

# **Restructuring for a More Competitive Vietnam Program**

## **Mid-term Review**

### **FINAL REPORT**

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Affairs and Government of Vietnam

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## *Abbreviations*

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ACCC	Australian Competition and Consumer Commission
AIP	Aid Investment Plan
ANU	Australian National University
BWTO	Beyond WTO
CIEM	Central Institute of Economic Management
CMU	Component Management Unit
CPV	Communist Party of Vietnam
DFAT	Department of Foreign Affairs and Trade
ECCPV	Economic Commission of the Communist Part of Vietnam
ECNA	Economic Committee of the National Assembly
FTA	Free Trade Agreement
GoV	Government of Vietnam
IPSARD	Institute of Policy and Strategy for Agriculture and Rural Development
MPER	Master Plan on Economic Restructuring
MPI	Ministry of Planning and Investment
MTR	Mid-term Review
PC	Productivity Commission
PCC	Program Coordinating Committee
PD	Program Director
PSU	Program Support Unit
RCV	Restructuring for a More Competitive Vietnam Program
SAG	Senior Advisory Group
SEDP	Socio-Economic Development Plan
SOE	State Owned Enterprise
SPC-E	Senior Program Coordinator-Economist
STA	Senior Technical Advisor
TPP	Trans-Pacific Partnership
VCA	Vietnam Competition Authority
VCCI	Vietnam Chamber of Commerce and Industry

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## *Executive Summary*

The Mid-term review of Phase I of the Restructuring for a More Competitive Vietnam Program (RCV) has been tasked with reviewing progress towards achieving agreed objectives and making recommendations for improvements during the remainder of the first Phase and to inform development of a proposed second phase.

The review finds that RCV is relevant, effective and efficient. It also concludes that RCV has a good probability of making a positive impact on selected Government of Vietnam objectives for improving the competitiveness of the economy, as laid out in the Master Plan for Economic Restructuring (MPER), and that this impact is likely to be sustained, even in the absence of continued donor support. While the Program was not specifically intended to address issues of gender equity, it is building an information base and approach that will inform greater consideration and action on this issue in the future.

The Program's success lies in the fact that the key lessons from past Australian efforts to support policy reform processes in Vietnam have been taken into account. In particular, the Program:

- is nationally led and uses national systems;
- works with reform champions with access to influential networks;
- supports a small number of agencies with: a clear mandate to work on reform; a capacity to undertake high quality policy analysis with judicious use of international expertise; influence on decision making; a track record of making effective use of donor support; and an ability to lead policy discussion, build coalitions for reform, and engage with the public;
- has the flexibility to adapt work plans and to take advantage of emerging issues and priorities, but uses tight guidelines for access to flexible funding;
- promotes coordination and cross-agency linkages and makes good use of expert peer review processes to ensure quality control at each stage of the work planning and implementation processes.

### *Recommendations*

#### *Phase I Completion/Extension*

Phase I is due for completion in December 2016 and DFAT has submitted a proposal to the Ministry of Planning and Investment to extend the project until the end of June

2017 to allow sufficient time for the design and approval of a proposed Phase II of the Program. Additional funding of \$A500 000 has been earmarked for the six month extension phase.

Recommendations are as follows.

1. Extension phase funding should be allocated (as proposed) to the Flexible Fund.
2. Work plans should be agreed upon with existing implementing partners - the Central Institute for Economic Management (CIEM), the Vietnam Competition Authority (VCA) and the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) - including existing proposals for Competition Policy and Rice Value Chain studies.
3. Further support should be considered for the Vietnam Chamber of Commerce and Industry (VCCI), the Economic Committee of the National Assembly (ECNA) and the Economic Commission of the Communist Party of Vietnam (ECCPV), subject to available funds and proposals consistent with Program objectives (improving market competitiveness).
4. The peer review network and the Senior Advisory Group (SAG) should be strengthened:
  - thus retaining influential networks, but also seeking to engage with younger economists, and researchers from the south.
5. The Program Support Unit should continue to seek improvements/simplification to Flexible Fund approval processes and the Operations Manual for incorporation in Phase II.
6. While there are weaknesses in the performance assessment framework, changes can wait until the Phase II design.

### *Phase II Design*

The rationale for proceeding to a Phase II of the RCV is strong. The Mid-term Review has confirmed the track record of Phase I; there is close alignment with Australia's Aid Investment Plan for Vietnam; and improving market competitiveness remains a high priority for the Government of Vietnam.

While yet to be confirmed, Phase II is expected to involve a 4 year program (mid 2017-mid 2021) with up to \$AUD 6 million in funding. Phase II design should take account of lessons learned and utilise the successful elements of Phase I, adopting, in particular:

- a delivery model involving national execution under CIEM leadership;
- a flexible and adaptable design;
- peer review including accessing relevant international expertise; and
- quality research and dissemination to build coalitions for reform.

The following points were additionally recommended for the design of Phase II.

1. Commence the design process at the earliest opportunity to ensure completion before the end of 2016 and to allow sufficient time for Government of Vietnam and Government of Australia appraisal and approvals prior to completion of Phase I.
  - Draw on the Program Director, the Senior Technical Adviser (STA), the SAG and other local experts to provide the necessary technical expertise for preparing the design.
  - Maintain a tight focus on selected key reforms for which participating agencies have a mandate to advance the MPER agenda - transitioning to a competitive market economy, including an improved business enabling environment with an increasing focus on governance issues. However, Phase II might include work on factor market reform, if RCV agencies have a clear mandate to address the competitiveness of these markets.
  - Possibly access external design expertise to collate/edit a sound document and performance assessment framework.
2. Do not extend the number of components (and Component Management Units), - but use the Flexible Fund to:
  - continue to build and strengthen relationships with additional important stakeholders particularly, the ECNA and ECCPV. Both have a strong interest in enhancing their capacity for economic analysis and provide a conduit to higher authorities through preparation of economic documents for input to the Standing Committee of the National Assembly, and Party Committees and Congresses;
  - expand stakeholder engagement with the private sector - including through VCCI and its regional offices, other business associations and selected companies through consultations, workshops, and engagement in monitoring implementation;
  - provide options for ECNA, ECCPV and VCCI to develop annual work plans (with clearly defined outputs and activities) to facilitate certainty of support and to limit future ad hoc requests for support from the Flexible Fund; and
  - provide additional resources to the PSU (to manage finances/reporting) and to the STA (to support peer review of stakeholder work plans and outputs)
3. Maintain, and broaden where scope exists, institutional linkages between Vietnamese and Australian institutions, researchers and academics by:
  - using key Australian institutions that remain well placed (and keen) to transfer international expertise on competition reform issues;
  - taking advantage of the increasing numbers of Australian trained graduates working in Vietnamese institutions;

- where possible seeking to engage with Australian alumni in partner agencies, the private sector as peer reviewers or informal sounding boards; and
  - where possible, seeking to broaden engagement beyond technocratic institutions to include people with experience in promoting, and bringing about reform
4. Continue to foster agency coordination, disseminate information and build stakeholder alliances by:
    - strengthening engagement with the private sector (particularly in the south), civil society, media (including social media –such as Facebook); and target messages and delivery appropriately to different audiences.
  5. Explore potential for provincial case studies and/or pilot implementation of reforms:
    - while recognising that activities being initiated/implemented under the current Phase extension (the competition policy review and rice value chain study) could identify new areas of focus as well as testing a new approach to investigating policy issues, drawing on the Productivity Commission model for policy review.
  6. Strengthen engagement on promoting women’s economic empowerment and consider specific case studies – issues related to transformation of the agriculture sector may provide a sound opportunity.
  7. Continue to strengthen and broaden the peer review network and the SAG, as suggested for the remainder of Phase I.
  8. Continue with current management and governance arrangements, including retention of the STA, who plays a key role in supporting the Program Director and all Component activities. The governance arrangements could also include continuing the ‘no-objection’ role that DFAT has with respect to Flexible Fund activities and component work plans, recognising that this should be designed to provide an opportunity for discussion and enhancement.
  9. Revise the performance assessment framework – simplify, ensure clarity of outputs/results, use consistent terminology and numbering system to enable comparison of planned versus actual performance, and:
    - use the Government of Vietnam’s monitoring of MPER to validate progress on the reform agenda (higher level program objectives).
  10. Utilise opportunities offered by RCV to enhance DFAT economic diplomacy and aid objectives, and adopt a considered approach to accommodating Australian interests – recognising that these may evolve over the life of a second phase, and that in some areas, such as the Australia’s concern to engage the Government of Vietnam on the Trans-Pacific Partnership, RCV is already working in key areas covered by chapters of the agreement, including competition policy, regulatory coherence and SOEs.

# 1 Introduction

This report presents the findings of a Mid-term review (MTR) of the Restructuring for a More Competitive Vietnam Program (RCV).

According to the terms of reference (Appendix A) the objectives of the review are to:

1. review progress made towards achieving agreed objectives;
2. identify and make recommendations on any issues arising during implementation that can be considered as improvements during the current phase of the program; and
3. identify and make recommendations that can inform development of a proposed second phase of the program.

The review is expected to make assessments and recommendations on the relevance, effectiveness, efficiency, impact and sustainability, and gender performance of the program.

The evaluation drew primarily on a review of documentation about and produced by the program, and interviews with key stakeholders and informants.

The review team<sup>1</sup> held consultations in Hanoi over the period 19-28 April 2016, and met with: officials from the Department of Foreign Affairs and Trade (DFAT) from the Australian Embassy; the Program Director and Component Directors; the Senior Technical Advisor (STA) and the Senior Program Coordinator –Economist (SPC-E); staff of agencies participating in the Program (including the Central Institute for Economic Management (CIEM), the Vietnam Competition Authority (VCA), the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD); officials in agencies undertaking activities funded by the Program’s Flexible Fund, including the Economic Commission of the Communist Party of Vietnam (ECCPV), the Economic Department of the Office of the National Assembly and the Vietnam Chamber of Commerce and Industry (VCCI), members of the Senior Advisory Group (SAG), and staff of other agencies involved in or supporting economic reform in Vietnam. Before leaving for Hanoi, two members of the team met with officials and former officials of two Australian agencies providing institutional support associated with the Program, the Australian Competition and Consumer Commission (ACCC)

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<sup>1</sup> The team comprised Bob Warner (team leader), David Barber (evaluation specialist) and Pham Lan Huong (gender specialist).

and the Productivity Commission (PC). (A more detailed listing of people consulted is presented in Appendix B.)

### *The Program*

Phase I of RCV, which became operational in June 2014, was designed to support implementation of selected elements of the Government Master Plan on Economic Restructuring (MPER, 2013-2020). MPER goals supported by RCV are:

- increased national economic competitiveness;
- accelerated growth in labour productivity, employment and incomes; and
- improved transparency in business regulation and reduce corruption.

The Program has four components:

- Enhanced Business Competitiveness and Transparency, managed by the Central Institute for Economic Management (CIEM),
- Restructuring Competition Institutions, managed by the Vietnam Competition Authority, (VCA)
- Restructuring the Rural Economy managed by the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD).
- A Flexible Fund to respond to priority emerging issues, managed by CIEM.

Overall management of the Program rests with CIEM, led by a Program Director (PD) with support from a Senior Technical Advisor (STA), a Program Support Unit led by a Senior Program Manager – Economist, and a Strategic Advisory Group.

The Program supports diagnostic studies, field surveys, legal drafting, sector and industry competition studies, economic modelling and value chain analysis, along with public consultation, policy dialogue and awareness building processes.

According to the Program design, it was expected that successful implementation of RCV should be reflected, by 2016, in:

- improved business-enabling environment with reduced compliance costs, greater transparency, reduced corruption and improved corporate governance (including reforms to enterprise and investment legislation);
- strengthened analytical capacity and information base resulting in enhanced implementation of competition policy in line with international good practice (including proposals submitted to the GoV on changes in the Competition Law); and
- concrete actions taken by provincial authorities and other stakeholders in Dong Thap to restructure rice sector institutions, with pilot initiatives attracting interest from local and central stakeholders. Ideally, there should also be evidence of more

substantive policy debate about the impediments to increasing value added in the rural economy.<sup>2</sup>

The design envisaged that the first three components of the Program would produce ten outputs by December 2016 (see Appendix Box C.1).<sup>3</sup>

### *Supporting economic reform processes and the MPER*

The Australian aid program has been supporting efforts to reform economic policy and governance in Vietnam for over 14 years, and over this time some important lessons have been learnt about how to design projects with this aim. Some lessons are generic to policy reform processes, and others are specific to the particular circumstances of policy making and implementation in Vietnam.

A key lesson is that if certain conditions are met, policy support programs can be very useful in assisting the pursuit of beneficial reforms. As the Completion Report from the Beyond WTO (BWTO) project – the immediate precursor of RCV – said:

Well-designed support that helps reform advocates improve the evidence base for reform (drawing on both international experiences and; quality analysis of, and consultation on, national issues) can be cost-effective in generating substantive positive impacts. Support is likely to be particularly effective when reform proponents have: a clear vision of intended results; and have ideas about the reforms needed, strategies and options for realizing change.

But policy making processes are not linear, inputs into decision making may be spread across many agencies (including, in Vietnam, the Communist Party), and well-designed policies are not a guarantee of good policy outcomes given the challenges of implementation.

- At all steps in the process between analysis and outcomes, political and institutional and cultural forces shape developments, and it is not possible to predict with certainty if support for a particular piece of analytical work or its associated dissemination will ultimately impact on national goals. Nor is it possible to attribute observed movements in indicators of policy change, performance or well-being to a particular project intervention.
- Developing and implementing reforms requires substantive inter-agency, central local, and public private collaboration, and sustaining such collaboration is inherently difficult. As the World Bank’s ‘Vietnam 2035’ report points out, the

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<sup>2</sup> It should be noted that the design specifies expected results in different ways throughout the document: for example, the executive summary proposes an ‘increase in the quantity and quality of the cases handled by the Vietnam Competition Authority’ as a result, and ‘concrete actions taken by GoV to begin restructuring the rice value chain’.

<sup>3</sup> As discussed in the following chapter and in Appendix C, there was lack of consistency in the specification of outputs within the design document and across project reports.

Vietnamese state is highly fragmented, lacking a 'clear hierarchy and assignment of roles and responsibilities within the central government and between the centre and the provinces', and 'horizontal and vertical fragmentation of power has resulted in overlapping mandates, conflicting rules and decisions, and space for interagency bargaining in the bureaucracy.'

- In Vietnam, planning documents which might be expected to provide impetus and legitimacy for reform efforts are typically not very directive. They frequently serve more to enable agencies to search for resources, rather than to allocate resources, and do not always impose binding centralised control over the actions of these agencies.
  - This can mean that inter-agency structures often struggle to allocate resources to what are perceived to be strategically important inputs into reform processes, because these documents do not serve to override the territorial instincts of public sector agencies, especially where donor resources are involved.

The design of RCV clearly reflects an understanding of these factors. As with BWTO, it draws on a Government Plan to provide an overall framework for shaping the areas to work on, but has avoided the problems created by the lack of prioritization and focus from which these documents suffer.

### *The Master Plan on Economic Restructuring*

The MPER, adopted in February 2013, articulates an intention to move towards a different growth model for Vietnam, focusing more on increasing productivity of resource use rather than factor accumulation, and relying more on market forces than state direction to determine resource allocation. It spells out the need to:

- maintain macroeconomic stability;
- improve the functioning of the financial system;
- improve the quality of public investment;
- press ahead with reform of state owned enterprises (SOEs), to impose stronger state discipline and forcing SOEs to compete on equal terms with other types of enterprise; and
- build the underlying institutions needed to support a market economy, and to change the way that the State interacts with the market and the state sector interacts with the private sector.

The MPER signals a very strong commitment to shifting to a market based system of economic development, including ensuring genuine competition for markets and resources, and using more indirect instruments to achieve public policy objectives. In this regard, it provides a concrete platform for the focus that RCV on market competitiveness.

- This said, the Plan is still quite general in its indications of what has to be done to make progress towards its objectives. It leaves considerable room for agencies to determine what they will do to achieve progress, and how to coordinate activities where issues fall across a number of agency jurisdictions.

Fortunately, the Program is able to draw on more specific work plans of the Government, as articulated in the successive GoV Resolutions 19<sup>4</sup>. Because it has chosen to work with a limited number of agencies with a mandate and capacity to carry out policy research and analysis, it can draw on the internal prioritization processes of these agencies to determine the activities to be supported. Unlike BWTO, it does not have to rely on a cumbersome inter-ministerial Steering Committee structure to select activities from proposals generated by an open call for proposals.

CIEM is currently working on a new MPER, to be presented to the Government later this year. This may be more targeted than the first Plan, and should also provide context and a mandate for continued work by RCV. Looking forward, while Vietnam has made considerable progress in reducing barriers to entry and in reducing gross distortions in product markets, major problems persist in factor markets. There is a prospect that RCV agencies may receive a mandate to work on improving the competitiveness of factor markets, particularly land and capital.

At the moment, there seems to be a real opportunity for RCV to assist in ambitious market focused reforms, as strategic issues (including Vietnam's concern to reduce reliance on China) are focusing the attention of leaders on the need to accelerate the transition to a market economy. While other development partners are supporting work on aspects of the MPER agenda, none is so closely linked to policy analytical processes or have such an entry to decision makers as RCV.

### *This report*

The rest of this report is structured as follows. Chapter 2 presents the results of the review's assessment of the performance of Phase I of RCV, and chapter 3 presents the lessons learnt from the first phase, and recommendations for implementation during the remainder of this phase, and for consideration in the design of a second phase.

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<sup>4</sup> The Government issued the first Resolution 19 'On key duties and solutions to continuing to improve business environment and national competitiveness' on 18 March 2014. Successive resolutions were issued in 2015 and 2016.

## 2 *Evaluation findings*

The terms of reference require the review to assess the RCV Program against the criteria of relevance, effectiveness, efficiency, sustainability and gender equality, and to draw out key lessons learned from Phase 1.

The reviews findings and observations on lessons are presented below.

### *Findings*

#### *Relevance*

*Relevance relates to the continuing appropriateness of the program design including rationale, logic and strategic focus.*

Vietnam has made considerable progress in reducing poverty and improving living standards in recent decades, but the Government recognizes that economic performance remains below potential and that more needs to be done to ensure Vietnam maximises the employment and poverty reduction benefits of ongoing global integration and to provide equitable access to economic opportunities. Productivity, particularly in the rural sector, has stalled and the relatively modest progress in developing the domestic private sector remains a concern in terms of sustained economic growth.

The RCV Investment Design (dated May 2014), noted “economic re-structuring was identified as a key development objective of Vietnam’s Socio-Economic Development Plan 2011-15” and that the “11th Party Congress Resolution (January 2011) called for innovation in Vietnam’s development model to restructure the economy”. Subsequently, “the Prime Minister approved (in February 2013) a Master Plan on Economic Restructuring from 2013-2020.....to build and implement a new model of economic growth focusing on quality, efficiency and competitiveness”.

At the same time it was recognised that implementation of the Master Plan would not be easy given entrenched vested interests resistant to change and the inevitability that economic restructuring would expose uncompetitive sectors of the economy with potentially negative transitional impacts. It was also recognised that in such an environment it is difficult to predict the pace and scale of change. Progress often depends on an accumulation of evidence and analysis over time to build

understanding, disseminate information, change mindsets and to forge coalitions in a system with dispersed power and overlapping responsibilities.

#### *GoV priorities*

The GoV commitment to global integration and economic restructuring to build a more competitive market economy remains largely unchanged, but so do vested interests.

The new Socio-Economic Development Plan (SEDP) for 2016-20 and the 12<sup>th</sup> Party Congress in early 2016 reaffirmed the objective to make markets more competitive and efficient; the MPER spells out how the Government plans to move towards a new growth model; and the series of Resolutions 19 signed by the Prime Minister provides specific and detailed guidance for implementation of the MPER.

Development of competition institutions and competition policy has a clear focus, as does the responsibilities of CIEM in monitoring implementation of the MPER. The new Prime Minister has clearly signalled his intention to push for further improvements in the enabling environment for business and the role of the private sector.

Further, Vietnam is currently considering promulgation of more than 50 Free Trade Agreements (FTAs) in addition to ASEAN economic cooperation agreements and the Trans-Pacific Partnership (TPP) – all of which provide added stimulus to economic integration and restructuring agendas.

However, a gap remains between policy, the law and implementation. This reflects in part a lack of institutional capacity at both national and provincial level to manage, monitor and enforce implementation of new laws and policies. This gap also demonstrates the differing views about reform priorities as well as formal and informal resistance from vested interests.

In this context the RCV Program remains highly relevant in providing timely support to national agencies to build an evidence base and forge coalitions to address the economic reform agenda in Vietnam.

#### *Australian aid priorities*

The RCV remains consistent with Australian aid priorities as documented in the new Aid Investment Plan (AIP), 2015-16 to 2020-2021 and in particular Objective 1: *Enabling and engaging the private sector for development*. Similarly, it is a potentially important vehicle for providing insights on the economic reform agenda, access to influential economic policy advisors and for advancing Australia's economic diplomacy objectives.

The AIP supports the need to develop institutional capacity, strengthen market competitiveness and address regulatory and other constraints to private sector

growth in Vietnam. In this regard, CIEM and VCA, in particular, are viewed as important partners in the process of promoting economic reform and restructuring in Vietnam.

The AIP also notes that Australia is well placed to assist in this sector given Australia's experience and expertise in complex areas of public policy reform and through having built strong networks over a long history of engagement in economic and governance reform in Vietnam.

The MTR assessment is that RCV is relevant.

### *Effectiveness*

*Effectiveness relates to the extent to which outputs and objectives have been achieved or are expected to be achieved.*

The Program's performance assessment framework as presented in the Investment Design has a number of shortcomings, both in terms of clarity of outputs, linkages between components, higher-level objectives and in the choice of measurement indicators and attribution.

In some instances indicators may have been better specified as outputs (for example, preparation of analytical reports) and indicators of progress against Program higher-level objectives may better have used the GoV system - for example, Ministry of Planning and Investment (MPI) monitoring reports on Resolution 19 and CIEM's monitoring of MPER implementation. It is also difficult to see how some outputs logically fit within the Program focus on improving market competitiveness (for example the work on trade remedies).

This lack of precision and definition in the performance framework has created difficulties in reviewing and assessing Program progress (planned versus actual) from commencement of RCV implementation to date.

By the time of the First Work Plan (July 2014-June 2015) outputs had been re-ordered and the terminology changed from the Investment Design - sometimes subtly, sometimes substantially. An additional output had been added to Component 2, and higher level Program goals and objectives had been removed with new Component goals and objectives added to each of the 3 Components.

By the time of the Second Work Plan (July 2015-December 2016) component goals and objectives had been removed and the Flexible Fund formally added as a fourth Component. Output terminology had again changed, some reverting to the original description in the Investment Design Document.

Similarly, Program reporting viewed by the MTR team for the Fourth Quarter of 2015 and the First Annual Work Plan again caused confusion by frequently using a

different numbering system and different terminology, although it provides some useful information on results for those patient enough to churn through it and cross check data.

An undated publication “Achievements and Lessons Learned” provides a simple, readable narrative useful for public consumption and a recent M&E results schedule prepared for the April 2016 PCC meeting also provides a useful summary of progress more closely linked to the Program’s performance framework. However, as before, the outputs and indicators and the terminology are at times both similar and different to that in the Program Work Plans and/or RCV Investment Design performance framework.

While some of this may seem a minor inconvenience, it makes it difficult for non-participants in the Program to understand what the Program is trying to achieve and the progress towards that objective. In short, there is a good story to tell, but the lack of a simple, clear and consistent results framework for reporting affects the message.

What is clear however is that the underlying Program logic remains sound. In simple terms, the theme linking Components and activities is the common aim to improve market competitiveness – perhaps in the next phase something like this could serve as the Program objective in a simplified performance assessment framework.

Core Program activities support input to the work programs of GoV agencies (CIEM, VCA, IPSARD) with a mandate to address key elements of Vietnam’s economic restructuring agenda. Component activities typically involve building the constituency for reform through evidence-based research and analysis, capacity building, information dissemination and raising awareness through workshops, the media, influential networks and other forums. RCV research, analytical studies and policy recommendations have been discussed in National Assembly economic forums, CPV economic committee workshops and at cabinet meetings.

Policy reform is unpredictable and the Program is designed to be flexible and adaptable – this has been important not only in responding to changes in the policy environment, but also in managing shortcomings in the performance assessment framework. All ten outputs identified in the original design have been completed or are on track to be completed on time as designed or partially modified in accordance with changing circumstances<sup>5</sup>.

Additionally, the Flexible Fund has supported a range of new activities, notably steps to building linkages with influential partners including the Economic Committee of the National Assembly (ECNA), the Economic Committee of the Communist Party of

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<sup>5</sup> The proposal to revise the Competition Law, proposals for which were specified as an indicator of output for Component 3, has been delayed due to a (not altogether unexpected) change in the National Assembly law making agenda for 2015-16. It is now waiting expected confirmation of inclusion on the new National Assembly work program.

Vietnam (ECCPV) and the Vietnam Chamber of Commerce and Industry (VCCI); as well as studies to consider ways to more actively incorporate support for women's economic empowerment through Program activities.

There is some variability between Component achievements, but overall the RCV Program is assessed by the MTR as being effective. Some key results supported by the Program are summarized below and some suggestions for further strengthening the Program in Phase II are discussed in later sections.

#### *Component 1 – Enhanced Business Competitiveness and Transparency (CIEM)*

The National Assembly has approved more business friendly Enterprise and Investment Laws. Resolution 19 of 2015 issued by the Prime Minister authorised a review of business conditions leading to a request to 170 ministries to abolish 3299 Circulars and Decisions. A Task Force led by the Minister for Planning and Investment is responsible for monitoring implementation of the revised laws and to assess remaining regulations on business. Implementation remains an ongoing challenge.

Additionally, Quarterly Macroeconomic Reports prepared by CIEM with support of the Program, are distributed to government agencies, the National Assembly, the Communist Party, universities and research institutes to raise awareness and facilitate discussion on macroeconomic management and economic restructuring. The initial release and analysis of Reports through CIEM workshops received widespread media coverage.

Not insignificantly, CIEM leadership has also been responsible for oversight and technical support to other Components (and the Flexible Fund), thus enhancing their focus and contribution towards Program higher-level objectives. Equally importantly, CIEM is using its position within the Ministry of Planning and Investment to progress work in areas where VCA and IPSARD, located as they are within line ministries, have difficulty in putting forward ambitious recommendations. (For example it will be undertaking studies of competition policy and rice value chain improvement to broaden consideration of institutional and market changes that VCA and IPSARD are constrained from addressing. The Competition Policy Study covers a much broader range of issue than competition law, but is expected to be used to provide a context and prepare the way for changes in the law, and the Rice Value Chain Study will be addressing questions concerning the behaviour and protected status of SOEs and of cartel-like behaviour in the rice market.) CIEM is also drawing on expertise from the Productivity Commission (PC) to develop a rigorous approach to policy and regulatory evaluation in these studies.

### *Component 2 – Restructuring Competition Institutions (VCA)*

The delay in planned revisions to the Competition Law has resulted in a change in the work plan focusing on building capacity and investigation skills, building the evidence base (Report on Economic Concentration in Vietnam 2014), raising awareness and consulting widely to prepare for future changes. Strong linkages have been established with the ACCC, and tools for engaging with the broader population on consumer dimensions of competition law have been developed.

### *Component 3 – Restructuring the Rural Economy (IPSARD)*

A broad national rice sector restructuring strategy has been prepared, covering bottlenecks to equitable and inclusive participation, including for women, in the rice value chain. The strategy and implementation plan is still to be approved. A follow-up study (to be led by CIEM) is planned to examine in more detail the policy and regulatory constraints at all levels of government in rice production, processing, logistics and marketing. This follow-up study recognises that achieving a competitive rice market will involve reforms to regulations and policies that fall outside of the jurisdiction of IPSARD's home ministry (the Ministry of Agriculture and Rural Development).

Additionally, strong linkages have been established with Australian National University (ANU) to develop capacity to model the impacts of policy reform options from production, including land transfer and land use rights, through to rice marketing. Extensive consultations and media coverage have raised awareness of issues, the rural sector is a key pillar in GoV efforts to reduce poverty and the potential for productivity improvement is significant, but vested interests remain strong.

### *Risk management*

Programs supporting policy reform are inherently risky, especially where decision-making is not always transparent. Quality research and advice will not always be acted upon. Vested interests, timing and political economy issues, as much as sound economics, will impact on decision-making. Beyond that, implementation of policy represents another level of risk. Decentralization is a fundamental tenet of the structure of government in Vietnam. Provincial authorities may lack the capacity, understanding or mindset to implement changes to long-standing policies promulgated from above.

The GoV is committed to restructuring the economy. Change will occur with or without the RCV Program. However RCV has added value by selectively supporting GoV mandated agencies build national coalitions for reform. Aside from the funding of national experts and information dissemination, this has involved support for peer

review processes and access to international experts to enhance the quality and relevance of research, and to strengthen the case and voices for reform.

Within this context the Program manages risk best by supporting GoV national execution and agencies with a mandate to pursue reform, ensuring the quality and relevance of research, disseminating information and building coalitions for reform. The program is committed to engaging with influential networks and stakeholders, and retaining focus while being adaptable and flexible enough to respond to opportunities to strengthen the process of structural reform, particularly competitive market reforms.

RCV also benefits from strong leadership, a clear vision on how to best progress the reform agenda and access to high level networks – in essence an influential reform ‘champion’. This leadership has been a critical element of Program achievements to date and any potential loss of such leadership would, conversely, be a risk to the future success of the Program. There is no way to eliminate this risk other than to note there is both individual and institutional commitment to the Program.

The Senior Technical Adviser submits risk assessments for the program on a quarterly basis to DFAT.

The MTR assessment is that the project is effective.

### *Efficiency*

*Efficiency relates to the quality of program management, governance arrangements and delivery modality.*

The RCV program delivery is based on national execution. DFAT has a head contract with CIEM/MPI; CIEM has established a PSU and is responsible for implementation and management of Component 1 and the Flexible Fund, together with oversight and coordination of Components 2 and 3, information dissemination and program reporting.

CIEM has an agreement with VCA and IPSARD for the implementation of Components 2 and 3 respectively. VCA and IPSARD have established Component Management Units (CMU) responsible for implementation of agreed work plans, financial management and reporting of their Component activities to CIEM.

A Senior Technical Adviser (STA) performs a critical role in providing technical and quality assurance support to the CIEM Program Director and other participating agencies. The STA is contracted by DFAT and reports quarterly to DFAT on Program issues. Additionally, a part-time senior advisory group (SAG) of eminent and influential Vietnamese experts is available to provide peer review and advice to RCV on strategic priorities and activity design.

A Program Coordinating Committee (PCC) meets on a six monthly basis. While it has no formal decision making role it provides a forum for discussion of the strategic role of RCV in supporting economic reform in Vietnam as well as reviewing program implementation progress and performance, including risk management. Program reporting requirements do not appear onerous.

The management and governance arrangements of the RCV program reflect key 'lessons learnt' from other policy-focussed Programs including Beyond WTO. In particular, the advantages of national execution with strong GoV leadership; flexibility to adapt and to respond to emerging issues; use of national experts; peer review; and access to international expertise. This has strengthened RCV implementation efficiency, value for money and national ownership.

The Program is tightly focussed and manageable in scope. All three agencies participating in the RCV program have a clear GoV mandate to support elements of the national economic restructuring agenda. Additionally, CIEM has responsibility for monitoring and reporting on progress in the implementation of the MPER.

Oversight and critical support by the Program Director/STA/PSU have contributed significantly to program quality and agency coordination. In particular, strong leadership through the Program Director ( a 'reform champion') has ensured a continuing focus on program objectives viewed through the lens of enhancing market competitiveness. Typically, inter-agency coordination is difficult in Vietnam, but based on close relationships and technical support, this structure has been endorsed by VCA and IPSARD as providing value added.

National experts play the lead role in research, analysis and constituency building supported by strong linkages established with key Australian institutions (ACCC, PC, ANU). Relevant international experience and best practice knowledge transfer helps to strengthen national research activities and the 'voices for reform.' Each component PSU/CMU is responsible for contracting national and international experts.

The Flexible Fund enables a timely response to emerging issues that support Program objectives. There are always concerns that a flexible facility can lose strategic relevance and direction and there have been some missteps in the Flexible Fund. However, the Fund avoids the main area of concern of 'calling' for proposals. Rather the Program Director and the STA 'negotiate' a top down funding arrangement with potential stakeholders to ensure both the initiative and the subsequent terms of reference are clearly focused on promoting RCV objectives.

The capability of the Flexible Fund to support other influential stakeholders identified during the course of RCV implementation (notably ECNA and ECCPV) has helped RCV build credibility, generated some important results and provided leverage in building a consensus on reform priorities.

The overall Program budget, allocation between components and control exercised by the Program Director appears to be appropriate. Expenditure under Component 2 is below original estimates – essentially due to delays in progressing the Competition Law - and funds have been returned to the PSU (and allocated to the Flexible Fund). Conversely the PSU has withheld some original funding to Component 3 largely as a consequence of some changes to agreed outputs.

Other potential activities have emerged from the initial work in all Components and are available to take up any slack in expenditure to the end of Phase I. Even so overall budget expenditure is largely on track. As of May 2016 only around 12% of expenditure remains unallocated (Flexible Fund around AUD250 000 and CIEM component AUD60 000), although not all allocated funds have yet been disbursed.

The first annual audit of the RCV Program was completed in January 2016. There are no major issues relating to financial management, although a number of largely administrative issues were raised concerning application of the Vietnamese accounting system, record keeping relating to advisor recruitment and service contracts and the management of Program expenses to which the PMU is responding.

The MTR assessment is that the project is operating efficiently.

### *Impact and sustainability*

In terms of the current performance assessment framework impact and sustainability relate to the extent to which the Program is making, or is likely to make, a sustainable difference to the stated GoV economic restructuring agenda by 2020. In particular it will have an impact on improved market competitiveness, reduced corruption and accelerated growth in employment and income.

While it is relatively easy to measure activity outputs it is more difficult to measure and attribute improvements in terms of higher-level objectives, particularly as changes often can only be observed over a longer period of time. Further, many diverse factors impact on the timing and achievement of higher-level objectives.

More fundamentally however, it is questionable whether the logic underlying the current Objective Hierarchy - Outcome (2016) and Impact (2020) and associated indicators are appropriate. In essence there is no difference between the description of Impact and Outcome in the Logical Framework and the indicators especially for the Outcome level are not especially relevant. A more simple and logical framework should be developed for Phase II of the Program.

Nevertheless, some comments can be made, taking as an assumption that the essence of the RCV Program is to contribute to improvements in market competitiveness.

At an aggregate level, monitoring by the Program of implementation of the MPER indicates progress. While specific attribution is not possible, key elements of RCV Program implementation clearly meet the change logic and 'line of sight' test. That is, there is a consistent rationale, focus and strategy in Program implementation supporting the case for competitive market reform. And MPI monitoring of implementation of Resolution 19 gives more specific indication of progress on elements of the RCV work program that bear on the objectives of MPER.

National execution and the leading role of national experts enhances ownership; work plans are focussed and driven by GoV mandated agencies; quality is enhanced by peer review, including establishing lasting linkages with international institutions/experts; and the Program has sought to build alliances with private sector stakeholders and the media as well as influential networks and emerging leaders to raise awareness and to change mindsets.

Further, it is understood Program economic research outputs have been discussed in high-level meetings of the Prime Minister, and that both the ECNA and the CECCPV have used the Program's research in preparing documents concerning market reforms submitted to higher authorities.

There is no indication the GoV will reverse policy reform measures implemented with RCV support. Indeed the Program has been encouraged to build upon the research and analysis already undertaken to date.

While there is scope to further strengthen engagement with economic researchers, the private sector and provincial governments, particularly in the south, the Program focus and implementation strategies provide confidence that both Phase I and the proposed Phase II will have a sustained impact on improving market competitiveness, including in the absence of continued donor assistance.

### *Gender*

The design of Phase I of RCV explicitly stated that the pursuit of gender equality was not an objective of the Program, and reporting mechanisms were not developed to provide information on the gender dimensions of performance. However, Program managers have recognised that better account needs to be taken of gender and inclusion issues in the work of RCV, and work is already underway to provide an information base (and better understanding) to inform a stronger focus on these issues.

In particular, the Program has commissioned a study to:

- provide RCV staff and key stakeholders with an update on the latest literature on potential gender impacts of economic restructuring;
- provide a stronger evidence base on the impact of specific economic restructuring measures on women;
- provide information that can be used to develop support activities to promote gender equity during economic restructuring; and
- propose options for development support to ensure more equitable outcomes from economic restructuring that might be addressed by future projects.

It will be important to recognise in further work of the Program that accelerating factor productivity, one of the MPER goals supported by RCV, will be hard to achieve if there are constraints to improving the economic performance of half of the population. Analysis will have to go beyond identifying laws and regulations that discriminate on the basis of gender, since many gender-neutral instruments may still have gender-biased outcomes – and this may be true of changes to laws and regulations that promote economic restructuring and market competitiveness<sup>6</sup>.

Some suggestions in how gender issues might be addressed in a second phase of RCV are presented in Appendix D. In particular, the review suggests:

- incorporating gender in the M&E framework for Phase II;
- using the currently ongoing gender study to provide a baseline for M&E and to help indicate areas where more concerted gender analysis would be worthwhile. It may also be useful to require that terms of reference for new activities incorporate an assessment of the potential for gender-related impacts of reforms being explored; and
- selectively incorporating more detailed gender impact analysis in policy areas/sectors where impacts are considered to be significant – for example future work on agriculture might incorporate more detailed work – and use the [World Bank Guide for Policy Makers and Practitioners on the Gender Dimensions of Investment Climate Reform](#) to inform approaches to gender analysis

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<sup>6</sup> This may happen, for example, because of entrenched gender norms, or the distribution of family responsibilities which affect labour mobility and the scope for women to shift to formal workforce or business activities, or because restructuring may have a disproportionate impact on sectors or occupations where women are more concentrated.



### 3 *Lessons learned and recommendations*

#### *Lessons learned*

The key lessons learned from RCV Phase I (and previous projects) are as follows.

- Any reform process is unpredictable. At any point in time political economy considerations impact on the potential to successfully implement reforms, but:
  - delivery through GoV systems of a nationally led program is the best mechanism to maximise scope for policy influence;
  - working with reform ‘champions’ with access to influential networks is crucial in assessing the scope and opportunities for reform; and
  - it is necessary to engage with partner agencies that have a clear GOV reform mandate and strong leadership.
- It is important to build flexibility in the program design both to adapt work plans and to take advantage of emerging issues and priorities, however:
  - tight guidelines should be established around eligibility and access to flexible funding - formal ‘calls’ for proposals should be avoided – rather proposals should be identified and scoped on the basis of informal discussions with the lead agency to ensure quality and consistency with the program focus; and
  - while DFAT in its role as a member of the PCC can suggest activities that could be supported by the fund, all decisions must pass through the Program’s appraisal and approval processes.
- Timely access to relevant international expertise and building and sustaining international linkages is advantageous, since these linkages can:
  - be a source of quality advice and peer review;
  - encourage contestability of ideas; and
  - help strengthen the case and voices for reform
- While difficult, performance assessment needs to be able to demonstrate that donor engagement adds to the quality and reach of research and policy advice where it is supporting things that GoV would do any way.
- Key strategies to address implementation risk include:
  - promoting coordination and cross agency linkages to build alliances;
  - producing high quality, evidence based analysis and expert peer review at each stage to ensure quality and relevance of outputs;

- building national coalitions for reform in government and the private sector; and
- promoting dialogue, communication and dissemination of policy research (workshops, media) to change mindsets about the role of state management in the economy.

## *Recommendations*

### *Phase I Completion/Extension*

Phase I is due for completion in December 2016 and DFAT has submitted a proposal to MPI to extend the project until the end of June 2017 to allow sufficient time for the design and approval of a proposed Phase II of the Program. Additional funding of \$A500 000 has been earmarked for the six month extension phase.

The following recommendations have been suggested.

1. Extension phase funding should be allocated (as proposed) to the Flexible Fund.
2. Work plans should be agreed upon with existing partners CIEM, VCA and IPSARD, including existing proposals for Competition Policy and Rice Value Chain studies.
3. Further support should be considered for VCCI, ECNA and ECCPV subject to available funds and proposals consistent with Program objectives (improving market competitiveness).
4. The peer review network and the Senior Advisory Group (SAG) should be strengthened -thus retaining influential networks, but also seeking to engage with younger economists, and researchers from the south.
5. PSU should continue to seek improvements/simplification to Flexible Fund approval processes and the Operations Manual for incorporation in Phase II.
6. While there are weaknesses in the performance assessment framework changes can wait until the Phase II design.

### *Phase II Design*

The rationale for proceeding to a Phase II of the RCV is strong. The MTR has confirmed the track record of Phase I; there is close alignment with Australia's AIP for Vietnam; and improving market competitiveness remains a high priority for GoV (as indicated in the SEDP 2016-2020, the MPER 2016-20) and resolutions of the CPV and GoV.

While yet to be confirmed, Phase II is expected to involve a 4 year program (mid 2017-mid 2021) with up to AUD6m in funding. Phase II design should take account

of lessons learned and utilise the successful elements of Phase I, adopting, in particular:

- a delivery model involving national execution under CIEM leadership;
- a flexible and adaptable design;
- peer review including accessing relevant international expertise; and
- quality research and dissemination to build coalitions for reform.

Additionally, it is recommended that design of Phase II should:

1. Commence at the earliest opportunity to ensure completion before the end of 2016 and to allow sufficient time for GoV and Government of Australia appraisal and approvals prior to completion of Phase 1:
  - drawing on the PD, the STA and the SAG and other local experts to provide the necessary technical expertise for preparing the design;
  - maintaining a tight focus on selected key reforms for which participating agencies have a mandate to advance the MPER agenda - transitioning to a competitive market economy, including an improved business enabling environment with an increasing focus on governance issues. Some activities in the current program do not appear to be consistent with the overall aim of RCV of supporting improvements in market competitiveness (for example, the inclusion of VCA trade remedy outputs). However, Phase II might consider work on factor market reform, if RCV agencies have a clear mandate to address the competitiveness of these markets; and
  - possibly accessing external design expertise to collate/edit a sound document and performance assessment framework
2. Do not extend the number of components (and Component Management Units) - but use the Flexible Fund to:
  - continue to build and strengthen relationships with additional important stakeholders particularly, the ECNA and ECCPV, since both have a strong interest in enhancing their capacity for economic analysis and provide a conduit to higher authorities through preparation of economic documents for input to the Standing Committee of the National Assembly, and Party Committees and Congresses;
  - expand stakeholder engagement with the private sector - including through VCCI and its regional offices, other business associations and selected companies through consultations, workshops, and engagement in monitoring implementation;
  - provide options for ECNA, ECCPV and VCCI to develop annual work plans (with clearly defined outputs and activities) to facilitate certainty of support and to limit future ad hoc requests for support from the Flexible Fund;

- provide additional resources to the PSU (to manage finances/reporting) and to the STA (to support peer review of stakeholder work plans and outputs)
3. Maintain, and broaden where scope exists, institutional linkages between Vietnamese and Australian institutions, researchers and academics:
    - using key Australian institutions that remain well placed (and keen) to transfer international expertise on competition and regulatory reform issues;
    - taking advantage of the increasing numbers of Australian trained graduates working in Vietnamese institutions;
    - where possible seeking to engage with Australian alumni in partner agencies, the private sector as peer reviewers or informal sounding boards; and
    - where possible, seek to broaden engagement beyond technocratic institutions to include people with experience of promoting, and bringing about reform
  4. Continue to foster agency coordination, disseminate information and build stakeholder alliances:
    - strengthening engagement with the private sector (particularly in the south), civil society, media (including social media – such as Facebook); and target messages and delivery appropriately to different audiences.
  5. Explore potential for provincial case studies and/or pilot implementation of reforms:
    - while recognising that activities being initiated/implemented under the current Phase extension (competition policy review and rice value chain study) could identify new areas of focus as well as testing a new approach to investigating policy issues drawing on the Productivity Commission model for policy review.
  6. Strengthen engagement on promoting women's economic empowerment and consider specific case studies – issues related to transformation of the agriculture sector may provide a sound opportunity.
  7. Continue to strengthen and broaden the peer review network and the SAG, as suggested for the remainder of Phase I.
  8. Continue with current management and governance arrangements, including retention of the STA, who plays a key role in supporting the PD and all Component activities. The governance arrangements could also include continuing the 'no-objection' role that DFAT has with respect to Flexible Fund activities and component work plans, recognising that this should be designed to provide an opportunity for discussion and enhancement.
  9. Revise the performance assessment framework – simplify, ensure clarity of outputs/results, use consistent terminology and numbering system to enable comparison of planned versus actual performance
    - using the GoV monitoring of MPER to validate progress on the reform agenda (higher level program objectives);

- Appendix E presents some suggestions for reshaping the framework.
10. Utilise opportunities offered by RCV to enhance DFAT economic diplomacy and aid objectives, and adopt a considered approach to accommodating Australian interests – recognising that these may evolve over the life of a second phase, and that in some areas, such as Australia’s concern to engage GoV on TPP, the Program is already working on key areas covered by chapters of the agreement, including competition policy, regulatory coherence and SOEs.

## A. *Terms of reference*

### 1. *Background*

#### 1.1. *RCV Objectives*

The Restructuring for a More Competitive Vietnam (RCV) is a technical assistance project funded by Australian ODA in the 2014-2016 period. RCV aims to improve implementation of selected elements of the Government's Master Plan for Economic Restructuring (MPER) in line with international economic cooperation agreements. The focus of RCV efforts are on improving the investment climate including support to:

- Reduce business compliance costs (following approval of revisions to the Enterprise and Investment Laws).
- Reduce barriers to competition and more competitive markets;
- Reduce barriers to increasing value added in the rice sector (critically important for poverty reduction and equitable development).
- Provide flexible support in the form of a Flexible Fund is also provided to respond to other relevant opportunities to support reform.

#### 1.2. *RCV Approach*

- a) The Government of Viet Nam (GoV) has substantially reduced formal legal barriers to business entry in recent years. Now the GoV is focussing on building inclusive economic market institutions to:
  - Ensure that everyone's property rights are protected (and not just the rights of a well-connected elite), and;
  - Generate the competition and 'creative destruction' needed to promote innovation, productivity growth and increased incomes.
- b) RCV is designed to support key stakeholders to implement MPER related policy and institutional reforms. There is broad based support for these goals and the general reform programs, but implementation is constrained by:
  - Differing views about reforms priorities, and the nature and pace of reform.
  - Resistance to reforms from vested interests.

- Limited institutional capacity to formulate, publicly debate, and implement reforms.
- c. RCV is designed to help the GoV to meet these challenges by helping to:
- Consolidate and strengthen awareness in the Government of Vietnam of the need for, and benefits of, economic reform.
  - Define reform options;
  - Build the evidence base on the potential costs and benefits of alternative reform options.
  - Transfer international experience (particularly Australian experience) relevant to developing national reform initiatives that are consistent with international good practices.
  - Build consensus on reform priorities via public consultations, forums and dissemination of information on the evidence base for reforms.
- d. The RCV design combines support for:
- Established and broadly supported national reform priorities (enterprise and investment law legislation),
  - Other clear priorities, where more work is needed to change attitudes to develop a broadly supported reform agenda (e.g. business conditions, competition institutions and rice sector restructuring),
  - Flexibility to respond promptly to emerging issues and priorities

## ***2. Objectives of the Mid-term Review***

The review will be used by both Government of Vietnam and the Australian Embassy in Hanoi:

- To review progress made towards achieving agreed objectives;
- Identify and make recommendations on any issues arising during implementation that can be considered both during the current phase of the project and to inform the development of a proposed second phase of the project

## ***3. Scope of Service***

The Mid-term Review (MTR) team will prepare a report that includes assessments and recommendations on:

### ***Relevance***

- whether the original objectives and performance assessment framework are still relevant
- whether the GOV policy environment is favourable to project implementation

*Effectiveness and Efficiency*

- whether the project is effectively exerting influence over Vietnam's economic reform agenda
- whether project objectives are likely to be met as planned and within budget and time allotted.
- the effectiveness of the project's governance mechanisms (including the role of the project coordination committee and the senior advisory group), the project's financial management system including whether the budget allocation mechanism has been adequate to achieve the project's objectives
- whether priority risks have been identified and are being effectively managed
- the Australian Embassy's engagement in the project and opportunities to enhance this
- whether RCV has been able to harness appropriate local and international expertise to further the government's reform agenda
- whether RCV has demonstrated sufficient flexibility to respond to urgent priorities.

*Sustainability*

- whether the impact of activities is likely to be sustained in the absence of donor involvement
- whether the government managed model of RCV has been effective in strengthening GoV ownership

*Gender*

- how the project is promoting gender equality in activities and can enhance it in the future

**4. Required background reading**

Electronic copies of the following documents will be provided to the MTR team members prior to the Mission:

- Australia's Country Strategy for Vietnam 2010-15 and Aid Investment Plan 2016-20
- RCV Project document
- RCV Results report
- RCV Project Coordinating Committee meeting minutes
- RCV Annual Work plans for 2014-2015 and 2015-2016
- The Master Plan on Economic Restructuring (MPER) 2013-2020

- M&E Report on implementation of the MPER Vietnam's Socio-Economic Development Plan 2016-2020
- The Communist Party's resolutions, key documents (after the Party congress)
- National Assembly's law making agenda 2016-2017
- Master plan on International economic integration
- World Bank's Report on Vietnam 2035 towards prosperity, creativity, equity and accountability

### ***5. Specification of the review team***

The review team will comprise an Economic Governance Specialist (team leader), an Evaluation Specialist, and a Gender specialist. Roles and responsibilities are outlined below:

#### ***Economic Governance Specialist (20 working days)***

The Economic Governance Specialist will:

- Take overall responsibility for the preparation of the review plan and all reports, including coordinating relevant inputs of other team members.
- Identify key interlocutors for consultations, and identify key issues to be discussed with interlocutors (RCV PMU and Australian Embassy will assist the Team in arranging a schedule of meetings)
- Lead the assessment of the ongoing relevance of activities, the effectiveness of governance mechanisms and opportunities for increased Australian engagement.
- Assess the policy environment for reform in Vietnam, describe the process by which RCV has influenced economic reforms, and assess the effectiveness of these processes.
- Review and comment on the use of the MPER as a framework guiding RCV priorities, and the extent to which RCV has been able to respond to changing Government and counterpart priorities .
- Provide a clear statement of lessons learned and implications for planning similar programs of support.

#### ***Evaluation Specialist (15 working days)***

The Evaluation Specialist will:

- Provide input to the preparation of the review plan and all reports, as requested by the team leader

- Lead the assessment of the relevance of the performance assessment framework and whether objectives are likely to be met as planned and within budget and time allotted.
- Assess whether budget allocations have been adequate to achieve the program's objectives.
- Review the project's approach to identification of risks and how these are to be managed.
- Review and suggest ways that RCV might be able to support the strengthening of the M&E of Government initiatives directly related to RCV (e.g. the MPER, and Resolution 19).
- Identify lessons learned and implications for planning similar programs of support.

#### *Gender Specialist (15 working days)*

The Gender Specialist will:

- Provide input to the preparation of the review plan and all reports, as requested by the team leader.
- Provide a brief overview of lessons learned from international experience in designing gender aware economic restructuring and regulatory reform programs.
- Review the potential impact of key RCV supported reforms (such as the investment and enterprise law reforms, and rice sector restructuring initiatives) on women and less politically well-connected sections of the community.
- Review and assess how the program is incorporating gender equality in its activities and provide recommendations on how this may be improved.

## ***6. Duration and phasing***

The review will take place from March to June 2016 including an in-country mission of up to 10 days. It is anticipated that the Mission will involve:

- 2 days of travel time
- 2 days of desk review of the documents provided prior to the Mission (in Australia)
- 10 days of work in Ha Noi
- Up to 8 days of report drafting including preparation of a briefing paper on specific issues based on reports submitted to DFAT.

***Prior to beginning fieldwork in Vietnam, the team will:***

- Arrange a telecon with DFAT Hanoi to discuss objectives of the review and any key issues
- Finalise all travel and logistical arrangements;
- Undertake initial planning, and review of relevant documentation, as listed above.
- Prepare an evaluation plan for DFAT Hanoi's approval
- Finalise the work program and meeting schedule through DFAT Hanoi.

***In Vietnam the team will:***

- Attend a briefing session with DFAT Hanoi;
- Hold meetings in Ha Noi with RCV government partners and other stakeholders.

***Prior to leaving Vietnam the team will:***

- Discuss findings with and prepare an Aide-Memoire in consultation with DFAT Hanoi. Use this Aide-Memoire as a basis for debriefing the GOV and DFAT prior to departure from Viet Nam.

***After fieldwork in Vietnam the team will:***

- Provide a draft MTR report to DFAT within two weeks of departing Vietnam.
- Provide a final report taking into account DFAT and other stakeholders' comments on the draft report within five working days of receiving DFAT comments.

## ***7. Reporting requirements***

The team will produce the following documents or reports:

- An evaluation plan, outlining the team's approach to the evaluation and a list of proposed consultations for approval before mobilisation to Vietnam.
- An Aide Memoire, summarising initial findings and recommendations. This will be produced prior to departure from Viet Nam. It will be presented for discussion and comment, in a debriefing meeting, to appropriate GOV officials and DFAT Hanoi staff.
- A draft MTR report outlining the findings and recommendations of the mission. This draft report will be submitted to DFAT within two weeks of the team's return to Australia. Key contents of the report include:
  - Executive summary (should be able to be read as a stand-alone document);
  - Brief background and outline of the MTR objectives and methodology;

Findings on the evaluation questions and relevant issues;

- Ratings using established evaluation criteria (e.g. OECD DAC criteria); and
  - Conclusions and recommendations
- A final MTR report that takes into account comments conveyed to it by DFAT, to be submitted to DFAT one week after the team has received those comments.

## *B. Persons consulted*

### **B.1 Persons and institutions consulted**

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<i><b>Name</b></i>	<i><b>Institution</b></i>
Mike Woods	Consultant – former Commissioner at Productivity Commission
Julie Glasgow	Australian Competition and Consumer Commission
Claire Ireland	DFAT Hanoi Counsellor, Economic and Development Cooperation
Andrew Shepherd	DFAT Hanoi First Secretary
Alex Maskiell	DFAT Hanoi Second Secretary
Mia Urbano	DFAT Regional Social Development Specialist
Nguyen Quang Anh	DFAT Hanoi Senior Trade and Development Manager
Cao Thi Thanh Huyen	DFAT Hanoi Economic and Trade Officer
Nguyen Thuy Linh Huong	DFAT Hanoi Senior Economic Analyst
Nguyen Dinh Cung	President CIEM
Ray Mallon	RCV Senior Technical Advisor
Hoang Thi Thanh Binh	Senior Program Coordinator – Economist PSU
Trinh Anh Tuan	Deputy Director General VCA
To Thai Ninh	Deputy Director, Trade Remedies Division, VCA
Tran Thi Minh Phuong	Deputy Head, International Cooperation Division, VCA
Nguyen Do Anh Tuan	Director General IPSARD
Nguyen Trung Kien	Component Director, IPSARD
Hoang Xuan Hoa	Director General, General Economic Department, ECCPV
Nguyen Manh Hung	Deputy Director General, General Economic Department, ECCPV
Nguyen Duc Thanh	President, Vietnam Institute for Economic and Policy Research
Pham Minh Duc	World Bank
Doan Hong Quang	World Bank
Dau Anh Tuan	General Director, Legal Department, VCCI
Tu Thi Thu Hien	Mekong Business Initiative
Dominic Mellor	Task Officer/Economist Mekong Business Initiative
Nguyen Minh Son	Director, Economic Department, Office of the National Assembly of Vietnam
Le Dang Doanh	Member of SAG
Vo Tri Thanh	Senior Economist, Former Vice President of CIEM

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## C. Program outputs

The Program design proposed that ten outputs would be produced by December 2016.

Box B.1 presents the outputs specified in the logframe. However, other parts of the design document (particularly the Program description section) specified a different set of outputs. While these alternatives overlapped with the set laid out in the logframe, there were some notable differences.

### C.1 Program outputs identified in the design

#### Component 1

- Improved Enterprise and Investment legislation
- Removed impediments to competitive business environment
- Improved evidence based analysis and dialogue on MPER implementation performance and emerging issues
- Enhanced policy dialogue (taking account of international experience) on macro-economic and economic development issues

#### Component 2

- Enhanced evidence base, information systems and skills to enforce competition policy
- Strengthened institutions needed for effective application of trade remedies
- Enhanced early warning system for trade defense cases

#### Component 3

- Proposed changes in institutional structure for rice production value chain in Dong Thap province
- Improved modelling and analysis of impacts of constraints to rice value chain (eg paddy land reservation) and impacts to international commitments

Improved awareness of opportunities for increasing competitiveness through restructuring of rice value chains

The differences included:

- Under component 2, the proposed outputs were :
  - Enhanced enforcement of competition policy
  - Revisions to trade remedies regulations
- Under component 3, the proposed outputs were:
  - Rice value chain studies and pilot innovations
  - Recommendations to Minister, MARD on rice sector restructuring
  - Policy dialogue and awareness raising.

While these alternative specification of outputs were still broadly consistent with the overall aims of the Program, they had the potential to create confusion in monitoring Program performance. It also seems, as the discussion in chapter 2 indicates, that the lack of clarity and consistency in the specification of outputs continued in Program reporting.

The Program is designed to be flexible and adaptable – and changes have been made during implementation to reflect changing circumstances, but it is not always easy to see why and where.

## *D. Gender issues*

While the design of the first phase of the Restructuring for a More Competitive Vietnam program (RCV) paid limited attention to gender issues, a second phase would be expected to engage more substantively with gender and inclusion. This would reflect the emphasis placed on gender in Australia's Aid Investment Plan for Vietnam, the Department of Foreign Affairs and Trade's Gender Equity and Women's Empowerment Strategy, and also help ensure consistency with the Government of Vietnam's National Strategy on Gender Equality 2011-20120.

A greater focus on gender issues would also be consistent with an ongoing aim of RCV's to support the Master Plan on Economic Restructuring's goals of increasing productivity.

- Women frequently face gender biases in the business environment when it comes to establishing and developing their own enterprises and accessing economic resources. These not only disadvantage half of the population, but also reduce the growth potential, productivity, and performance of the economy as a whole. As such, gender-based inequalities impose significant development costs on societies.
- And beyond explicit bias, women may be disadvantaged because gender neutral laws/regulations may still have gender –biased outcomes, and this may well be true of changes to laws and regulations that promote economic restructuring. This may happen because of cultural gender norms, or the distribution of family responsibilities which affect labour and other forms of mobility, or the scope for women to shift to formal workforce or business activities, or because restructuring may have a disproportionate impact on sectors/occupations where women are more concentrated.

### *Brief overview of lessons learned from international experience in designing gender aware economic restructuring and regulatory reform programs*

In designing gender aware policies in general as well as economic restructuring and regulatory reform programs in particular, the following lessons can be learned from global experience.

- Despite the fact that Women's Economic Empowerment (WEE) is an important driving force behind the level and equity of economic growth, major legal barriers to equal women's economic participation remain globally.

- Gender-aware policies should focus on three related areas of unlocking potential, ensuring security, and creating opportunity. Unlocking potential examines the rights that guarantee autonomy in family and civic life, and health and education issues. Ensuring security looks at threats to the security of women and girls in all three areas. Creating opportunity analyses women's and girls' ability to participate in economic, political, and social life.
- Women's participation may be more heavily concentrated in particular sectors and activities, while economic reforms and restructuring would have differing impacts depending on economic activity and sector, so a priority in designing gender-aware policies should be given to their intersection in areas such as SMEs, informal sector, low-paying jobs and low-productivity businesses, property right protection and access to finance.
- Scaling up women's economic empowerment requires sound public policies, a holistic approach and long-term commitment from all development actors. It is important to 'start with women' by integrating gender-specific perspectives into policy and programme design and a greater attention to gender specific bottlenecks, including more equitable access to assets and business services - land, water, infrastructure, technology, innovation and credit.
- Research is constrained by limited gender-disaggregated data, pointing to the need of adding gender dimension to data collection.

Despite a growing volume of international literature on the importance of women's economic empowerment, as well as literature on approaches that can help better target WEE, existing researches and studies sharing international experience in designing gender aware economic restructuring and regulatory reform programs are very few, and the experience applicable to Vietnam may even be absent.

The [World Bank Guide for Policy makers and Practitioners on Gender Dimensions of Investment Climate Reform](#) however, presents actionable, practical, replicable, and scalable tools for designing policies that will empower women in business and unlock countries' full economic potential.

The guide provides a common approach for designing a reform, which focuses on the monitoring and evaluation framework, with particular emphasis on establishing appropriate baselines to facilitate the measurement of gender-informed changes in the business environment. Specifically, the guide enables development practitioners and policy makers to:

- diagnose gender issues in investment climate reform programs;
- design practical solutions and recommendations to address gender constraints; and
- include effective monitoring and evaluation tools to oversee the implementation of those recommendations.

It emphasises that before delving into any particular investment climate constraint, it is critical to establish a baseline of common elements needed to underpin a gender-informed understanding of the environment where the restructuring programs take place and to support design and implementation of appropriate solutions.

This document provides guidance on how to work through gender issues when looking at difference aspects of business/investment climate reforms, specifically public-private dialogue, business entry and operations, business taxation, trade logistics, secured lending, alternative dispute resolution, special economic zones and foreign investment policy and promotion. Perhaps the most useful module for RCV is that which examines business entry issues, and proposes, among other things that analysis of legal, institutional and implementation issues surrounding business regulation should include examination through a gender lens, and that future regulatory impact assessments should include consideration of gender dimensions. Box D.1 presents suggestions of issues to consider when doing this.

#### **D.1 Adding gender into regulatory impact assessments**

##### **Gender Checklist**

- On what data is the proposed measure based? Are the data disaggregated by gender?
- Will men and women each be directly or indirectly affected by the proposed measure?

##### **Sample questions to determine impacts on gender equality:**

- Does the measure take into account differences between men and women in access to and use of infrastructure?
- Does the measure take into account the freedom of men and women to dispose of their time?
- Does the measure influence the choice and exercise of an occupation by women and men?
- Does the measure take into account the differences in access to information and education for women and men?
- Does the measure take into account the differences in the daily lives of women and men?

### *Overview of the gender focus of current RCV activities*

As indicated above, RCV was not designed to be a gender focused project, but there is a growing recognition that the project should be taking better account of gender and inclusion issues in its work.

RCV has already started looking at the gender with the proposed study on “Review of Impacts of Economic Restructuring in Viet Nam on Women”, and the initial output looking at lessons from international experience applicable to Vietnam<sup>7</sup>. Specifically, the latter presents a stocktake of international literature on the importance of women’s economic empowerment to the level and equity of economic development outcomes, as well as literature on approaches that can help better target WEE. It also identifies international knowledge sources on donor support for WEE, that may help to better design initiatives to ensure that the Government of Viet Nam’s economic restructuring program contributes to more gender equitable outcomes.

A number of training programs organised by VCA and CIEM have recorded the proportion of the female participants, although female participation was not explicitly emphasised in the training invitation.

### *Recommendations for improving gender-awareness and consideration of gender impacts in future RCV activities*

Given that RCV is not intended to be a gender equality program, it makes sense to focus gender related efforts where they are likely to have most effect. RCV should therefore identify areas where gender impacts are more likely to be significant, and concentrate efforts in these areas, rather than requiring that all activities include mandatory work on gender impacts. However, the M&E framework for Phase II should explicitly include gender issues, and can use the current gender study to provide a baseline for M&E. In addition, the following areas could incorporate a gender-aware approach:

- Sector studies: examples from Phase I of RCV where such work could have been done include the rice value chain study, the report on reviewing state subsidy policies for selected economic sectors, and the report identifying and assessing impacts of FTA commitments on economic restructuring. This type of studies would include impacts disaggregated by gender (see box D.2 for a summary of the methodology that could be used);

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<sup>7</sup> Mallon, R, 2016. Women’s Economic Empowerment (WEE): A Brief Review of International Resources, First Draft, Prepared for RVC.

## D.2 Quantifying impacts with gender awareness

For those studies that assess impacts of a wide range of policies such as international economic integration, domestic policies or environmental shocks on various groups of the population (including gender-disaggregation ones), the most common approach is a combination of Computable General Equilibrium (CGE) modelling and a Micro-Simulation (MS) module.

CGE models are a powerful analytical tool for the analysis of economy-wide effects of policy changes on prices, wages and macro variables, but with a strong micro-economic assumption of one or a few representative units of households or enterprises, lacking rich distributional details.

MS is partial equilibrium models focusing on micro units (e.g. the households or enterprises) of markets, and does not consider the broader economic environment in which the micro units are acting.

CGE together with MS are a perfect combination and complementation for measuring impacts of economy-wide policies on households or enterprises by various dimension (e.g. gender one) in consideration.

The basis of a good MS must be a rich (micro) database on a large representative sample of households or enterprises on the issue under investigation. The MS module uses an income equation that takes account of detailed income sources (land, capital, labour and transfers) of each micro unit in the database. This income equation is then updated using changes in factor prices and quantities from CGE simulation results. Hence, after a policy change, it is possible to compare the income level of each unit and the contribution of each income source to total income before and after the shocks. By accounting for differences in income sources for each micro unit, the MS module allows for the possibility of analysing the impacts of policies on incomes both between groups (inter-group distribution) and within a group (intra-group) by gender and other dimensions.

- Training, workshops and seminars: the organisers could make an explicit announcement on the priority to be given to female participation, training materials should where possible be gender disaggregated and provide approaches to women where relevant. It would be even better if selected training programs are specifically designed for female participants, especially at the local level where women's capacity is much weaker than that at the central level. The last could be done through cooperation with the Women's Union or professional associations. Examples of relevant activities in Phase 1 are the training on the Enterprise Law and the Investment Law for local staff and enterprises; advanced training courses on competition investigating skills aiming at representatives of VCA and relevant agencies; and training courses designed for enterprises and trade associations about exploiting the early warning system;

- Surveys: surveys funded by RCV should collect data disaggregated by gender (for example, the survey on the awareness of competition law in Phase 1 could have collected gender disaggregated data).
- Activity terms of reference: it may be useful to require that terms of reference for new activities incorporate an assessment of the potential for gender-related impacts of reforms being explored – the framework presented in box D.1 might provide a guide for this.

### *Comments on gender study*

With regard to the ongoing gender study commissioned by RCV to inform a stronger focus on gender issue, the terms of reference specify that the study will:

- provide RCV staff and key stakeholders with an update on latest literature on potential gender impacts of economic restructuring;
- provide a stronger evidence base on the impact of specific economic restructuring measures on women;
- provide information that can be used to develop support activities to promote gender equity during economic restructuring; and
- propose options for development support to ensure more equitable outcomes from economic restructuring that might be addressed by future projects.

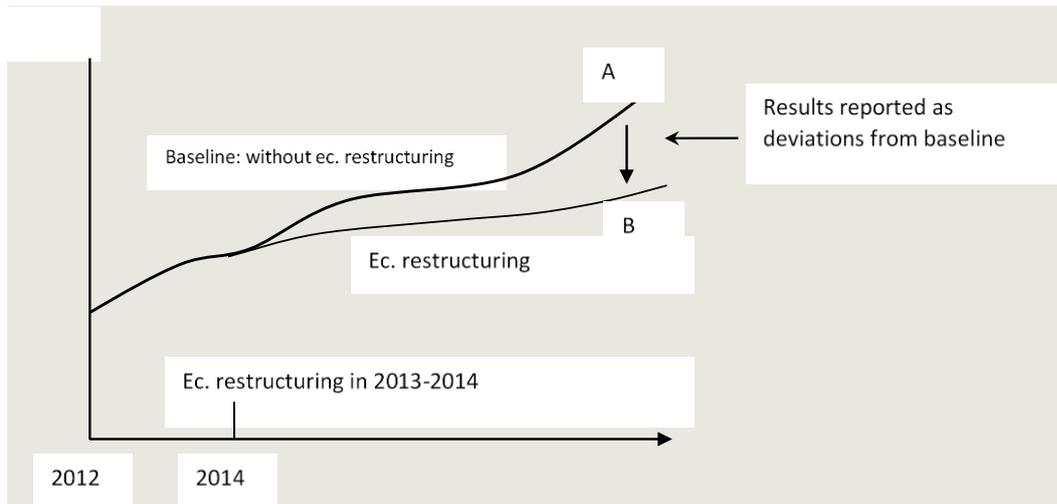
The activity is planned in two phases: a study in Phase 1 and a survey in Phase 2 to address information gaps.

Looking at the TORs and the draft outline of the study provided to the review team, suggestions to improve the study and the survey are:

- It should include a scan of what is currently being done on gender issues in Vietnam, and assessment of how that may bear on the gender impact of restructuring;
- The study should explain methodology in details, i.e. how existing data sources (Provincial Competitiveness Index (PCI) Survey, DANIDA Small and medium enterprise (SME) survey) can be analysed. Typically, this type of study must use gender-disaggregated data of the pre-restructuring year, says 2012, from relevant sources as a baseline, that is, the year excluding the economic restructuring (Line A in Figure 1 below). Second, the study must use data of the years that economic restructuring occurs (2013 onward) which in principle incorporate outcomes/impacts of all policies and external changes. Third, the impacts of the policies other than economic restructuring as well as impacts of the external changes should be identified and subtracted (using existing studies), which results in Line B in Figure D.1. The impacts of

economic restructuring are reported as deviations of Line B from Line A. Then, the comparison of the deviation by gender should be made.

### D.3 Assessment of impacts of economic restructuring



The current draft outline falls short of the above suggestion, just providing the baseline indicators without the performance of the years when economic restructuring is underway, as well as the exclusion of others things and gender comparison in the post-restructuring period.

- With regard to the surveys in Phase 2, a question occurs on how useful the proposed survey work is likely to be, given the small size of the activity. A suggestion here is to utilise available sources of relevant data to examine the gender issue such as bi-annual VHLSS, annual Labour force survey. Alternatively, the gender-disaggregated data could be enriched by an extension of PCI, VHLSS, or Labour force surveys to a gender module focusing on prioritised areas with information gaps identified in Phase 1; the way to extend is similar to that for the DANIDA SME survey (extension of VHLSS).

## *E. Suggestions for the Performance Assessment Framework for Phase II*

The current performance assessment framework is confusing and has hindered reporting on project progress. In designing Phase II, conceptually a simple theory of change/logical framework and performance assessment framework might look something like the following:

**Goal:** To promote equitable economic growth

*Many projects, policies and political considerations, including external factors, will contribute to achievement of this high level GoV goal. It sets the context rather than being a measurable and attributable aim of the project.*

**Immediate Objective:** To promote market competitiveness

*While a range of GoV programs, policies and political considerations will again affect the timing and pace of achievement of this objective, it is possible to more readily identify the ways in which RCV components and outputs support and influence this policy outcome, although precise attribution and measurement of the contribution to change is problematic.*

**Component outputs:** As per work plans of partner agencies

*These will be quite specific and measureable in terms of their achievement.*

For example, quality research produces project outputs such as evidence-based analysis and reports. Information dissemination (workshops, networks, media, etc) helps raise awareness.

Whether quality economic analysis is used for any purpose eg inclusion in documents submitted to higher authorities; or raising awareness helps change mindsets or build coalitions for reform are indicators of the contribution to the immediate project objective.

Subject to certain assumptions and management of risk, including implementation risk, appropriate outputs will contribute to improved market competitiveness, which in turn will contribute to improvements in economic growth.

Improved market competitiveness is best measured utilising the GoV's own monitoring of the implementation of the MPER and Resolution 19.

### **Flexible Fund or Components**

The Flexible Fund should be used to support project Components – to strengthen the quality of outputs and/or additional outputs consistent with component and project immediate objectives.

There is value in strengthening project links with ECNA, ECCPV and VCCI beyond current project stakeholders CIEM, VCA, IPSARD. It would seem to matter little whether this should involve formally including them as new components or distributing funding from the Flexible Fund.

Irrespective of the management structure, in each case, work plans should be agreed with the new participating agencies to ensure a logical progression and focus of activities; to provide certainty of funding and planning; and to avoid ad hoc requests for assistance. In this way effort needs to be devoted 'up front' on developing sound work plans consistent with project objectives to ensure the value and focus of engagement with these new agencies.

Assuming a reasonable scale of activities with each, it would appear the only difference between creating a formal component or not lies in the preference of ECNA and ECCPV to avoid establishing a CMU as other components have done (CMU responsibilities would need to be delegated to the PSU).