit
PRSC	Poverty Reduction Support Credit
PSU	Programme Support Unit
SC	Steering Committee
SMEs	Small and Medium Enterprises
SEDP	Socio-Economic Development Plan (2006-2010) of the Government of Vietnam
SPS	Sanitary and physio-sanitary standards
STAR	Vietnam Support for Trade Acceleration Project of USAID
TA	Technical Assistance
TASC	Technical Assistance Steering Committee
TBT	Technical Barriers to Trade
VDGs	Vietnam Development Goals
UNDP	United Nations Development Programme
VIETRADE	Trade Promotion Agency, Ministry of Trade
WTO	World Trade Organisation

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EXECUTIVE SUMMARY

0.1 The Government of Vietnam is in the process of developing a comprehensive Action Plan on global integration (AP) within a framework of being member of the WTO and shifting to a socialist oriented market economy. It has requested the financial support of donors to formulate this Action Plan and to fund the Technical Assistance (TA) required to implement the Plan. Government has expressed a strong preference for an effective coordination and efficient use of foreign technical assistance² as well as a coordinated donor approach to TA for this Plan implementation.

0.2 A design mission has been mobilized by DFID and AusAID upon the request of the Deputy Prime Minister Vu Khoan at mid-CG and CG 2005 to design a mechanism for donors TA support in related to Beyond WTO action Plan implementation. After intensive consultations with donors and key stakeholders including government agencies, research institutions and think tanks, a phased approach has been suggested by the design team. An initial one-year preparatory phase of Beyond WTO will help develop the AP and test a multi-donor financing mechanism (MDTF) for pooled donor TA to support AP implementation (expected to be approved in October 2006)³. A second (five-year) phase of Beyond WTO will support implementation of the AP, including MDTF execution. Not all new programmes and projects in the WTO context will be funded through the Beyond WTO programme MDTF but all such initiatives should be assessed and approved by the government on the basis of their contribution to and coherence with the AP.

0.3 The Goal of the “Beyond WTO” programme (MDTF) is to ‘Enhance Vietnam’s Capacity 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). The Purpose is “to strengthen government’s capacity to manage the economic integration of Vietnam into the global economy and the transition of Vietnam to a socialist market oriented economy”. In order to achieve this key institutions will be strengthened to finalize a credible Action Plan and some new ones will need to be established to implement it. Mechanisms for efficient and effective government led coordination of both government agencies and donor support will be put in place. An MDTF will be designed and operationalized. It’s also recommended by consulted stakeholders and the design mission that the Office of Government (OOG) be the coordinating body of this proposed MDTF. On-going programmes related to integration will be coordinated under the AP and monitored and evaluated for their contribution to it.

² Resolution No. 14/2006/NQ-CP dated August 7, 2006

³ As above.

0.4 Since integration requires many fundamental reforms, the Beyond WTO programme will support many reform areas already being addressed by government and donors through existing reform programmes and instruments, for example the SEDP and the PRSC. To avoid duplication and to ensure coherence of different reform initiative, the scope of the Beyond WTO will be limited to the economic and social implications of commitments made by Vietnam's during accession discussions and the initiative will be managed by a government steering committee who is responsible for post WTO integration and reforms led by the Prime Minister or a Deputy Prime Minister, thereafter called "committee for integration and reforms" or CIR, to ensure an effective coordination between different programme activities. The Action Plan will be used as a check list and a basis for monitoring and evaluation of all integration related activities, no matter how they have been or will be funded.

0.5 There are considerable risks associated with a programme of this complexity. Risks include government's institutional capacity and accountability, time constraint and donors' predictability of financing. Measures have been designed in the programme to mitigate against these risks but risk remains substantial.

1. RATIONALE

1.1 Vietnam has achieved remarkable economic growth and rates of poverty reduction over the past 20 years of reform. However, Vietnam remains a developing country with an income per capita of around US\$ 650. The 2006-2010 Socio-Economic Development Plan (SEDP) - approved by the 10th Party Congress and the National Assembly in 2006 – states that Vietnam aspires to become a middle income country by 2010. Trade and foreign investment have played a critical role in the country's economic growth and Vietnam is determined to fully integrate into the global economy.

1.2 Vietnam is in the final stages of World Trade Organization (WTO) accession. Economic integration and WTO accession will have profound impacts on Vietnam economically, socially and politically. Besides the obvious challenge of implementing WTO commitments the Government has identified a series of critical issues to be addressed to make integration truly beneficial to Vietnam. These include:

- (i) developing institutional framework, including information systems, to allow all people and firms to take advantage of the economic opportunities offered by integration;
- (ii) the Government aims to facilitate adjustment (training, social insurance) of those adversely affected by integration process;
- (iii) making institutional changes and capacity building to enable better policy making and ensuring improved coordination and monitoring of, and participation in, the implementation of those policies; and

1.3 Government has identified a series of actions that need to be taken. The following key issues have been identified:

- (i) Legal Adjustments need to be made to ensure that policies, laws and regulations at all levels are compliant with the WTO commitments.
- (ii) WTO commitments need to be implemented effectively, paying particular attention to coordination different integration policy areas and with reform programmes such as the SEDP.
- (iii) Integration opportunities need to be used to strengthen existing institutions to facilitate structural changes and participation of all economic sectors in the integration process and, where gaps are identified, to set up new ones;
- (iv) Negative economic and social impacts need to be minimized through strengthening existing policies and mechanisms to protect vulnerable groups, and where they are gaps new ones set up;
- (v) Stronger Coordination is required to facilitate Vietnam's more proactive participation in the regional and global trade systems, including the provision of assistance to government officials to define a credible trade negotiation strategy.
- (vi) Capacity Building is required to facilitate better policy making, implementation and coordination capacity within the key government agencies charged with taking forward the integration process.

1.4 There is considerable on-going donor support for Vietnam's global integration and this will continue. Existing donor support to the integration process is primarily in the form of technical assistance (TA). Vietnam has benefited from substantial amounts of foreign aid to assist WTO accession negotiations. This amounts to over US\$ 50 million provided through by some 21 donor agencies through numerous individual programs. While this aid has been useful, evaluation, such as MUTRAP "Needs Assessment for Trade Related Assistance in the Period 2007-2012"⁴, suggests that this aid (i) has not been coordinated and duplication of effort has diminished its value; (ii) has been largely supply driven and did not adequately reflect the Government priorities; (iii) some were executed outside the Government structures, thereby diminishing its impact on building the capacity of government officials and reducing its sustainable impact; (iv) has been associated with complicated procedures which often result in excessive burden on recipients, thus limiting the effective supervision and coordination among concerned ministries and agencies. There is a need for better coordinated technical and financial assistance by the donor community in Vietnam.

⁴ Vietnam -Needs assessments for Trade Related Assistance in the period 2007-2012, Hanoi, October 2005.

1.5 The government has prioritized post-WTO reforms based on its WTO commitments in the coming years and, at the mid-year Consultative Group (CG) meeting in June 2005 in Can Tho, called for donor support in this endeavour. The donor community, led by AUSAID and DFID, responded, at the Consultative Group meeting in December 2005 in Hanoi, by declaring their interest in developing a joint donor-financed, government-managed facility to help finance TA needs related to integration. This approach is in line with both (i) the recommendation of the Integrated Framework of the WTO that donor TA to new WTO members should be channeled through an integrated, nationally managed mechanism and (ii) donor commitments in Vietnam to follow the principles of the Paris Declaration on Aid Effectiveness which are also reflected in the localized Hanoi Core Statement⁵.

1.6 However the government is still in the process of developing a comprehensive Action Plan for its continued global integration, implementation of WTO commitments and the completion of its transition to a socialist oriented market economy. Such a Plan is required to ensure that the impacts of the government initiatives – financed by both the government and donors - to support integration are maximized. Following the December 2005 CG meeting, the government agreed that a first phase of donor support called “Beyond WTO” should assist the government finalize the AP and help design a financing mechanism to better coordinate donor support to post WTO integration activities.

1.7 While the major part of the action plan is funded by the domestic resources, the government’s preferred mode of donor TA support is through a multi-donor financing mechanism, and wherever possible, donors should consider using this modality⁶. However, all future donor support to integration (see key assumption related to policy coherence at para 2.3 below), should fall within the boundaries of the government’s AP conforming to the principles of government ownership and leadership and the best development interests of Vietnam.

2. APPROACH

⁵ Core elements of the HCS include: (i) Ownership: Government ownership and leadership of development efforts is reflected in SEDP priorities and strategies; (ii) Alignment: development partners commit themselves to align their development assistance with Vietnam’s strategies and to use strengthened country systems to manage and implement development activities, and to avoid using project management units (PMUs); (iii) Harmonization: Development partners will work towards implementing common, simplified procedures for planning, implementation, and reporting to the Government on their activities; (iv) Results: Government and development partners will jointly use result-oriented performance assessment to maximize aid effectiveness, and; (v) Accountability: The Government and development partners are accountable for development results.

⁶ As expressed by the Government representative at the CG December 2005 and many government officials who met with the Beyond WTO program design mission in January 2006.

2.1 The higher level Goal of “Beyond WTO” programme is to ‘Enhance Vietnam’s Capacity 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)

2.2 The Purpose of the “Beyond WTO” programme is “to strengthen the government’s capacity to manage the economic integration of Vietnam into the global economy and the transition of Vietnam to a socialist market oriented economy”. This is to be achieved by putting in place an Action Plan to ensure a coherent, effective and efficient government approach to economic integration and transition. The donor community in Vietnam will assist the action planning process and its implementation through a new multi-donor financing facility (MDTF) which will make available to the government the financing necessary to access national and international TA required to manage the integration process as well as building the capacity of the government to manage a modern economy, both its positive and negative impacts. However, MDTF is not the only form of financial assistance. Already agreed projects and programmes assisting government in integration and transition will continue. New programmes of support may be agreed on a bilateral basis.

Key assumption with regard to policy coherence

2.3. Since WTO commitments require many fundamental reforms based on the market economy principles, the Beyond WTO programme will support a number of key reform areas that are already being addressed by government and donors through existing reform programmes and instruments such as SEDP and PRSC. To avoid duplications and to ensure coherence of different reform initiative, the scope of the Beyond WTO will be limited by the following principles:

- (i) The WTO Action Plan will be based primarily on the commitments made by Vietnam’s during accession and their economic and social implications and on the policy matrix of the SEDP;
- (ii) The government will ensure effective coordination between various complimentary reform programs. The Action Plan will provide a framework for appraisal, monitoring and evaluation of all integration related activities .

2.4 The logical framework analysis below captures the Goal, Purpose, major Outputs and key Assumptions of the Beyond WTO approach.

Description	Indicators	Key Assumptions
Goal: To enhance Vietnam's Capacity to sustain pro-poor growth and protect poverty reduction gains as proposed in the SEDP, in context of implementation of the WTO commitments.	(i) SEDP (2006-2010) implemented effectively (ii) Vietnam is a MIC by 2010 (ii) Poverty reduced to 15% (iii) VDGs improved	
Purpose: To strengthen government's capacity to manage the economic integration of Vietnam into the global economy & the transition of Vietnam to a socialist oriented market economy by assistance of the Government AP,	(i) All new government and donor integration activities approved, assessed, monitored and evaluated within the National Action Plan (via a mechanism which will be set up during the 1st phase). (ii) MDTF providing flexible financing from March 2007	(i) Vietnam accedes to the WTO (ii) Beyond WTO policy actions will be integrated with SEDP, and other programs support SEDP implementation, such as PRSC etc (iii) Existing bilateral agreements on WTO accession between GOV and individual donors will continue to be implemented. (iv) New bilateral agreement on integration & transition between GOV and individual donors will be agreed.

The Programme includes two phases with expected outputs as follows:

Phase One Outputs

1. A participatory Action Planning process involving all key stakeholders resulting in an National Action Plan to implement integration element of the SEDP.
2. New or strengthened existing institution coordinating and implementing the Programme.
3. Systems and procedures for the delivery of the Action Plan, including identification of constraints to the implementation of WTO commitments, and operation of the MDTF.
4. Funded actions arising out of urgent WTO commitments in implementation roadmap for the period 2006-2007, as detailed in the government Action Plan.
5. Implement other tasks proposed by the coordinating institution

2/10/07

Phase Two Outputs

Based on outputs from Phase one and funding from donors, Phase two outputs are expected as:

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.

3. THE ACTION PLAN

3.1 The (detailed) Action Plan in this section is specified document scientifically and systematically collected from separate Action Plan in Ministries and related agencies, in combination with research findings from strategic expert teams of the Program. Given the encompassing nature of a change programme to integrate into the world economy the Action Plan will cover the following:

- (i) Policy and institutional reforms needed to ensure implementation of WTO commitments;
- (ii) Direct and indirect policy measures and actions to implement the WTO obligations including: a) actions financed by TA from MDTF; b) Actions which are part of other existing change programmes contained in national plans and sector reform programmes executed by ministries; and c) major investment programmes which are neither included in the MDTF nor in the existing programmes.
- (iii) Analytical studies to identify adjustment costs and measures/actions to address them.

4. THE MULTI DONOR TRUST FUND (MDTF)

4.1 The MDTF will be established to cover mainly TA needs. Particularly the program will cover:

- (i) the implementation of key actions prioritized in the Action Plan to implement WTO obligations;
- (ii) government policy making and capacity to implement this change process strengthened;
- (iii) the alignment of the Beyond WTO programme with other government socio-economic development strategies (SEDP, PRSCs) both in terms of policy and institutional aspects;
- (iv) A 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
- (v) the strengthening supervision, monitoring, auditing and evaluation of the action planning.

4.2 Indicative activities will include the following;

- (i) research including policy design, monitoring and evaluation by a “learning by doing” approach;
- (ii) institution building and capacity strengthening;
- (iii) design, drafting and implementation of law and policy changes;
- (iv) TA components of investment projects and/or of priority investments not covered in any other way;
- (v) Awareness raising, information sharing about integration opportunities and challenges, and
- (vi) other urgent needs relating to integration of the Government.

5. IMPLEMENTATION ARRANGEMENT

5.1 The government wishes donor assistance to develop and implement the Action Plan to be provided in a coordinated manner, using as much as possible the government systems. The programme will be implemented in two phases, a first 12 month preparation phase and a 5 year implementation phase. Elements of the AP (expected to be approved in October 2006) will be used as a main input into the first phase.

5.2 At this stage donors are asked to commit to;

- (i) Financing a first phase, if possible on a joint basis thus ensuring their full engagement in the preparation of key areas of policy change and action planning;
- (ii) Endorsing the basic Beyond WTO programme approach as well as its general principles to organize and deliver aid to support Vietnam’s further integration;
- (iii) Submitting all proposed funding related to integration falling under the remit of the Action Plan to procedures defined under the Beyond WTO approach, whether financed bilaterally or multilaterally; and
- (iv) Supporting the Action Plan by indicating the likely level of their support, this indicative commitment being contingent upon their approval of the Action Plan and specific programmes designed within it.

However during the first phase and even later during the implementation of the main phase, new commitment of support identified then will be welcome to be integrated in the framework of the support to the Action Plan implementation.

Phase One: One Year

5.3 The first 12 month pilot phase will:

- (i) identify constraints to the implementation of the WTO commitments, thereby formulate a credible Action Plan based on a participatory process with all stakeholders;
- (ii) strengthen or establish key institutions required to formulate and implement the Action Plan as well as create a mechanism for strong government led coordination of the donor supports to the Action Plan⁷;
- (iii) create efficient procedures for the delivery/implementation of the Action Plan including donors' assistance;
- (iv) implement priority actions resulting from the WTO and other regional commitments; and
- (v) test the design of an MDTF.

5.4 It is proposed to create eight Thematic Teams. The first four Thematic Teams will look at largely sectoral issues. Team 1 would focus on strengthening the Government's capacity to implement international commitments and to identify and defend Vietnam's interests convincingly and effectively in international negotiations. Team 2 would elaborate an agricultural strategy in line with the WTO requirements and the overall objectives of Vietnam's socio-economic and pro-poor policies. Team 3 would elaborate a similar strategy on industrial policy in line with WTO requirements and new international trade opportunities. Team 4 would develop a service sector strategy looking at priority sub-sectors for liberalization, their efficiency and importance to the efficiency of other sectors of the economy, concurrent actions to be taken in a liberalization programme, and not least the impacts of economic liberalization on people active in different economic sub-sectors with special attention to the population groups deemed to be at economic risk.

5.5 The other four Thematic Teams will deal with a range of remaining issues. Team 5 would address horizontal issue such as the link between trade policy with national plans, most specifically the SEDP, the need for awareness training and curricula development at various levels, support for the business community and export promotion, transparency issues and recourse mechanisms (the rule of law). Team 6 would look at investment and fiscal issues including business law and commercial law procedures, investment laws and credit facilities, discriminatory fiscal and duty regulations, predictability, transparency and enforceability of rights and obligations, fiscal and other incentives and their transparent application. Team 7 will look at social safety nets and regional policies including the identification of population groups at risk, the support and training needs for workers affected by adjustments in their industry. Finally Team 8 will consider the strategic communications needs of a programme such as Beyond WTO and the actions needed across government to develop an effective

⁷ Phase one will review existing mechanisms to coordinate the API before making a final proposal to either use one of them, after its strengthening or to establish a new one.

strategy for changing the behaviour of key stakeholders in the integration and transition process. (For more details of Phase I, please see Annex 1).

5.6 However, the number of thematic teams and their work might be adjusted along the program implementation.

Phase Two: Five Years

5.7 The second phase of the MDTF to support the implementation of the detail AP in 5 year period will cover the following areas:

- (i) capacity building for the Government to implement the AP as well as to monitor and analyse ongoing trade issues, to assess additional needs and the ongoing appropriateness of the AP.;
- (ii) the development of an effective stakeholder consultation mechanism;
- (iii) the design, assessment, monitoring and evaluation of specific programmes funded by the MDTF or by other sources.
- (iv) assist the Government in coordinating, monitoring and evaluation of existing programs relating to integration ; and
- (v) a funding mechanism to ensure flexible, timely and demand-based access by the Government for the implementation of the AP.

Each of these areas is dealt with in more detail below.

5.8 The capacity of key government agencies in charge of integration to implement the strategy and the Action Plan will be built through TA to a programme policy team enhancing in particular their capacity to study the effects of integration and recommend to government appropriate response measures. There will also be institutional support both to the policy team and professional support staff (management unit) as well as to the various agencies involved in the policy change process;

5.9 A stakeholder consultative mechanism will be established to ensure financial and technical support for the dissemination of information through the holding of commune, district and provincial level meetings of various stakeholders. Similar support will be forthcoming to allow stakeholders to actively participate in the formulation and implementation of the change programme (civil society and the business community as well as local government at different levels). Capacity to analyze the effects of Vietnamese integration into the world economy on different economic groups and the country as a whole will be strengthened through capacity building of selected research institutions in association with a policy and action-oriented research programme.

5.10 An Office of the Steering Committee will be set up at the central level under the direction/ supervision of the Steering Committee for the MDTF (see 6.11 below) and will assist all Ministries, agencies and other entities in the formulation and design of programmes for funding under the MDTF. It will evaluate programmes, proposing corrective measures if and when necessary, prior to submitting them to the steering committee. The Office of the Steering Committee will also provide assistance to the Government in coordinating any high level policy advice necessary for the implementation of the AP..

5.11 A funding mechanism will be established⁸ to facilitate that the AP receives sufficient funding in a flexible, timely and demand oriented manner.. This mechanism will be administered by the Steering Committee using its own cost norms⁹ and following Government's reporting, accounting, auditing and supervision requirements Donors will be invited to participate fully in this development process to enhance their willingness and ability to finance priority actions.

5.12 Without prejudging the results of the National Action Plan formulation, but based on messages from the Government to the donors in CG meeting, it is expected that the Government will submit specific priority programmes to the donors in 6 areas. These are:

- (i) the design and implementation of overall policy changes, the strategy and the National Action Plan: this is the focus of the multi-donor assisted program in institution building and the narrow focus of this program;
- (ii) assistance in the implementation of commitments made by the Government in WTO and other international and regional fora;
- (iii) assistance in the definition and implementation of complementary measures to mitigate potential negative effects on vulnerable groups of the Vietnamese society;
- (iv) assistance in the definition and implementation of complementary measures to assure that Vietnam takes fully advantage of the opportunities created by its integration into the world economy;
- (v) support the Vietnamese Government to identify its offensive and defensive interests in international, regional and bilateral negotiations and to defend them effectively in the respective fora;

⁸ Design of the MDTF will take into account experience of managing other trust funds by Government such as the trust fund for public financial management.

⁹ Current Government cost norms are too low and don't provide enough incentives for mobilizing good resources to ensure smooth implementation of this program. Adjustment of the cost norms by the Ministry of Finance to make it compatible with the market levels are ongoing and should be encouraged. Meanwhile, the MDTF will use the EC cost norms as reference for establishing its own cost norms.

(vi) long term support in the setting up of a conducive framework for the establishment of a market economy by providing training in policy making, analysis, legal and judiciary so as to create a conducive, transparent and predictable system for economic development.

6. INSTITUTIONAL STRUCTURE FOR IMPLEMENTATION

Context

6.1 Integration is a long and complex process in terms of balancing its drawbacks and benefits. Accession to the WTO involves two phases: pre-accession phase i.e. the negotiation process and post-accession phase - implementation of commitments made during the negotiations. The former requires strong coordination to work out the best and feasible deal for Vietnam as a whole. For that reason the Government established the National Committee for International Economic Integration (NCIEC) which supposed to assist the Prime Minister in guiding and coordinating participation of ministries, agencies and provinces in the negotiation process. Given its mandate of exercising state management over foreign trade affairs, the Ministry of Trade has been playing a leading role in the negotiation phase. The Office of the Government, on the other hand, has been mandated by the Prime Minister to coordinate other related stakeholders in the negotiation process.

6.2 Vietnam's integration into the world economy implies fundamental policy changes affecting all sectors and all levels of Government. Integration into the world economy is not a goal in itself, but a powerful instrument and momentum to assure the economic reforms and enhance competitiveness of the Vietnamese production structure and to attract foreign investment and thus technology to further Vietnamese socio-economic goals (pro-poor, pro-growth strategy). It is thus essential that change policies intended to facilitate this integration be fully integrated into SEDP and other development programmes such as the poverty reduction strategy.

6.3 Action Plan to implement its WTO commitments requires timely and concerted action by a large number of ministries, provincial and local authorities involving the Parliament, the business community and the civil society. It is therefore essential that overall responsibility lies with a policy coordinating, supervised and monitoring authority that may not have direct responsibilities for specific policy making components, but has the political clout to lead the process. Thus there is a need to have a high level policy making and coordinating mechanism to be responsible for key policy decisions and to monitor the implementation of the integration Action Plan. Taking into account the magnitude and importance of the post WTO works, it is recommended the Government of Vietnam to form a committee for integration and reforms

(CIR) led by the Prime Minister or a deputy Prime Minister to guide the post WTO reforms¹⁰. The final decision of setting up this committee is subject to Prime Minister's approval beyond the review of existing institutional arrangements for managing the integration process and the requirements of post WTO accession. This review will take place in the First Phase of the Beyond WTO programme.

6.4 Ministries and donors share the same view that the implementation of WTO related reforms should have a strong political support of all key stakeholders in Vietnam including the Party, the National Assembly, the Government; and be managed and coordinated centrally by a government institution which has a mandate of designing, managing as well as monitoring and evaluation of Government's working programmes and plans. Based on a thorough analysis of institutional options and based on in-depth consultations with various stakeholders (e.g. ministries, donors, think tanks, research institutions), it is suggested that the Office of the Government (see annex 5: Responsibilities and functions of the OOG) be a coordinating agency for the formulation and implementation of the WTO commitments.

6.5 Experiences from the newly acceding countries indicate that successful implementation of a government action plan on integration needs strong and effective political support at the highest level. Thus, the CIR, as mentioned in section 6.3 above, plays a critical role for a success implementation of the National Action Plan in general and this program in particular, and should expeditiously be established. To ensure proper functioning it should have the authority of the Prime Minister and political support to overcome all bureaucratic red tape from ministries, agencies, and local governments for smooth and effective implementation of Vietnam's WTO commitments.

Proposed Framework For the MDTF

6.6 Although Vietnam has been a major recipient of ODA for the past few years with USD 22.6 billion in total for the period 1994-2003¹¹, assistance for integration represents only a small proportion of the total ODA. There are about 58 projects financed by 21 donors with an amount of USD 54 million¹². These assistance has been useful for enhancing Vietnam's capacity to better manage the integration process. However, the fragmentation of different donor assistance activities for WTO accession in Vietnam has impeded their impacts. The study by MUTRAP shows that there are weaknesses in coordination both between donors and between government agencies, there is no satisfactory mechanism for systematic information

¹⁰Phase one will review existing mechanisms to coordinate the AP before making a final proposal to either use one of them, after its strengthening or to establish a new one.

¹¹ Moving towards 2010, Vietnam partnership Report, Hanoi, 1-2 December 2004.

¹² World bank 2005.

sharing. This has led to scattered projects supporting integration, and have resulted unnecessary duplications and overlapping¹³. Thus, there is a need for more efficient donor coordination.

6.7 Phase 1 of the Beyond WTO programme will therefore address, among others, donor coordination through establishing a multi-donor trust fund (MDTF). Main outputs of this phase include i) formulation of National Action Plan; ii) design and put into operation of MDTF; iii) finance for urgent activities arising from implementation of WTO commitments; and iv) preparing proposal about committee for integration and reforms. To achieve these results, the following structure is recommended to put in place (see points 6.8-6.16 below).

6.8 Upon request of the government, during the first phase, the Beyond WTO Programme will provide necessary technical assistance to the government agencies to streamline mechanism to assist the Prime Minister in conducting integration and reforms as mentioned above.

- (i) Implementation of the WTO commitments
- (ii) overall policy making/deciding for WTO related adjustment program in conjunction with the five year SEDP and the PRSC;
- (iii) approval of integration strategies and Action Plan;
- (iv) policy coordination in international economic and integration issues and evaluation of its execution.
- (v) Coordination of Vietnam activities and participation in WTO and regional fora.

6.9 A Steering Committee (SC) of the Beyond WTO Program and the MDTF will be established by the Prime Minister and chaired by a leader of Office of the Government (OOG) in charge of integration and with members at the director level from key ministries and agencies relating to integration and WTO (See Annex 5 The Decree 18 describing OOG as the most relevant institution hosting the SC). The SC will assign a full time member managing the Office of the SC. The SC would be responsible for:

- (i) coordinating the management of the Government and Prime Minister to implement the National Action Plan for implementation of WTO commitments with coordinating technical assistance in the framework of the Beyond WTO Program and MDTF;
- (ii) participating in the preparation of and proposing the Action Plan for implementation of integration commitments;
- (iii) adopting annual priorities of actions and annual plans of MDTF;

¹³ MUTRAP: Needs Assessments for Trade Related Assistance in the Period 2007-2012, Hanoi, October 2005.

- (iv) reviewing and approving implementation projects proposed by ministries and agencies to be funded by the MDTF;
- (v) coordinating and harmonizing activities of ministries, agencies and provinces in the Beyond WTO Program;
- (vi) monitoring, and evaluation of projects executed within the framework of the MDTF.
- (vi) managing the MDTF, mobilizing and supervising all resources, both domestic and international, for implementation of AP, including those contributed to the MDTF.

The Steering Committee would meet at the request of its Chair at about monthly intervals.

6.10 Assisting to the SC is the Office of the SC. It is responsible for

- (i) coordinating the advisory and planning for integration and WTO policies, strategy, programs of actions and the action plan
- (ii) the technical support for policy planning in the framework of the Beyond WTO Program;
- (iii) preparation of contents and logistics for meetings of the SC;
- (iv) coordination with focal points in charge of economic integration of ministries, agencies and provinces to implement the activities of the SC;
- (v) reporting to the SC about activities that ministries, agencies and provinces are implementing or will implement for integration;
- (vi) informing issues that need the coordination of the SC for ministries, agencies and provinces concerned;
- (vii) management of MDTF
- (viii) assessment of project proposals by ministries, agencies and provinces and their approval or their submission to the Steering Committee;
- (ix) the overall monitoring and evaluation of the implementation of the policies, strategy and the action plan;
- (x) reporting of program execution to the steering committee; and
- (xi) the formulation of recommendations on the proposed changes in the policies, strategy or the action plan.

6.11 The Office of the SC (OSC) is managed by a director appointed by SC and assisted by two deputies. Director of OSC is a full time member of the SC. In addition, the Office of the SC should be staffed with senior trade and macroeconomic experts. It should have at least the following full-time capable and dedicated staff:

- (i) Director of OSC
- (ii) a policy formulation specialist;

- (iii) a project management specialist; and
- (iv) a monitoring and evaluation specialist.
- (v) an administrative officer.

The SC will possibly request Ministries and agencies for officials with experience on WTO and project management to work for the Office of SC to assist activities within the Beyond WTO Program and coordinating with the executing agencies.

6.12 In the execution of its tasks, the Office of the SC will be assisted by a group of international and local professionals (both full time and short term) financed by the donors, including:

Full time staff:

- (i) a technical programme advisor and coordinator (Internationally recruited),
- (ii) a programme monitoring and evaluation specialist.
- (iii) a fund/ financial and procurement manager
- (iv) an administrative officer - interpreter

Part time staff may include a programme design specialist and other consultants depending on specific needs.

If necessary and to assist operation of the Office of the SC, the donors (i.e. DFID, AusAID) and the OOG shall sign an agreement on establishment of the Office of the Steering Committee, mainly regarding to term of references for experts funded by the donors.

6.13 Ministries, provinces and other concerned stakeholders are responsible for contributing to the formulation of the Action Plan during the First Phase of this programme. Also, the execution of the individual activities under the AP as well as the implementation of sector policies will be the responsibility of the relevant Ministries and agencies within whose responsibility the proposed activities fall. These project implementing agencies will be assisted by the Office of the Steering Committee and consultants. However, they will take responsibility to implement their projects, ensuring their qualities and outcomes and are subject to monitoring and supervising of the Program Steering Committee. (Please refer to section 7. Implementation Management for further details).

6.14 A team of independent experts should be available to be used on a demand basis. A roster should be created of experts individually nominated from the various policies research and consultancy services organizations in Vietnam. In addition to a roster of individual experts from abroad with good knowledge of the Vietnamese situation and excellent technical

knowledge in their respective fields should be drawn up. These independent experts will be nominated or be made available for programme execution, including for the Office of the SC, but mainly to meet the needs of ministries and agencies implementing integration commitments. The cost of the services of these independent experts would be financed primarily by the MDTF.

6.15 The programme would be further assisted by a High Level Policy Advisory Team which would advise the SC. It would consist of individuals nominated and acting on the basis of their personal capacity and include:

- (i) High level Vietnamese professionals who have experience in designing policy change and who represent the following skills (i) Government policy making (former policy making senior official) (ii) academic, research community (iii) legislative branch; (iv) provincial/local/business level.
- (ii) High level foreign advisors: (i) an eminent person that has policy analysis and policy making experience (a former high level policy maker at the rank prime minister or minister of a country that has gone through a fast change process from a planned economy to a market economy) (ii.) An eminent person with experience in international rules (well-known scholar or international organization senior official) and (iii.) a CEO of an international company active in Vietnam

6.16 The high level Policy Advisory Team would have two distinct functions. First it would ensure that the government as well as the SC (expected to be the CIR) has the most relevant advice possible when it meets to discuss economic and integration policy issues and second it would give impetus to the work of the program implementation committee and the program execution team in their task to prepare policies. The policy advisory team would (i) provide independent comments on policies proposed by Ministries and executing agencies (with technical support from the Program) submitted to the SC; (ii) provide independent assessment on the execution for the programs based on the assessment submitted by the Office of the SC; (iii) make suggestions for actions and/or research to improve the change process.

6.17 The Policy Advisory Team would meet according to need. The consultation of the foreign members of the advisory team would be done through conference calling. The full team would, however, meet in Vietnam at the crucial junctions of the program or at least once a year.

Structure for the AP Implementation

6.18 To coordinate and monitor implementation of the AP to be developed in phase 1, and to ensure that all resources (external and internal) will be well coordinated and effectively used, the following structure is recommended to government to review and consider (see points 6-18-6.19 below). It's also recommended that a comprehensive review of effectiveness, strengths and weaknesses of current existing institutions involved in managing the integration process of Vietnam so far be undertaken prior to a final decision to be made by government. The suggested committee for integration and reforms would be seen as an unified institution, resulted from the above review.

6.19 The core unit in the proposed structure is a committee for integration and reforms (CIR). In the first period, the Program will closely coordinate with the executing agencies in setting up a coordination structure of economic integration post WTO, including forming the CIR based on a proposal made in phase one (see 6.3). Such CIR conventionally is chaired by the Prime Minister or a Deputy Prime Minister with members from ministries at the vice ministerial level, and representative of policy making agencies and provinces responsible for:

- (i) Macro level strategy and policies making/deciding for promoting the domestic reform and implementing the National Action Plan of WTO commitments, in conjunction with the five year SEDP and the PRSC;
- (ii) Guiding the preparation, approval of integration strategies and National Action Plan and detail action plans proposed by the Ministries implementing WTO commitments, guiding the implementation of the National Action Plan.
- (iii) Guiding to successfully implement the National Action Plan in WTO commitments, policy coordination in international economic and integration issues and evaluation of its execution.
- (iv) Coordinate projects/activities falling within the scope of AP and executed by ministries, agencies, provinces, business sector, civil society organizations...
- (v) On behalf of the Prime Minister to taking lead in other issues related to economic integration.

The CIR would meet in regular or at the request of its Chairman.

6.20 Since the CIR will not meet very often, it will need a standing committee to act on its behalf. Given relevant functions assigned to the SC (see 6.8 above) and sufficient experience gained during the phase one, it is suggested that the SC for the Beyond WTO Program would be merged or restructured to be the standing committee for the CIR in the future with functions for both coordinating integration process and technical assistance. The Standing Committee of the CIR would meet at the request of its Chair at monthly intervals.

Transitional arrangements during the first phase

6.21 The establishment of the project management structure for international economic integration in general and the Beyond WTO Program in particular will take time because of several factors, including the critical one is the Government's decision in which model will be chosen. Therefore, a series of interim measures will be put in place. The OOG has already established an Inter-Ministerial Task Force at director level of OOG, MOT, MOF, MPI and MOJ which will

- (i) elaborate an interim program of actions in the form of a list of all intended actions/policy issues to directly implement WTO commitments in the period 2006-2010;
- ii) prepare in collaboration with donors the programme documents of Beyond WTO Program; and
- iii) propose legal background and submit to the Prime Minister for establishment of the Steering Committee of the Beyond WTO Program.

6.22 As mentioned in para. 6.8 during the 1st phase, Beyond WTO will assist the government to develop policy coordinating mechanism to assist the PM addressing the post WTO issues. During the transitional period, the OOG is the most appropriate agency to assist the Cabinet and the Prime Minister in conducting WTO related policy coordination and donors' fund for implementation (see Annex 5, Functions and responsibilities of the OOG). The OOG, as a ministry for Cabinet affairs, responsible for policy appraisal, coordination, monitoring and evaluation of implementation, is best positioned institution to coordinate this task. The OOG is not, at present, fully equipped to oversee the implementation of two large programmes: WTO related policy adjustment (i.e. coordination of implementation of the AP) and Beyond WTO TA support programme. It would be strengthened in terms of its internal staff as well as through TA.

7. IMPLEMENTATION MANAGEMENT

7.1 The execution of the individual programmes under the AP as well as the implementation of sector policies would be the responsibility of the relevant Ministries and agencies within whose responsibility the proposed activities fall. The programme cycle of activities to be executed within the AP would take the following form:

- (i) The Action Plan recommends actions to be undertaken by the various ministries and agencies;

- (ii) A focal point is nominated in each Ministry which will assist the Ministry/s representative in the SC and which will be responsible for the organization of the execution of the activities foreseen within his/her Ministry;
- (iii) The Ministry nominates a dedicated project team for the execution of the specific actions/projects they want to implement. The project team will be selected from within the organization responsible for such activities and will draw on existing staff (no parallel project management unit);
- (iv) The project team will submit a project idea to the Office of the SC to approve or reject the project based on the guidelines contained in the AP as part of the annual plan of the MDTF. If the project idea is approved, the Office of the SC will:
- Provide an outline to be followed to prepare the project;
 - Identify major issues the project design will have to address;
 - Propose detail technical assistance (if needed); and
 - Dedicate or contract one person to act on behalf of the Office of the SC to help the Ministry/agency in the preparation of the document.
- (v) The Ministry/agency is responsible for the design of the project including proposing specific technical assistance, if needed; and for the submission of the project document;
- (vi) The project document is assessed and approved by the Office of the SC¹⁴ -and if – necessary- submitted to the to the Steering Committee for final approval;
- (vii) The Office of SC communicates project approval and prepares a bipartite agreement between the Ministry and SC with:
- Guidelines on technical implementation if warranted;
 - Guidelines for the administration of the project;
 - Guidelines for the monitoring information and reporting requirements;
 - Required accounting and auditing procedures;
- (viii) The Ministry is responsible for project execution in a timely and professional manner to ensure its final quality outcomes. It is obliged to provide the necessary monitoring information and reports as specified in the project agreement to the Office of the SC. It informs the Office of the SC on any difficulties/delays in the execution of the project; and.
- (ix) The Office of the SC submits the relevant reports to the SC and will organize independent evaluations and use other M&E tools including spot checks, value for money audit etc. to ensure that the project delivers expected outputs and meets the agreed objectives. Reward and punitive mechanisms will be designed during the first phase to provide incentives for good performers.

¹⁴ The OSC will mobilize technical consultants to assist them during this process..

7.2 Similar procedure is applied to programs that will be executed by local governments at the sub-national level.

8. ROLE OF DONORS

8.1. A relatively heavy involvement of the donors is expected in the first phase to capture information on donors on existing activities and to assure buy-in by donors to the Action Plan approach, in particular that they are willing and able to finance it. It should also serve to build the confidence of donors in government management of the programme. As an outcome of the first phase, the SC and the donors involved shall agree on a mode of donors' participation and/or consultation for the second phase with a view that the donors will be less involved in the AP implementation phase thus maximizing government ownership. However, SC will meet with donors concerned annually to discuss about activities program for each year¹⁵.

8.2 Given the large number and diversity of actions likely come under the Action Plan the donors will want to consider a division of labour among themselves, identifying a particular donor on the basis of comparative advantage for each policy domain or sector as a focal point for coordination among themselves and with the relevant Ministry or Agency. The internal coordination within a particular group of donors should aim to resolve differences arising from execution of their individual program(s).

8.3 Information on donors support for international economic integration needs to be collected and updated regularly, on quarterly or biannually basis to ensure effective coordination in order to avoid overlaps between this and other integration-related programs.

8.4 Financial contribution through government executed MDTF is preferred. However, where donor's policies and procedures are not allowed, supports through other forms are welcomed as long as they are in line with, complimentary to this program.

9. FINANCING

9.1 As pointed out in paragraph 3.1 the AP will cover two types of financing, investment and TA. While the government's preferred mode of donor TA support is through the MDTF, other major investment requirements identified in the AP will be funded by the government using its own resources or donor investment funds. Many of the integration reform actions

¹⁵ Please refer to Annex 4, Trust Fund Guidelines regarding how co-financiers will be informed and updated about this Programme.

will be a part of the PRSC 6-10 process TA support to which can be provided via the MDTF.

9.2 Investment financing under the AP will follow existing procedures as they are modified through the Hanoi Core Statement roll-out process in the interests of aid effectiveness. There will be both bilateral and multi-lateral agreements with increasing resources put through sector budgetary support type instruments

9.3 With regard to TA to the integration process donors are asked to pool resources in a MDTF. This is in line with the Hanoi Core Statement, where donors and government commit to donor providing joint support through government systems thus promoting harmonization and joint working.

9.4 Priorities for financing under the MDTF would include:

- (i) the basic structure of the program and the capacity strengthening of the institutions involved;
- (ii) the targeted awareness building and the support to the effective participation of all stakeholders targeted or affected by the policy changes/program activities;
- (iii) policy, training and awareness at ministry/provincial levels;
- (iv) All priority needs of the AP that is not financed by other sources.

9.5 National and international funds will be disbursed as soon after project/programme approval. The amount estimated for the first eight months would be disbursed as soon as the bipartite project agreement between the SC and the executing agency is signed. Within the last month of every six month period, the OSC would submit a project report and audited financial accounts. Funds for the next six months would be disbursed upon receipt of these documents. Any non-justified or unsupported expenditure would not be reimbursed. Final reports and audited accounts would be submitted within 3 months of the end of each project.

10. MONITORING AND EVALUATION

10.1 Donors would be engaged by government at mid-year and end year Consultative Group meeting to assess progress against AP indicators and SEDP and PRSC development outcome indicators to monitor progress towards Vietnam integration into the world economy. The monitoring and evaluation tools used by the program will directly support implementation of monitoring and evaluation of integration elements of the SEDP.

10.2 Donors would not be involved in the execution of initiatives funded under the MDTF. They would receive monitoring reports on the execution of particular programmes as defined

in the project documents and would receive regularly audited financial reports as well as the independent evaluation reports mentioned in the project document.

11. COMMUNICATION

11.1 A communication strategy for this programme will be developed during the first phase as part of the Action Plan. The strategy will cover the following audience: co-financiers, partial donors, integration concerned agencies and the general public. A website will be set up and general and targeted awareness raising activities will be carried out to disseminate information about this programme to all interested parties.

11.2 The programme will set up clear mechanisms for sharing information, consultation and reporting among co-financiers and partial donors in the Programme Manual to be developed during the First Phase. A part of it can be seen in the Trust Fund Guideline (Annex 7-Communication).

The programme will also set up mechanisms for sharing information and consultation with donors who for some reason can not co-finance this programme. This can be done, for example, through the website, CG meetings, bi-annual general reports and a donor working group on the Beyond WTO.

12. FINANCIAL PROCEDURES AND AUDIT

12.1 The Beyond WTO approach promotes the use of government systems and procedures as much as possible and in accordance with the principles of the HCS. In areas where there exist major gaps between the government and donor systems, there will be explicit guidelines in the form of a Programme Manual regarding which procedures are to be used.

12.2 To address fiduciary risks and corruption, independent audit and donor monitoring and supervision mechanisms will be set up. Please see Annex 4 – Trust Fund Procedures for details.

13. RISKS ASSESSMENT

13.1 There are considerable risks associated with a programme of this complexity related to Vietnamese politics, government ownership, institutional capacity, possibility of new institutional arrangement and accountability and the conflict of interest and predictability of donor financing.

13.2 As the programme is at the heart of a policy change process there are considerable political risks which cannot be ignored. Government is strongly committed to the programme. The recent Party Congress has endorsed the direction of Vietnam's economic reform. The change process appears to have the political support needed to avoid derailment by the social costs of integration into the world economy. The Beyond WTO approach is designed to promote knowledge and understanding of the positive effects of integration through its communications work whilst mitigating against any negative impacts. Besides, review of existing mechanisms for coordination of AP implementation during the Phase one reduces substantially the risk of new institutional set up.

13.3 International experience has shown that strong government ownership of the program is a major requirement of success. Programme design is geared to maximizing cross-government ownership of the Beyond WTO approach through government control of the definition of the policies, the strategy and the AP. In addition the programme is fully integrated into the Government structures thereby assuring- as far as possible – with ownership not only at the central level, but also within the ministries and agencies that will be called to implement the changes and programmes.

13.4 Lack of institutional capacity to fully drive, execute and monitor such a complex process is a concern. New responsibilities for coordination, consultation, information sharing, implementation and monitoring have to be established. This requires not only institutional capacities, but also a change in behaviour. Government is aware of the need for change in its procedures and is willing to promote it. Strong TA support through the MDTF will reduce the risk related to capacity.

13.5 Overarching policy programmes such as this can be derailed by lack of clear lines of responsibility and accountability. The programme design defines clearly the responsibilities and the accountability of the various actors involved. Access to additional resources will be one of the major incentives to assure good implementation. The programme will have to establish a mechanism incentives good performance and punish bad performance or wrongdoing.

13.6 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 finance adequately the API, including the MDTF, through an efficient aid delivery system is an important condition for its success.

13.7 Corruption could impact on Beyond WTO in various ways not least by under-mining donor confidence in the approach. The recent PMU 18 case has drawn attention to the fact that government's own resources are as much at risk as those of donors. The PMU18 case

provides government with an opportunity to increase the level of donor confidence by taking broader and more systematic measures to root out corruption wherever it is found. The case, however, appears to reconfirm assessment that government systems need to be strengthened to ensure transparency and accountability. Government is working with donors to tackle this endemic problem. Strengthening government systems and improving accountability are the only long term solutions to the problem of corruption.

13.8 The MDTF created under this program expects to attract many donors to channel their financial assistance through it. However, aid delivery procedures and monitoring standards are varied greatly among donors. Harmonization donors' procedure is another big challenge for success of the MDTF and this program.

ANNEXES

Annex 1: Beyond WTO – phase one

BEYOND WTO

PHASE ONE

(September 2006 – August 2007)

BEYOND WTO PHASE ONE: LOGICAL FRAMEWORK ANALYSIS

Description	OVI	MOV	Assumptions
Goal: To strengthen government's capacity to manage the economic integration of Vietnam into the global economy and the transition of Vietnam to a socialist market oriented economy as proposed in the SEDP and in context of implementation of the WTO commitments	1. All new government and donor integration activities approved, assessed, monitored and evaluated within a National Action Plan 2. MDTF providing flexible financing from March 2007		
Purpose: To establish a coherent & consistent basis for government's 5 year "Beyond WTO" approach to global integration whilst ensuring that urgent WTO related actions are funded.	1. A five year Action Plan approved and adopted by government by August 2007 2. Donors agree to support TA to integration process through a multi-donor funding facility (MDTF) from August 2007		
Outputs 1. A participatory Action Planning process with all key stakeholders 2. Strengthened or new key management and policy making arrangements	1.1 Diagnostic Study completed & informing action planning 1.2 Sectoral & Thematic Action Plans 1.3 WTO web-site operational 2.1 OOG working with the Inter-Ministerial Task Force & Thematic Teams 2.2 Proposal about committee		WTO accession

3. Systems & procedures for the delivery of the Action Plan. 4. Funded actions arising out of urgent WTO commitments.	for integration and reforms to oversee action plan 2.3 SC established & functioning 3.1 MDTF in place 3.2 TA appraisal procedures approved 4.1 Programme of Action activities prioritized & appraised according to Phase 1 criteria. 4.2 A set of activities for Phase 2 Year 1 approved.		
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Activities

- 1.1 Produce inventory of work on Vietnam & other transition economies
- 1.2 Produce inventory of existing & proposed donor support to Vietnam's integration
- 1.3 Undertake Diagnostic Study; Identify key stakeholders & draft ToR for their participation
- 1.4 Set up consulting mechanism for all major stakeholders
- 1.5 Establish 8 Thematic Teams with representatives of different interest groups
- 1.6 Elaboration of sectoral & thematic Action Plans at the level of each key stakeholder
- 1.7 Draft Action Plan
- 1.8 Establish website to inform & consult public

- 2.1 Establish the Beyond WTO steering committee (the SC);
- 2.2 Select & recruit High Level Advisory Team;
- 2.3 Establish the office of the SC
- 2.4 Hire consultants to support OOG
- 2.5 Create a roster of national & international consultants in the various thematic areas
- 2.6 Develop guidelines and TORs for a SC, OSC, appraisal and monitoring manual.
- 2.7 Review existing institutional arrangement for coordinating AP implementation and come up with proposal about the committee on integration and reforms
- 2.8 Set up an organizational structure within ministries & key stakeholders
- 2.9 Obtain indicative donor financial commitment for Phases One & Two
- 2.10 Establish the roles & responsibilities of donors in relation to Beyond WTO overall
- 2.11 Establish sectoral & thematic donor focal points to work with government
- 2.12 Establish appropriate aid delivery modality (MDTF) using government systems &

will

procedures as far as possible, & consistent with efficient & transparent programme delivery;
2.13 Establish a common reporting, monitoring & evaluation framework for all donor assisted programmes & projects related to the AP whether financed under the MDTF or not.

3.1 Analyze the capacity of key stakeholders to define & implement the AP identifying needs for TA for task execution

3.2 Define delivery modalities to ensure efficient & transparent implementation

3.3 Define the needs for analytical & execution capacity building in OOG

3.4 Establish reporting, monitoring & evaluation procedures

3.5 Establish a delivery system that is result based & subject to rigorous external audit

3.6 Scrutinize government procedures to establish where they can be used & where they have to be complimented to allow efficient implementation of various tasks

3.7 Establish an operational programme & TA delivery manual that clearly describes responsibilities & accountability at the various levels.

4.1 Review government (June 2006) Programme of Actions

4.2 Agree urgent actions for funding

4.3 Appraise & approve

4.4 Fund

1. SUMMARY

1.1 The Purpose of Beyond WTO Phase One is to establish a coherent and consistent basis for government's five year global integration approach whilst ensuring that urgent WTO related actions are funded. Outputs under Phase One are to:

- (i) specify a credible National Action Plan and establish a detail Action Plan based on a participatory process with all stakeholders;
- (ii) strengthen and /or establish key institutions responsible for formulating and implementing the AP so as to ensure a strong government led in ensuring coherent and efficient donor and cross-ministry coordination;
- (iii) create efficient procedures including MDTF for the implementation of the AP;
- (iv) implement immediately priority commitments undertaken by the Government of Vietnam in its WTO accession as outlined in the (October 2006) Programme of Actions.
- (v) identify constraints for implementation of WTO commitments

1.2 Efficient and effective institutional arrangements within government for the management of the next five years of the integration process are essential and during the phase one a comprehensive review of effectiveness, strengths and weaknesses of current existing institutions involving in managing integration process of Vietnam so far should be undertaken prior to a final decision to be made by the GOV. The suggested committee for integration and reforms would be seen as the unified institution, resulted from the above review of several integration institution and organizations. Initially a dedicated team at the Office of the Government will be set-up to assist the Cabinet and the Prime Minister in conducting the WTO related policy coordination. Working with the recently established Director level Inter-Ministerial Task Force comprising Office of the Government (OOG), Ministry of Trade (MOT), Ministry of Finance (MOF), Ministry of Planning and Investment (MPI) and the Ministry of Justice (MOJ), it will be responsible for elaborating an interim 12 month Programme of Action to implement those urgent WTO commitments, finalizing in collaboration with donors the Beyond WTO programme documents.

1.3 A key activity for the OOG team will be the management of a key stakeholder consultative process. OOG will form Thematic Teams from among key stakeholders. Eight Thematic Teams will be created, one each to address government's overall capacity to implement international obligations, an agricultural policy to comply with WTO requirements and make the most of the new opportunities offered by WTO accession, an industrial policy which does likewise, a service sector strategy, horizontal issues, investment and fiscal issues, social safety nets and regional policies and strategic communications. OOG will work with civil society organization to organize workshops to disseminate the findings of a Diagnostic

Study based on desk research of the implications of WTO accession for Vietnam's integration to these stakeholders.

1.4 Upon accession to WTO and upon securing donor finance for Phase One the Beyond WTO programme, the government will establish the SC to coordinate programme activities. It will approve the work of the Inter-Ministerial Task Force, in particular the Action Plan and the organizational set-up for the implementation of integration commitments. The Inter-Ministerial Task Force would then be dissolved. The OOG dedicated team will act as the Office of the Steering Committee.

1.5 Financing is required to cover the costs of programme set-up, in particular recruiting the services of local and international consultants, the cost of a diagnostic study and accompanying consultation process including consultants fees, workshop and travel expenses and the financing of the urgent actions to fulfill WTO commitments to be executed during the first phase, designed and appraised according to established programme procedures. A fund of US\$ 2 million is required for Beyond WTO Phase One (see annex 6 for detailed costs breakdown).

2. RATIONALE

2.1 The Vietnamese government is aware of the need to maximize the opportunities offered by Vietnam's integration into the world economy by adapting its policies both to comply with its international obligations and to take full advantage of these opportunities. The reforms required to ensure that Vietnam is fully integrated into the world economy and has the capacity to compete in the world market will require long term change encompassing all major economic and social sectors and involving national, provincial and local authorities. The Government is committed to implement its international commitments as fully and as quickly as possible and it has decided to strengthen its policy making and implementing capacity by preparing a five year Action Plan.

2.2 Vietnam needs foreign TA and other financial support to define and implement the required actions. The donor community has expressed its willingness to assist Vietnam in its efforts to integrate both trade policy and other overall development policies (including the national five year development plan, the SEDP and PRSCs) into the world economic system.

2.3 Vietnam has received substantial amounts of foreign aid during its accession process. While this aid has been useful it has been uncoordinated and its impact has not been maximized. Government believes that donor support post WTO accession will require a

coordinated approach in which the Government owns and leads a demand driven process. To ensure the best use of resources available the Government has decided:

- (i) to assume full ownership by playing the leading role in the coordination and implementation of donor support in favor of the Action Plan;
- (ii) to set up – within itself – mechanisms to ensure effective, efficient and coordinated donor support to the Action Plan; and
- (iii) to ensure that all aid programmes are implemented within the government structures as much as possible to promote sustainable capacity building.

2.4 The donor community has expressed its willingness to channel assistance through government structures, to respond to government priorities and to take – as much as possible – a coordinated approach in which the government determines priorities and needs to be satisfied by foreign aid. In agreeing to such an approach, the donor community has, however, to be sure that:

- (i) the AP is an effective policy tool that prioritizes need and leads to real policy change;
- (ii) government institutions are capable of managing and monitoring projects in an efficient and transparent way and can be held accountable for the expenses incurred;
- (iii) government can fully live up to the requirements for accountability for the use of donor funds; and
- (iv) an iterative and incremental approach can be applied that builds donor confidence, and allows donors to monitor execution and to increase the use of government structures depending on the results achieved.

2.5 Government has decided to ask donors to fund a Phase One programme for the preparation of the Action Plan and to implement urgent actions related to the WTO accession protocol as a precursor to funding the Beyond WTO Programme as a whole during Phase Two

3. APPROACH

3.1 The Purpose of Phase One of Beyond WTO is therefore to design the overall framework – the Action Plan and donor funding mechanism - for effective and efficient management of the integration process whilst ensuring that those urgent actions which need to be taken are taken and do not stall for want of adequate funding. Phase One of the programme will therefore deliver four Outputs; a fully elaborated five year National Action Plan building on the government's commitments, technical assistance needs proposed by ministries and a Diagnostic Study on social and economic impacts of integration on key

sectors and population groups; new and/or strengthened institutions; systems, procedures, guidelines and a multi-donor financing framework (MDTF) for TA to the Action Plan; and the implementation (with donor funding where required) of urgent actions required by WTO accession.

3.2 The programme design attempts to take full advantage of the use of the **Integrated Framework (IF)** and lessons learnt from other newly acceded countries, while adapting them to Vietnam's reality. The programme design will pay particular attention to addressing the following risks and issues identified by the IF evaluations: (i) The lack of ownership and drive by the beneficiary country ; (ii) Little high level political support of the process; (iii) Lack of follow up on the recommendations and actions proposed; (iv) Lack of donor support and limited impact of the work on the donor strategies; (v) Lack of focus on results of the programs; (vi) Insufficient focus on improved trade outcomes, rather than on process alone; (vii) Productive sectors have received insufficient attention; (viii) Mitigating actions to protect vulnerable groups were and on assistance measures and not defined in terms of solutions to overcome their handicaps; (ix) The strategic focus of trade expansion i.e. to alleviate constraints faced by individual exporters or local producers to become more competitive and therefore to survive the external competition in the home market got often lost; and (x) The strategies did not produce investments in physical and institutional infrastructure.

3.3 The program design takes into account key success factors identified through implementation of other broad programmes in Vietnam such as program for development of SMEs. These include:

- (i) strong political commitment of the top leadership, including in the Party, the National Assembly and the Government;
- (ii) being in line with and integrated into a long term comprehensive government owned reform program;
- (iii) having committed and devoted members in the steering committee, rather than symbolic participation of high-ranking, but extremely busy officials, and having adequate and effective representation of civil society organizations and other stakeholders;
- (iv) securing sufficient financial and human resources for the design and implementation of program at all levels; and
- (v) clear division of roles and responsibilities between various stakeholders and an effective mechanism of coordination among participating agencies.

4. KEY COMPONENTS

Component One: A participatory Action Planning process with all key stakeholders

4.1 The participatory consultation process for the establishment of the Action Plan will be organized around a Diagnostic Study which will be both a product of the consultation process and input into that consultative process as ideas are exchanged and debated. The Diagnostic Study team will initially review work already completed to identify the key issues which will need to be addressed by the Action Plan, suggest new areas of investigation that needs to be undertaken, and develop a prioritized Phase One timetable for this research, fully costing it.

4.2 Of crucial importance will be establishing the impact of opening up the Vietnamese economy to the world market, both positive and negative. A complete list of research work done in Vietnam and other transition economies will need to be drawn up and, where possible, the authors engaged in the debate about the way forward for Vietnam. An inventory of existing and planned donor support to Vietnam's integration will be established. This information will provide the basis for the Diagnostic Study Report which will be published in draft form for further discussion with government ministries and agencies, local authorities, researchers and donors in workshops during Phase One. The information will also be published on a website thus opening up the information for key stakeholders. A final Diagnostic Study Report will be produced defining the key themes and elaborating areas for further study. This Diagnostic Study will provide the basis for Action Plan design.

4.3 Once the general direction of the Action Plan is established government ministries and agencies and other key stakeholders will need to establish, with the assistance of OOG team, their own priority lists of actions. The Diagnostic Study will provide the basis for developing the Terms of Reference (ToRs) for a series of Thematic Teams charged with developing Thematic Action Plans. Each Thematic Team would comprise of up to 10 members including:

- (i) a designated team leader from the lead ministry or agency who will lead on implementation under the Action Plan;
- (ii) a member of the Office of the Steering Committee (OOG) established for the programme;
- (iii) a representative from a research institution that has worked on the theme;
- (iv) a representative of the population affected;
- (v) a provincial representative;
- (vi) a representative of the business community;
- (vii) a labor union representative; and
- (viii) an expert of the donor agency acting as focal point on that theme.

4.4 The Thematic Teams will undertake the following tasks:

- (i) analyze key thematic issues;
- (ii) define and procure additional expertise as required;
- (iii) prepare an issues paper and organize a workshop with key stakeholders to discuss it;
- (iv) submit the revised issues paper to the Inter-Ministerial Task Force;
- (v) elaborate a thematic Action Plan;
- (vi) elaborate concrete projects within the Action Plan;
- (vii) organize a workshop with a wider audience to discuss the proposed action and policy programme;
- (viii) submit a revised thematic Action Plan to Office of the Steering Committee (OOG) and the Project Support Unit for inclusion into the overall five year Action Plan.

4.5 The Diagnostic Study will confirm the themes to be analyzed however eight thematic areas currently lend themselves for analysis.

4.6 *Government capacity:* There is clearly a need to explore government's capacity to implement international obligations and to identify and defend Vietnam's interests convincingly and effectively in international negotiations. This Thematic team will analyze the legal adaptation and strengthening of capacities to ensure implementation of the laws (awareness training of legislators at the central and local level; training of judges, etc), implementation capacity at the executive levels both central and provincial and set up required institutional requirements (TBT, SPS, notification capacity, statistical capacity). It is proposed that this team should include, in addition to those listed in 4.3 above, a representative from the National Assembly or its office with a view to strengthening the institutional linkage in the Action Plan implementation and legislation process.

4.7 *Agricultural Policy:* An agricultural policy in line with the WTO requirements and able to take forward Vietnam's overall SEDP is required. This should outline the measures necessary to take advantage of the opening up of agricultural markets whilst defending the interests of Vietnam's agricultural producers. Impact studies on various producer groups, both those in a position to realize new opportunities (fisheries, tea, coffee, etc) as well as those in at risk from new external competition (rice, maize, poultry farmers). Linkages should be made with policy areas outside the agricultural sector which affect agricultural production (infrastructure investments, investment policies, industrial (agro-business) policies; standards and SPS measures outside Vietnam, land ownership policies, credit policies).

4.8 *Industrial Policy:* A similar approach to that in agriculture is needed in industrial policy including the introduction of adjustment support measures for sub-sectors at risk, the

promotion measures to realize new economic opportunities, and sub-sector analysis of particularly important sectors or sectors where labour is at risk (textile, regional distribution).

4.9 *Service Sector Strategy*: The elaboration of a service sector strategy is required. This should look at the potential effect of liberalization on the efficiency of services as well as services importance for the efficiency of other economic sectors determining priority sub-sectors for liberalization. It should also study jobs in the service sector most at risk from liberalization

4.10 *Horizontal issues*: A series of horizontal issues need to be addressed. These include the linkage between trade policy, the SEDP and the cycle of PRSCs, training to raise overall awareness of people and enterprises about the WTO and implications of Vietnam's WTO accession (civil society organizations would play a key role in this awareness raising and knowledge dissemination process) and curricula development at various levels, support for business community and export promotion, and transparency issues and dispute settlement mechanisms (the rule of law) for example.

4.11 *Investment and fiscal issues*: Investment and fiscal issues will be addressed including those to do with business law and commercial law procedures, investment laws and credit facilities, discriminatory fiscal and duty regulations, predictability, transparency and enforceability of rights and obligations, fiscal and other incentives and their transparent application.

4.12 *Social safety nets and regional policies*: Social safety nets and regional policies should be explored. In particular the identification of population groups at risk, with support and training for workers affected by adjustments in their industry. Investment, training, and incentives in marginal areas would need to be considered.

4.13 *Communications strategy*: A communications strategy will need to be developed which enables government to target different audiences with key messages regarding WTO accession and it needs to do so in a strategic manner to create awareness and achieve behavioural change. The Thematic Team will need to identify target audiences and develop key messages.

4.14 Thematic Teams will draft their own action plans for submission to OOG as input into the overall Action Plan. OOG staff, together with consultancy support, will draft the overall Action Plan which will contain:

- (i) an analysis of effects of integration of Vietnam into the world economy on stakeholders in Vietnam;
- (ii) mitigating measures to counter potential negative impact, with their intended results;
- (iii) enabling measures and their expected results;
- (iv) policy requirements and their intended effects;
- (v) an institutional framework;
- (vi) areas for TA support and investment requirements;
- (vii) plans for training and strategic communications campaign;
- (viii) implementation procedures identifying responsibilities and accountability;
- (ix) reporting, monitoring and evaluation procedures; and
- (x) a costing of the donor support required.

4.15 In addition to the creation of a web-site to disseminate existing and new information to the public, a support network of the private sector and research institutes will be established linking Vietnamese research agencies to international experts by theme, strengthening consultative mechanisms and their research capacities.

Component Two: Strengthened or new key management and policy making arrangements

4.16 Component Two involves the strengthening and establishment where necessary of the institutions required formulating and implementing such an Action Plan including a mechanism for strong Government-led donor coordination in support of the Action Plan. The proposed institutional arrangements for the Beyond WTO programme is found in the overall Beyond WTO Programme Document. Beyond WTO Phase One will involve:

- (i) Establishing the SC
- (ii) selecting and recruiting the High Level Advisory Team;
- (iii) setting up the OOG policy formulation and implementation team (what will become the Office of the SC);
- (iv) hiring of consultants;
- (v) creating a roster of national and international consultants in the various thematic areas;
- (vi) agreeing ministry level organizational arrangements and those of other key stakeholders to ensure effective internal (information and coordination mechanism within government ministries and agencies) and external (establishment of focal point) communications.
- (vii) proposal about institutional set up for integration

4.17 During the formulation of the Action Plan the management structures, personnel, TA needs and advisory inputs (both local and external) for proposed interventions will be established. The institutional framework for the management of the process will be agreed through Phase One so as to be set up shortly after the completion of Phase One in September 2007. The institutional arrangements for Phase One are outlined in detail below. A time table for the setting up of the program structure is attached.

4.18 Phase One will also crucially establish the level of donor support to the integration Action Plan including:

- (i) obtaining indicative donor commitment to the design (Phase One) and implementation (Phase two) process;
- (ii) establishing roles and responsibilities of donors in the overall Beyond WTO programme;
- (iii) establishing donor sectoral or thematic focal points for government so as to ensure an appropriate division of labour among donors according to their comparative advantage;
- (iv) establishing an appropriate aid delivery modality that harmonizes donors' procedures and ensures the use of Government systems to the maximum extent possible, yet consistent with efficient and transparent programme delivery; and
- (v) establishing a common reporting, monitoring and evaluation system for all donor funded programmes and projects related to the Action Plan whether financed under the MDTF or not.

Component Three: Systems & procedures for the delivery of the Action Plan.

4.19 The creation of efficient systems and procedures for the delivery of the Action Plan including donor assistance requires that the OOG team, together with the consultants;

- (i) analyze the capacity of the various stakeholders to define and implement the various components of the Action Plan and their need for TA to execute those tasks;
- (ii) define delivery modalities to assure timely, efficient and transparent implementation of the activities;
- (iii) define the needs for analytical and execution capacity building in OOG;
- (iv) establish a delivery system that is result based and submitted to a rigorous external auditing system;

(v) scrutinise internal government procedures to establish where they can be used and where they have to be complemented to allow an efficient implementation of the various tasks foreseen;

(vi) establish an operational project and technical assistance delivery manual that clearly established responsibilities and accountability at the various levels.

Component Four: Funded actions arising out of urgent WTO commitments.

4.20 Government will need to take action immediately upon WTO accession therefore certain new actions will need to be funded by donors during Phase One. Government is currently preparing a Programme of Actions based on commitments and TA needs proposed by ministries to identify these urgent actions. It is expected that the TA required would amount to about US\$ 5 million for execution over a two year period.

4.21 The implementation of urgent actions resulting from the commitments undertaken by the government of Vietnam in its WTO accession may take place before the elaboration of the Action Plan with its agreed appraisal and approval procedures. This would include making brochures/leaflets summarizing WTO commitments for wider dissemination immediately after the completion of the accession process. Approval of these pre-Action Plan interventions will be made according to procedures to be established by OOG during the start up of Phase One. The execution will be done by the ministries and agencies and monitored by OOG. The MDTF will be established early in Phase One initially with funds from DFID and AUSAID. The MDTF will be expanded over the life of the programme as more donors commit their support for TA through the MDTF.

5. MANAGEMENT

5.1 Initially, a dedicated team at OOG (what will become the Office of the Steering Committee once the SC is established) will be set up to closely work with other key stakeholders and submit to the Prime Minister for establishment of the SC and Office of the SC to take the Program and be a coordinating agency between guiding and implementing from the Government and the Prime Minister on WTO with the Beyond WTO Program. The Inter-Ministerial Task Force, comprising Office of the Government (OOG), Ministry of Trade (MOT), Ministry of Finance (MOF), Ministry of Planning and Investment (MPI) and the Ministry of Justice (MOJ), will be responsible for elaborating an interim 12 month Programme of Action to implement those urgent WTO commitments, finalizing in collaboration with donors the Beyond WTO programme documents.

5.2 Upon accession to WTO and upon securing donor finance for Phase One the Beyond WTO programme, the government will be assisted to establish a structure to coordinate programme activities.

5.3 A key activity for the OOG team will be the management of a key stakeholder consultative process. OOG will organize workshops to disseminate the findings of the Diagnostic Study on the implications of WTO accession for Vietnam's integration to these stakeholders and will form the Thematic Teams from among key stakeholders.

6. FINANCE

6.1 A multi-donor funding facility will be established at the beginning of Phase One of the programme. It will be used to fund the Diagnostic Study, finance the work of the Thematic Teams and the start up of the consultative mechanism, resource the TA to for the management framework the five year Action Plan, finance the priority actions resulting from the government's (June 2006) Programme of Actions and cover funds necessary for funding approved TA to year on of the Phase Two of beyond WTO. Then proposed amount required for Phase One is USD 2 million.

Component	US\$ million
Diagnostic study and a credible Action Plan based on a consultative process with all key stakeholders (output 1, phase one log frame, p. 22)	500,000
Strengthened or new key management and policy making arrangements /institutions (output 2, phase one log frame, p.22)	200,000
Systems & procedures for the delivery of the Action Plan. Output 3, phase one log frame, p.22)	300,000
Funded actions arising out of urgent WTO commitments. (output 4, phase one log frame, p.22)	800,000
Contingency	200,000
Total	2,000,000

(Please see Annex 6 for detailed costs breakdown)

6.2 The management arrangements for the MDTF are set out in Annex 4.

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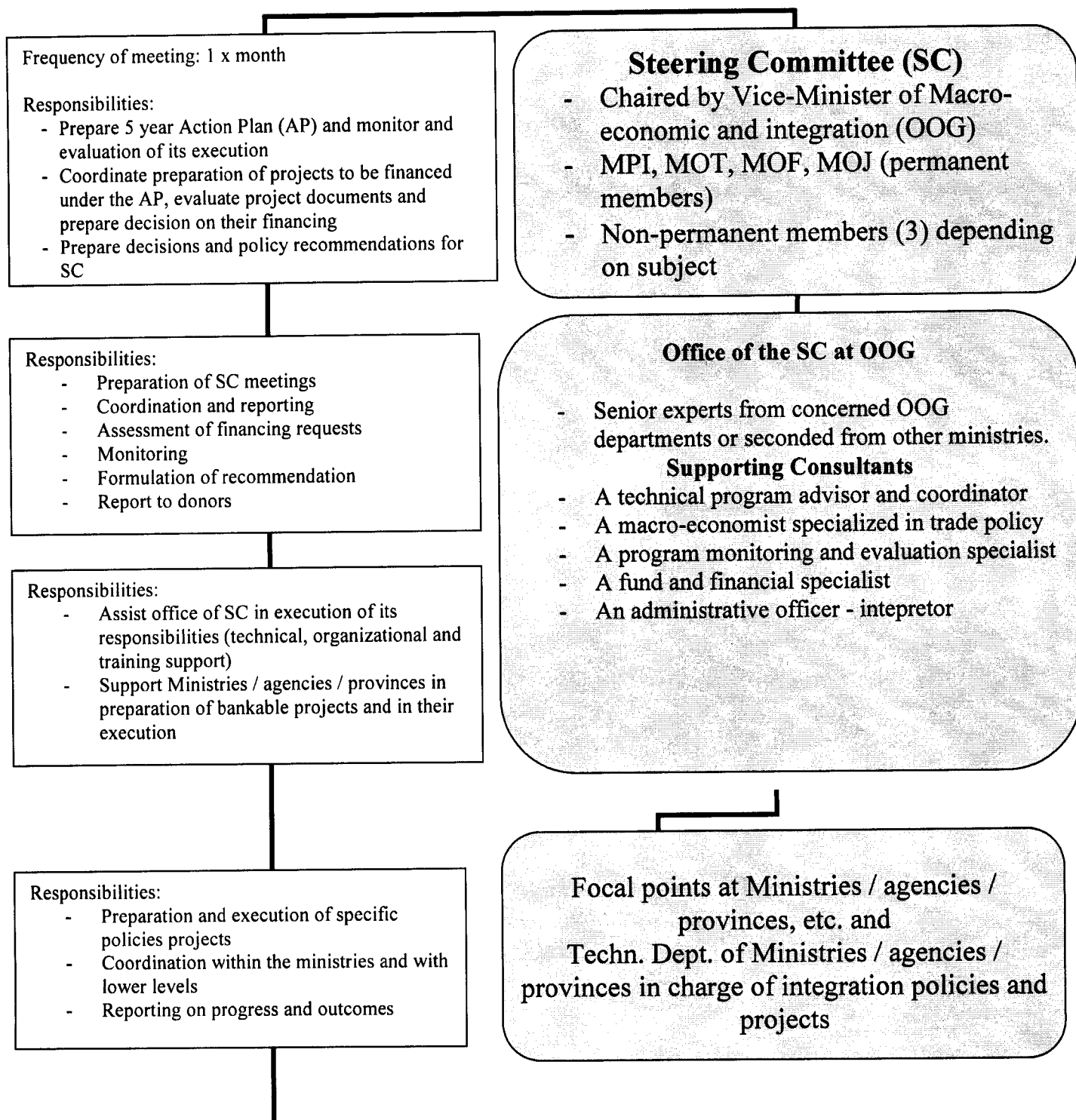
7. RISK ANALYSIS

7.1 The risks to Phase One of the programme are minimal and are mainly related to existing capacity of government to take forward the action planning process. Phase One has been designed to directly address this risk

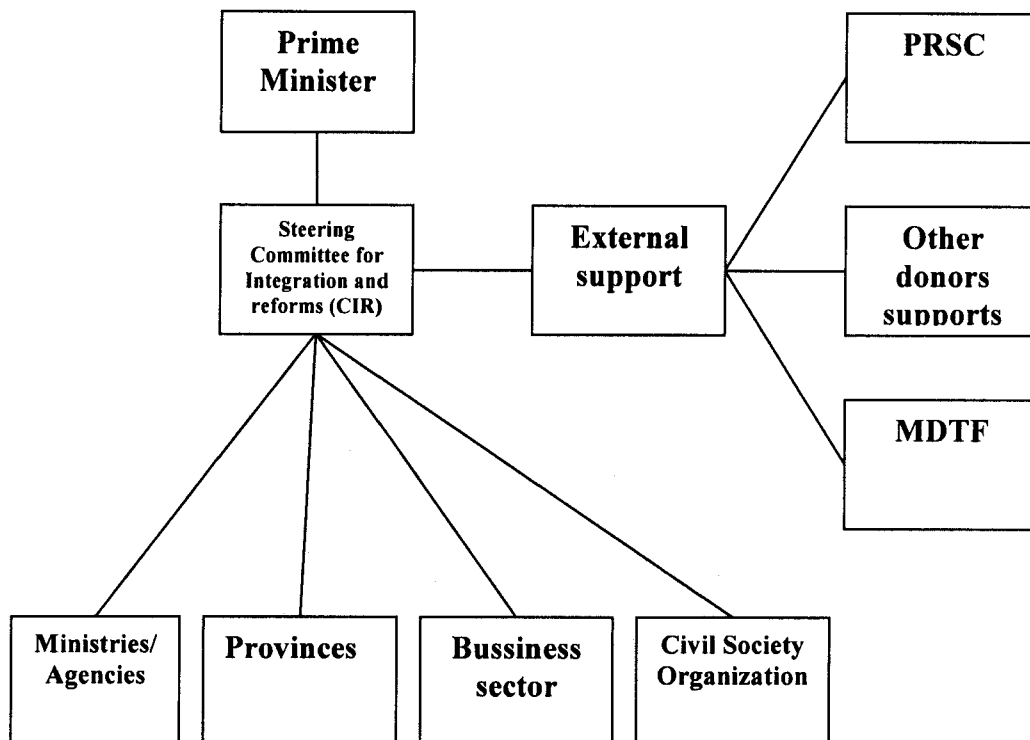
7.2 While there are risks to the Beyond WTO Programme overall relating to predictability of donor funding, sufficient donors have indicated their support to a Phase One to ensure full funding of this design phase.

7.3 A full risk analysis for the Beyond WTO Programme Document is set out in the main programme document.

Annex 2.1: Institutional Set-up for MDTF Management



Annex 2.2: Institutional Set-up for Beyond WTO



Annex 3: Timetable for Design and Approval of the Programme

First design mission:	September 2005
Second design mission	January 2006
Detailed design of (i) overall project and (ii) 1st phase	February/March 2006
Consultation with donors	May-June 2006
Submission of revised documents to Government and donors	June 2006
Agreement in principle of donor community on overall concept and first phase financing at CG meeting	June 2006
- approval of the overall programme approach; - approval of the first phase project document approach - Agreement on the contribution to the MDTF for the first year and additional information requirements to confirm their contributions to the MTDF; - Agreement on the participation of the donors' experts in the process of elaboration of the AP.	
Submission of final documents	Early July 2006
- Final overall project document with proposed overall financing requirements of the MTDF for the execution of the AP; - Final project document for the first phase with a concrete financing proposal for the first year	
Approval by Government of Viet Nam and donors	September 2006
Implementation of first phase	October 2006 to September 2007

Annex 4: Trust Fund Guidelines

A. BEYOND WTO TRUST FUND – MULTI-DONOR SUPPORT TO GOVERNMENT

1. Amount and Timing of the Fund

The amount of the fund is up to USD 35 Million will be disbursed over a 6 year period commencing 30th September, 2006.

2. Scope of Expenditure

The purpose of the fund is to assist GOV with its' programme of preparing and implementing a national action plan.

The fund is available to support individual developments identified and agreed in advance in Government of Vietnam's Beyond WTO annual work plans. Specific delivery of individual systems may be provided by a wide range of donors and undertaking such developments will not generally be the role of the fund.

The scope of the expenditure of the fund is further conditioned by the programme document. 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.

3. Controls

Funds flowing to the Government under this arrangement will be kept in and disbursed from a separate bank account managed by the Government.

The Government will be required to provide six monthly statements of expenditure financed from the fund compared to budget and bank reconciliations.

The accounts relating to the fund will be audited in accordance with the international normal systems, standards and requirements. The donors jointly, however, require that such audits be carried out at a minimum frequency of annually. Copies of audit reports will be made available to donors. Donors can carry out independent audits if necessary. These audits will have to be agreed with government in advance.

4. Procurement

In executing the funds, GOV will be required to clear Terms of Reference, and short lists to be consulted with the donors via the Office of the SC in consultation with technical experts. 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 Vietnam procurement rules and standards stipulated in the newly issued Public Procurement Law and sub-law documents and guidelines.

5. Communications

In relation to the trust fund activities GOV will supply six monthly work plans and activity based budgets. Expenditure may not normally be incurred unless provided for in these plans. However, 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 \$50k in cost. Smaller variations should be reported through the six monthly accounting statements.

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.

GOV will undertake annual consultation meetings with the trust fund donors about the operation of the fund and the progress with the Beyond-WTO Action Plan implementation.

The donors will seek to respond to GOV communication of the Work Plan and similar documents with a co-ordinated voice. They will be assisted by the technical advisor and the funding donors.

6. Cost norms

Current Government cost norms are too low and don't provide enough incentives for mobilizing good resources to ensure smooth implementation of this program. Adjustment of the cost norms by the Ministry of Finance to make it compatible with the market levels are ongoing and should be encouraged. Meanwhile, the MDTF will use the EC cost norms as reference for establishing its own cost norms.

7. Fund Flow and Banking

Funds will flow from donors into a single commingled account. It will be disbursed from there by a donor representative under a back to back arrangement with GOV. The donor representative will release funds to GOV every six months and will base the release on the requirements set out in the work plan and budget discussed with donors.

Donors will provide funds to the trust fund in accordance with the following schedule:

Release Date	AusAID	DFID	Total
Total			

In administering the fund, the donor representative will ensure that it arranges releases to GOV so that the balance in the fund bank account with GOV does not exceed \$300k.

8. Termination

Any donor may give 6 months notice of terminating this arrangement and their contributions subject to the provision below.

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 the GOV under GOV's own procurement rules and procedures.

In either event, the contractual commitments entered into by 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.

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.

B. GUIDELINES ON TRUST FUNDS FROM GOV TO PARTNER AGENCIES

The following are the guidelines on the management of trust funds that are to be administered by Vietnamese partner agencies on behalf of the Beyond WTO Program. These guidelines will be attached to the Funding Agreement to be signed between the Beyond WTO Program and the partner agency.

These guidelines may be adapted and simplified where the amount of trust funds is relatively small but the adapted guidelines should still adhere to the important principles set out in these guidelines. Where adapted guidelines are to apply in respect of a project this will be noted in the Funding Agreement.

1. Trust Funds Approval Process

The Office of the SC will ensure that where applicable the budget for any trust funds will be separated in the overall budget of a project design document to be considered and approved by the SC. Where relevant the trust funds will be divided into phases. The indicative budget to be submitted to the SC will be developed jointly by the Office of the SC and the partner agency.

At the commencement of a project or project phase, the Office of the SC Manager and the partner agency, will review the trust fund budget to take into account any changes in the project implementation schedule or other changes in costs. The agreed detailed trust funds budget (by phase if relevant) will be attached to the Funding Agreement to be signed by the Office of the SC and the partner agency. During implementation the Office of the SC may approve an increase of the agreed trust fund budget of up to 10% but this must be justified and reported to the SC

2. Relations between Office of the SC and the Partner Agency

The partner agency will be responsible to the Office of the SC for the administration and the expenditure of trust funds for the designated purposes set out in the project design document and the agreed trust fund budget attached to the Funding Agreement.

On project (or project) commencement the Office of the SC and partner agency will agree on a detailed work plan for the first quarter. Based on this work plan the partner agency will forward to the Office of the SC for approval a trust fund budget for the first quarter and a breakdown of trust fund expenditure on a quarterly basis for the whole project or phase.

On approval of the budget for the first quarter, the Office of the SC will advance funds to the partner agency for forward expenditure of trust funds for the first three months (or less if the project is less than three months duration) based on the budget and work plan.

If the project is for longer than three months the Office of the SC will also advance to the partner agency one third of the funds required for the following three monthly period.

At the commencement of the next three-month period, the Office of the SC will advance the funds for that period, minus the third that has already been forwarded, minus any unspent funds from the last period, and with the addition of one third of the funds for the following period.

The initial advance and all following payments will be acquitted by the partner agency to the Office of the SC on a three monthly basis. This acquittal will be in the form of a detailed expenditure statement of the trust fund with full supporting documentation. Each quarterly trust fund acquittal must include justification for any changes to the proposed trust fund expenditure for the coming quarter against the whole of project (or phase) budget submitted on commencement. It should also include a statement from the partner agency as to the total amount remaining from the agreed amount for the trust fund.

At the end of the project or phase the partner agency will provide the Office of the SC with a consolidated statement of all expenditure made under the trust funds and if the project is to end ensure that any monies unspent by the partner agency are returned to the Office of the SC and accounted for to the Office of the SC within thirty days.

3. Administration of Trust Funds by Partner Agency

The partner agency will establish an appropriate internal management committee, one of whose duties will be to administer any trust funds designated as such in the project design document and the Funding Agreement.

The partner agency internal management committee will undertake the following procedures to administer any trust funds:

- Designate the Chairperson or his/her delegate to be the person responsible for authorizing the expenditure of monies from the trust funds.
- Appoint a person to be the accountant /bookkeeper for the trust funds.
- Designate the appropriate signatories for the withdrawal of funds according to GOV regulations.
- Open a separate bank account specifically for the trust funds.

- On a quarterly basis (or less if the project is shorter) submit to the Office of the SC for approval a budget based on the work plan agreed to by the Partner Agency
- Do a statement of expenditure (cash book) on a quarterly basis setting out all expenditure details with accompanying invoices and signed authorization sheets.
- Send the quarterly statement of expenditure and the bank statements to the Office of the SC for approval and replenishment of funds.
- Complete a consolidated statement of expenditure at the end of the project or phase and if the project is to end return to the Office of the SC any unspent funds within thirty days.
- Maintain all financial records including invoices and authorization sheets for seven years after the end of the project.

4. Audit of Trust Funds

All trust funds may be subject to independent audits.

The Office of the SC may appoint an auditor for each project. The Beyond WTO Program will bear the costs of all such audits. The auditors will normally be locally based.

The audits of trust funds will take place at the end of a project and for multi-year projects may take place every twelve months or at the end of each approved phase as agreed by the Office of the SC and the partner agency. Audits may take place at other times as needed.

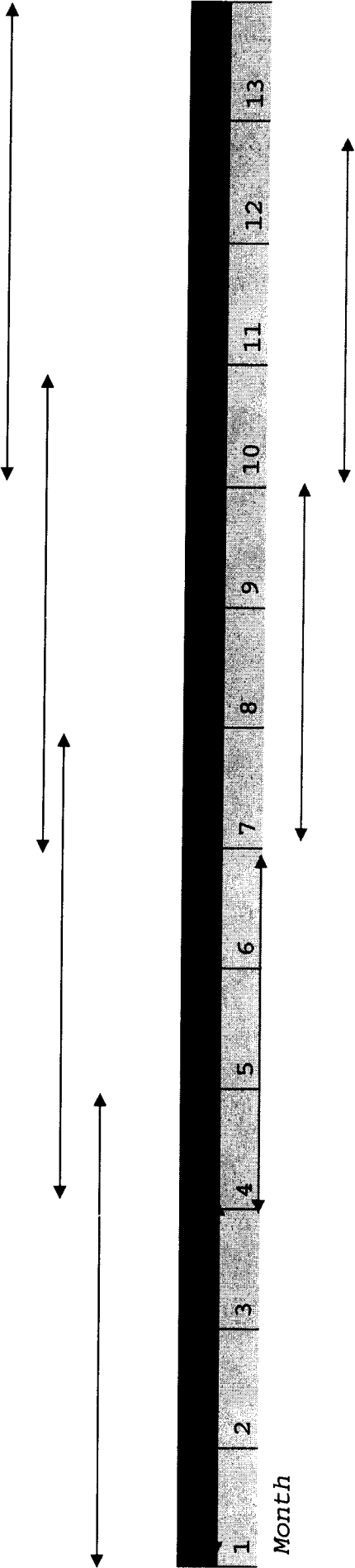
5. Funding Agreement

For each project approved for funding and implemented under the Facility, the Facility and the partner agency will sign a Funding Agreement. This Agreement will set out the following:

- the amount of trust funds in the project budget approved by the CIR and a detailed trust funds budget attached
- the partner agency's commitment to administer the trust funds in accordance with these Guidelines
- the agreement between the parties on auditing requirements for the trust funds.

Diagram on Trust funds

Trust funds will be paid based on quarterly workplan/budget. Payments to include advance of one third of funds for the next quarter.



Trust funds will be acquitted every quarter.

Annex 5: Office of the Government's (OOG) Responsibilities and Functions

DECREE No. 18/2003/ND-CP OF FEBRUARY 20, 2003 PRESCRIBING THE FUNCTIONS, TASKS, POWERS AND ORGANIZATIONAL STRUCTURE OF THE GOVERNMENT'S OFFICE

THE GOVERNMENT

Pursuant to the Law on Organization of the Government of December 25, 2001;

Pursuant to the August 5, 2002 Resolution No. 02/2002/QH11 of the XIth National Assembly of the Socialist Republic of Vietnam, the first session, prescribing the list of ministries and ministerial-level agencies of the Government;

Pursuant to the Government's Decree No. 86/2002/ND-CP of November 5, 2002 prescribing the functions, tasks, powers and organizational structures of the ministries and ministerial-level agencies;

At the proposals of the Minister-Director of the Government's Office and the Minister of the Interior,

DECREES:

Article 1.- Position and functions:

The Government's Office is a ministerial-level agency, an assisting apparatus of the Government and the Prime Minister.

The Government's Office functions to organize the general activities of the Government and the Prime Minister; advise the Prime Minister on the direction and administration of general activities of the State administrative apparatus; assist the Prime Minister in organizing the regulation and coordination of activities of the ministries, the ministerial-level agencies, the agencies attached to the Government as well as the People's Councils and the People's Committees of the provinces and centrally-run cities for the implementation of the Government's and the Prime Minister's working programs and plans; work out, manage and strictly observe the Government's and the Prime Minister's Working Regulations as well as working programs and plans; and ensure the material and technical conditions for the Government's and the Prime Minister's activities.

Article 2.- Tasks and powers:

The Government's Office shall have the responsibility to perform its tasks and exercise its powers, which have been prescribed in the Government's Decree No. 86/2002/ND-CP of November 5, 2002 defining the functions, tasks, powers and organizational structures of the ministries and ministerial-level agencies, and the following specific tasks:

1. To work out and manage the Government's and the Prime Minister's working programs and plans as well as Working Regulations; monitor, urge and inspect the implementation of such programs, plans and Working Regulations by the ministries, the ministerial-level agencies, the agencies attached to the Government and the People's Committees of the provinces and centrally-run cities.
2. To advise the Prime Minister on the selection of issues regarding important undertakings, policies, law, managerial mechanisms in order to assign them to the concerned ministries and agencies for study and submission to the Government or the Prime Minister; receive, verify (the legality, the conformity with regulations, and the compatibility with mechanisms and policies) and submit to the Prime Minister for consideration and decision according to his/her competence reports on regular affairs submitted by the ministries, branches and localities.
3. To assist the Prime Minister in performing the tasks of regulating and coordinating the working programs and plans of the ministries, the ministerial-level agencies, the agencies attached to the Government and the People's Committees of the provinces and centrally-run cities in the course of implementation of the Government's and the Prime Minister's working programs and plans. To promulgate documents announcing the Prime Minister's directing opinions on the works falling within the scope of his/her responsibilities.
4. To organize and serve the Government's meetings and working meetings between the Prime Minister, deputy Prime Ministers and the Government's agencies, socio-political organizations, local administrations, including the preparation of contents, time-table and material conditions, dossier management, minutes recording, and editing resolutions, directives and/or conclusions of the Prime Minister and/or deputy Prime Ministers.
5. To organize the study and elaboration of schemes and projects assigned by the Prime Minister, then submit them to the Government or the Prime Minister for consideration and decision.
6. To assist the Government and the Prime Minister in urging the ministries, the ministerial-level agencies, the agencies attached to the Government and the People's Committees of the provinces and centrally-run cities to prepare the assigned schemes and projects and draft enclosed legal documents. To verify (process and administrative procedure dossiers; the legality, conformity with the Party's and State's undertakings and policies and compatibility with the Prime Minister's direction), analyze, synthesize, give independent assessment of the

schemes' and projects' contents, and make final adjustments of the draft legal documents enclosed with schemes and projects for submission to the Government and/or the Prime Minister for decision.

7. To exercise the unified management over the promulgation of the Government's and the Prime Minister's documents, which are submitted to the Government and/or the Prime Minister by the ministries, the ministerial-level agencies, the agencies attached to the Government and the People's Committees of the provinces and centrally-run cities.

8. To organize the announcement and popularization of the Government's resolutions and decrees as well as the Prime Minister's decisions; monitor and inspect the implementation of resolutions, decrees and decisions as well as the observance of administrative disciplines by the ministries, branches and localities in order to report thereon and propose to the Prime Minister necessary measures to ensure the effectiveness and efficiency of the Government's resolutions and decrees as well as the Prime Minister's decisions.

9. Under the Prime Minister's authorization, the Minister-Director of the Government's Office shall preside over working meetings with the ministers, the heads of ministerial-level agencies, the heads of the agencies attached to the Government, the presidents of the People's Committees of the provinces and centrally-run cities as well as other relevant agencies and organizations in order to reach agreement on the settlement of inter-branch issues and issues on which functional agencies still hold divergent opinions, then submit them to the Prime Minister for decision.

10. To submit to the Government or the Prime Minister for promulgation, or promulgate according to its competence the regulations on administrative procedures for handling affairs and managing official dispatches and papers in the State administrative agencies.

To provide professional guidance on clerical work to the offices of the ministries, the ministerial-level agencies, the agencies attached to the Government as well as the People's Councils and the People's Committees of the provinces and centrally-run cities.

11. To organize the provision of information on administration in service of the Government's or the Prime Minister's direction; manage and maintain the continuous operation of the Government's wide-ranging informatics network.

To periodically inform the heads of the agencies attached to the Government, the presidents of the People's Committees of the provinces and centrally-run cities as well as the Party's and State's agencies of the general socio-economic situation of the country; the State management activities of the Government as well as the directing and administering activities of the Prime Minister and deputy Prime Ministers; inform the press of the principal activities and important

decisions of the Government and the Prime Minister as well as the prominent economic-political-social events and matters of public concern.

12. To assist the Prime Minister in implementing the Regulations on work coordination between the Government and the Party's as well as the National Assembly's agencies, the Presidium of Vietnam Fatherland Front Central Committee, the central agencies of mass organizations, the Supreme People's Procuracy and the Supreme People's Court.

13. To manage, publish and distribute the Official Gazette of the Socialist Republic of Vietnam; and manage the Government's website on the Internet.

14. To ensure the material and technical conditions for the Government's and the Prime Minister's activities as well as the Prime Minister's organizations providing consultancy and inter-branch coordination direction, which are located at the Government's Office. To manage the assigned organizational apparatus, staff payroll, budget, property, projects and scientific research according to the State's regulations.

15. To manage the working domains and perform other tasks assigned by the Government or the Prime Minister.

Article 3.- Organizational structure of the Government's Office:

a/ Departments and units performing the Government Office's functions:

1. The General Affairs Department.

2. The Legal Department.

3. The General Economics Department.

4. The Department for Industry.

5. The Department for Agriculture.

6. The Oil and Gas Department.

7. The Department for Monitoring Enterprise Renovation and Development (called the Department for Enterprise Renovation for short).

8. The Department for International Relations (including the Board for Management of the Government Office's Projects).

9. The Internal Affairs Department.

10. The Department for Monitoring Corruption, Smuggling and Trade Fraud Combat (called Department I for short).

11. The Department for Handling Complaints and Denunciations (called Department II for short).

12. The Department for Work Coordination between the Government and the National Assembly's agencies, the People's Councils, the Fatherland Front Central Committee and the central bodies of mass organizations (called Department III for short).

13. The Department for Monitoring Working Domains in the South (called Department IV for short).

14. The Department for Localities.

15. The Department for Science and Education.

16. The Department for Culture and Social Affairs.

17. The Department for Administrative Reforms.

18. The Department for Organization and Personnel.

19. The Administrative Department (including the Clerical Section, the Typists' Section and the Archival Section).

20. The Administration-Finance Department (including the Grade I- and Grade II-Finance Sections, the Administration Section, the Protocol Section, the Section for Management of the Government's Working Offices, the Security Section, the Health Section, the Drivers' Team, and non-business units with revenues: the Guest House at 37 Hung Vuong street, the International Conference Center, and La Thanh Hotel).

21. The Administrative-Administration Department II (in Ho Chi Minh City, including the Administrative-Organization Section, the Administration Section, the Finance Section, the Security Section, the Drivers' Team, and non-business units with revenues: Tao Dan Guest House and Thong Nhat Hall).

b/ Non-business organizations under the Government's Office:

1. The Press Information Center.

2. The Informatics Center.

Article 4.- Implementation provisions:

This Decree takes implementation effect 15 days after its publication on the Official Gazette and replaces the Government's Decree No. 50/ND-CP of August 6, 1993 on the functions and tasks of the Government's Office; the other provisions contrary to this Decree are all hereby annulled.

The Minister-Director of the Government's Office shall define the functions and tasks of the units under the Government's Office (according to the provisions of Article 3 above) and the Working Regulation of the Government's Office.

Article 5.- The Minister-Director of the Government's Office, the ministers, the heads of the ministerial-level agencies, the heads of the agencies attached to the Government, and the presidents of the People's Committees of the provinces and centrally-run cities shall have to implement this Decree.

On behalf of the Government

Prime Minister

PHAN VAN KHAI

Annex 6: Phase one cost breakdown

Output	Activities	No. of activities/persons	Unit rate (day/month)	Duration (day/month)	Total cost (US\$)
I. A participatory Action Planning process with all stakeholders					
1.1- Diagnostic study					
1.1.a	Fees: International	2	11,000/month	9	198,000
	Local	5	2,400/month	10	120,000
1.1.b	Travel: International	2	4000/trip	3 trips	24,000
	local	5	500/trip	10 trips	25,000
1.2: Dissemination and consultation					
	Workshops: central	10	5,000		50,000
	regional	5	15,000		75,000
1.3: Website designed and operated					
	design		2,000		1,000
	IT officer	1	810/month	10	8,100
Total I					501,100
II- Strengthened or new institution coordinating integration and reforms					
2.1: Office of SC					
Fees	technical advisor/policy specialist (full time)	1	5,000/month	12	60,000
	program design specialist (short term)	1	1,500/month	3	4,500
	M&E specialist (full time)	1	1,500/month	12	18,000
	Fund/financial/procurement manager (full time)	1	1,500/month	12	18,000
	supporting staff (full time)	1	500/month	12	6,000
	admin officer/interpreter (full time)	1	500/month	12	6,000
	Short term consultants				20,000
2.2: procurement					
	office equipment				30,000
	incremental cost				20,000
2.3: Auditing					30,000
Total II					202,500
III- System and procedure for delivery of action plan					
3.1- Consultant fees					
	international	1	10,000/month	4	40,000
	local	6	2,500/month	6	90,000
3.2: travel					
	international	1	4,000/trip	3 trips	12,000
	local	6	500/trip	3 trips	9,000
3.3: workshop					
	central		5,000	3	15,000
	regional		10,000	2	20,000
3.4: training					
	overseas	8	5,000/trip	2	80,000
	domestic		15,000/course	2	30,000

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Total III					296,000
IV- Funded actions arising out of urgent WTO commitments					
4.1- Information dissemination					
	booklet/leaflet				300,000
4.2- Training					200,000
4.3- changing laws/regulations					300,000
Total IV					800,000
V- Contingency					200,000
Total V					200,000
Grand total					2,000,000

Annex 7: Administration Arrangement for Implementation

1. Steering Committee

Steering Committee (SC) will be established and chaired by the Vice Minister of Office of the Government (OOG), in charge of economic integration. Members of the SC are at the director level from key ministries as OOG, MOT, MOF, MPI, MOJ and other agencies relating to integration, but no more than 10 in number. There is at least one full time member who will manage the Office of SC (OSC).

The SC will be responsible for (i) preparing 5 year Action Plan (AP) and monitor and evaluation of its execution; (ii) coordinating preparation of projects to be financed under the AP; (iii) evaluate project documents and prepare decision on their financing; (iv) preparing decisions and policy recommendations for SC.

The SC will meet with donors concerned yearly to agree for the activities program for each year. Upon this agreement, the Office of the SC will approve projects/activities proposed by ministries, agencies and provinces. In case of major differences from the agreed annual plan the SC will request consultation with donors for such adjustments.

The SC will meet at monthly intervals for: 1) coordinating the preparation of and proposing the Action Plan for implementation of integration commitments; 2) evaluating the project implementation in the framework; 3) adopting six-month financial report of MDTF; 4) approving annual report submitting to the donors; and 5) making decision relating to coordination and implementation of programs as well as priorities of the program.

2. Office of the Steering Committee (OSC)

The OSC is managed by a director appointed by the SC. Director of the OSC is a full time member of the SC. He/she will be assisted by two his/her deputies assign from OOG or related Ministries. One deputy will be in charge of funds and finance, assisting the director in managing funds and approving TA proposals. The second deputy will be in charge of monitor and evaluation, assisting the director in coordinating, reporting and evaluating projects. The first deputy will act on behalf of the director upon his/her absence, whenever both director and the first deputy are of absence, the second deputy will be on behalf. In addition, the OSC should be staffed with project management and fund financial management experts/specialists, including 1 technical programme advisor, 1 programme monitoring and evaluation specialist, 1 financial, procurement and trust fund manager, 1 administrative officer-interpreter and 1 supporting staff.

Director and two his/her deputies will be waged from the Government and considered as a contribution to the programme from the Government of Vietnam. Experts, specialist and advisors of the programme will be financed from the MDTF upon its own cost norms derived from EU cost norms released in November 2005.

The OOG will provide offices for the OSC. It should be considered as a contribution from Vietnam to the programme.

The director of OSC will be under guidance of the SC and responsible for: i) managing general activities of OSC and specialists; ii) assessing the TA needs of project proposals by agencies and provinces for submission to the SC; iii) reviewing the project approvals and synthesize for reporting at the SC monthly meetings; iv) coordinating with the SC and donors to recruit specialists and advisors for the OSC; v) reviewing regulations and guidance materials of management of the programme upon submission to the SC approval; vi) signing documents, on behalf of the SC, from MDTF with implementing agencies after financially approved by the SC; vii) preparing six-month reports for donors; viii) ensuring coordination of programme activities and report to the SC and donors any possible events negatively effecting the programme' performance at the timely manner; ix) assisting preparation for meetings of the SC.

- The director will be responsible before the SC for the OSC's activities and implementation as well as outcomes of programme and effective usage of finance from MDTF
- The first deputy will assist director in financial planning of the fund and evaluating financial needs of proposed projects. Working with specialists in fund managing, financing and accounting. The first deputy will provide formulation of procedures and implementation guidance for projects in term of finance and reimbursement. Ensuring the use of the accounting system and the principles of the procurement procedures.
- The second deputy will be responsible for closely coordinating with implementing agencies in framework of the programme to providing report every six months to the SC. In addition, he or she will set up monitoring and evaluating mechanism and make adoption to activities of the programme.

Technical advisor of the programme will be recruited by bidding to work for 9 months in according to the TOR agreed between the SC and donors. Technical advisor will be financed by the MDTF and responsible for assisting the OSC in project implementation, as follows:

- Assistance in technical expertise: a) consultation on policy, legislation and other technical expertise; b) implementation and management of MDFT; and other technical works.
- Assistance in administration: assisting activities relating to planning, monitoring, reporting activities of the programme, and procurement, fund management in the framework of the programme.
- Other tasks assigned by the OSC's Chief

Local experts should be contracted on a demand basis (immediate for whole start-up period of the programme) upon TOR approved by director of the OSC and SC. The number of local experts will depend on the volume of works in each sectors, but cost should not be exceed expense breakdown (see Annex 6)

3. Implementing agency

There is no unique implementing agency, all ministries, agencies and provinces are eligible for proposing project that are in line with the action plans. After being approved by the SC, director of the OSC will sign funding agreement, on behalf of the SC, with implementing agencies (beneficiary agencies). Implementing agency is responsible for nominating a focal point to assist and coordinate with the OSC in guiding, managing and implementing project.

4. Contribution from the Government of Vietnam.

The Government of Vietnam will provide the physical contribution as working offices for the OSC.

The Government of Vietnam also will make contribution of salary for government officials participating in the SC and the OSC.

5. Beneficiary of the programme

Although purpose of the programme is to enhance the government capacity to effectively manage the integration process but beneficiaries from the programme are much broader, including the government agencies, provinces, research institutes, social organizations and private sector.

**JOINT FINANCING ARRANGEMENT (JFA)
ON THE BEYOND WTO SUPPORT PROGRAMME: ENHANCING VIETNAM'S
CAPACITY TO SUSTAIN ECONOMIC GROWTH AND POVERTY REDUCTION
AFTER WTO ACCESSION**

In accordance with Paragraph 13 of the Joint Financing Arrangement (JFA) for the above project signed by the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development (DFID), the Commonwealth of Australia acting through Australian Agency for International Development (AusAID) and the Socialist Republic of Vietnam acting through the Office of the Government signed on 24 January 2007, the Signatories have accepted the following changes in respect of Phase TWO:

1. The Ministry of Industry and Trade of Vietnam (MOIT) replaces the Office of the Government as Signatory to the Arrangement.
2. The period of the Programme is extended to 30 September 2013. This period will take effect and replace all related provisions in the original JFA, including those mentioned in points 8,17 and 21. In the event of translation the English text of this Amendment will prevail.
3. The transitional phase of the Programme is effective from 1 April 2008 to 13 September 2009.
4. Phase Two of the Programme will take place over the period from 14 September 2009 to 30 September 2013. The Programme Design Document for Phase Two is attached as Annex 3 to the JFA.
5. In relation to Paragraph 3 (Contributions) point 21, add the sentence: "AusAID will contribute up to AUD12 million in Phase Two".
6. Paragraph 5 (Organisational structure and Decision Making) is amended as follows:
 - a. add a new point as follows: "Annual Workplans, including the recruitment of senior programme personnel, will be approved jointly by the programme Steering Committee and Donors".
7. Paragraph 6 (Disbursements) is amended as follows:
 - a. add a new point as follows: "The request for funds from MOIT must be accompanied by a financial statement that shows the actual disbursement of the previous six months and a financial plan for the coming six months".
 - b. delete the existing point 32, and insert the following new points in its place:
 - i. Any interest accrued from the investment of the Grant may be used to offset against administration costs for this programme or may be used to fund programme activities whilst the programme is operational.
 - ii. Funds which have been placed at the partner government's disposal and which remain after completion of the

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programme, including unspent interest income, will be returned to the Donors in proportion to their respective contributions within three months of the end of the programme."

8. Paragraph 8 of the original JFA (Reporting) to be amended to:

- All reporting requirements are contained in the attached Programme Design Document

9. The Operation Manual (OM) will be the basis of financial management of the Multi Donor Trust Fund (MDTF) and is an integral part of this JFA as envisaged in Paragraph 1. Any amendment of the OM will be subject to acceptance of the Donors. Subject to acceptance by the Donors, all recommendations from annual independent programme audits and reviews will be reflected in the Operational Manual and incorporated into training for implementing agencies.

10. All programme-sponsored publications and reports, as well as the official programme website, will include an acknowledgement of donor funding provided by AusAID and DFID and will include the AusAID and DFID corporate logos.

11. This Amendment ²⁰¹⁰1/2009 records our common understanding of the above changes and will come into operation on the date you sign your confirmation below. *dae*

On behalf of the
Government of Vietnam

On behalf of the Government
of United Kingdom

On behalf of Government
of Australia



Name: Nguyen Cam Tu

**Name: Fiona Louise
Lappin**

Name: Allaster Cox

Title: Vice Minister, the
Ministry of Industry and
Trade of Vietnam

Title: Head, Department for
International Development
(DFID) Vietnam

Title: Australian
Ambassador to Vietnam

Date: *14/01/2010*

Date: *18/01*
2010

Date: *20/01/2010*

Attachment 1 (Annex 3 to the JFA) Beyond WTO Programme – A design for Phase II

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