




Australian Government
AusAID



Australia – Vietnam Joint Aid Program Strategy 2010–2015



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1 Summary

Strong economic growth and reforms over the past two decades have led to Vietnam's emergence as a lower middle income country, on track to meet most Millennium Development Goals (MDGs). Despite these gains an estimated 37 million people live on less than US\$2 a day in Vietnam. Nearly half the population does not have access to safe sanitation and millions are at risk of being affected by the impacts of natural disasters and climate change.

Vietnam also faces complex challenges in reforming its economy and overcoming infrastructure bottlenecks to stimulate further economic growth and to reach its goal of becoming an industrialised country by 2020.

The *Australia – Vietnam Joint Aid Program Strategy 2010–2015* outlines how Australian aid will assist the government and people of Vietnam to achieve the country's development goals for 2010 to 2015 and meet these challenges.

Australia's aid program to Vietnam is centred on areas where we have made and continue to make a difference in Vietnam and where our resources can most effectively and efficiently be deployed.

Priority sectors are human resource development, economic integration and environmental sustainability. These areas are the most critical constraints to Vietnam reducing poverty and navigating the challenges of its middle income years as it strives to become an industrialised country.

In human resource development we will continue to build the human resource and leadership base of Vietnam through scholarships to empower individuals to contribute to the country's development.

In economic integration we will support Vietnam's continued economic development through investments in infrastructure to improve food security and open markets for millions of Vietnamese in rural and urban areas. Our support to economic reform will ensure Vietnam maximises the employment and poverty reduction benefits of ongoing global economic integration.

In environmental sustainability we will support reducing the negative impacts of climate change and environmental degradation on poor people, especially in the Mekong Delta. We will also improve the health of the rural poor by increasing access to safe water and sanitation.

Underpinning this thematic engagement will be an intensification of efforts to help the Government of Vietnam modernise its institutions so they can support the next stage of development.

We will make targeted use of multilateral partners to deliver our aid program, particularly where they have greater capacity to deliver results for poor people. We will provide more assistance through Government of Vietnam systems where we assess these are robust. In doing so, we will ensure aid effectiveness by reinforcing country priorities and systems and harmonising with other donors.

Based on an assessment of the four aid allocation criteria in the Australian Government's *Comprehensive Aid Policy Framework* — poverty, national interest, our capacity to make a difference, and current scale and effectiveness — the size of Australia's aid program to Vietnam is expected to increase over the life of this strategy. We will manage this budget increase to ensure a focus on results, mutual accountability and value-for-money.

2 Development Partnership Principles

2.1 Principles and commitments

An effective Australian aid program for Vietnam

The fundamental purpose of Australian aid is to help people overcome poverty. This also serves Australia's national interests by promoting stability and prosperity in our region and beyond.

Our aid program is guided by five strategic goals: to save lives, promote opportunities for all, build sustainable economic development, build and support effective governance, and to respond effectively to humanitarian crises and natural disasters. We focus our efforts in areas where Australia can make a difference and where our resources can most effectively and efficiently be deployed. The Australia - Vietnam Program gives effect to this through a focus on human resource development, economic integration and environmental sustainability.

Aid programs are more sustainable when owned and driven by partner governments. Australia is committed to aligning our program with the priorities and policies of our development partners. We use approaches that are tailored to country-specific situations and needs. Australia is also committed to providing assistance through the systems and processes of our partner governments where we assess these as robust. Where they are not, we will work with partner governments to strengthen them. In delivering an aid program, risks have to be taken to achieve results. We take a sensible approach to risk management to guard against risk and fraud while delivering programs and assistance to those poor people who need it.

We work through partnerships to deliver our program. Our development partnerships are built on mutual accountability and accountability to our respective citizens, organisations and constituents. Critical to accountability is Australia's commitment to be more transparent about financial and operational information, results and performance. Australia supports greater transparency of all development partners to better measure and report on the impact of development efforts, foster accountability and promote greater coordination.

Australia will work with Vietnam in a relationship of mutual trust, recognition, and accountability for results to achieve improvements in human resource development, economic integration and environmental sustainability sectors.

In doing so, this program strategy is guided by the Australian Government's aid policy, *An Effective Aid Program for Australia: Making a real difference – Delivering real results*, which sets the strategic direction of Australia's aid program through to 2015-16. To give effect to this policy the Government has prepared a *Comprehensive Aid Policy Framework* which outlines the resources and headline results to be delivered by 2015-16 and sets new standards for the efficient and effective delivery of Australian aid. We are committed to the performance and results of Australian aid to Vietnam, as part of the overall of effectiveness and impact of the Australian aid program.

The Australia – Vietnam Comprehensive Partnership

Underpinning our commitment to overcoming poverty in Vietnam is the high-level comprehensive partnership the two countries signed in September 2009. The partnership recognises Australia and

Vietnam's positive economic, political and security relationship, reinforced by warm and expanding people-to-people links.

The partnership lays out a framework to strengthen the bilateral relationship by building cooperation in trade, defence, security, education, science, research and development assistance.

With development assistance, the partnership identifies scholarships, infrastructure investments and climate change assistance. It also supports the delivery of basic services, placing high priority on water and sanitation.

The partnership is based on mutual respect, transparency and accountability and reinforces Australia's commitment to being a reliable long-term partner for Vietnam.

2.2 Joint focus on results

Australia and Vietnam are committed to delivering aid that is transparent, based on mutual accountability and a shared focus on results. Both countries have signed up to the Accra Agenda for Action, Paris Declaration for Aid Effectiveness and Busan Partnership for Effective Development Cooperation.

Australia will ensure the delivery of its aid program reflects Australia and Vietnam's international commitments to aid effectiveness. As such, the program will continue to support the Government of Vietnam's leadership of the development agenda. We have aligned it with Vietnam's *National Development Strategy 2011–2020* and will continue to implement activities through the Government of Vietnam's systems. We will also continue to coordinate with other donors and the Government of Vietnam to improve these systems and build human capacity. This includes working through sector working groups, the Aid Effectiveness Forum and joint review missions.

The effectiveness of the aid we deliver through this strategy will be reviewed through senior-level discussions every calendar year to ensure we are achieving results and value-for-money. These reviews, as well as comprehensive annual program performance assessments, will form the basis of discussion between Australia and Vietnam on progress towards this strategy's objectives. Annual program performance reports will be made publicly available.

3 Context and rationale for Australian aid to Vietnam

3.1 Poverty and need

Impressive gains but challenges remain

Vietnam has made unprecedented gains in development over the past two decades, rising from one of the poorest countries in the world to a lower middle income country. More than 35 million people have been lifted out of poverty since the early 1990s as a result of rapid economic growth and reforms under *doi moi* (literally 'restoration'). The mortality rate of infants and children under five years of age has halved since 1990. Average life expectancy has increased from 49 years in 1970 to 75 years today. Vietnam could achieve all MDGs by 2015 with increased effort in access to sanitation and HIV prevention and treatment. Just more than half of Vietnam's population has access to adequate sanitation and HIV rates are increasing, not falling.

While overall poverty rates have improved (from 58 per cent in 1993 to 13.8 per cent in 2010), many people have missed the economic opportunities of recent years. There are still 37 million people living on less than US\$2 a day in Vietnam. A third of these live in extreme poverty—less than US\$1.25 a day. Vietnam's poor are typically poorly educated, reliant on agriculture and live in remote locations where there are few services. This segment of the population includes ethnic minorities at disproportionate levels. Older women, especially in rural areas, are overrepresented among the poor. The gender gap among ethnic minorities is wide: roughly 20 per cent of ethnic minority young women have never attended school.

An economy in transition

In 2010, Vietnam joined the ranks of lower middle income countries. It hopes to become a higher income industrial economy and to reduce poverty rates to a single digit level within the next decade. But the experience of other countries shows that achieving middle income status is often followed by sluggish growth and increased inequality. The most critical constraints to Vietnam becoming an industrialised country are infrastructure, human resources and institutional weaknesses. These constraints have been repeatedly identified by the Government of Vietnam, donors and the international business community.

Vietnam's rapid economic growth has resulted in serious transport bottlenecks and infrastructure investment needs beyond the government's own resources. In addition, many Vietnamese still live in remote and rural areas with little access to services and markets. For example, the full potential of the Mekong Delta, with its dense population and vast agricultural and industrial potential, is not being realised because the complex infrastructure needed to traverse its geography remains under-developed. The World Economic Forum's 2010 Global Enabling Trade Report rated Vietnam 103 out of 125 countries for availability and quality of transport infrastructure.

While Vietnam has met the numerical target for education, the quality of education, especially at tertiary level, is low. Only 14 per cent of tertiary-level academic staff have doctorates. In turn, only one-quarter of high school graduates pursue tertiary study and most who do are not equipped with skills to meet market

demands. Skilling up Vietnam's youth, who account for more than 60 per cent of the population, is critical for economic competitiveness and a more effective public sector.

Vietnam needs to modernise its institutions to support the reforms necessary to progress through middle income years. Ineffective and bureaucratic institutions discourage investment and impede the dynamism needed for Vietnam to further integrate into the global economy. As the country continues to integrate into the global economy, it needs to implement reforms in areas like finance, banking, industry, state-owned enterprises, competition policy and land policy. Vietnam also needs to become resilient to global shocks as a result of increased integration into the world economy. Whilst Vietnam has made significant progress in recent years to develop the legal framework and institutional structure for anti-corruption, corruption remains an issue and has the potential to undermine Vietnam's reform and development efforts.

Environmental sustainability

Vietnam is one of the most disaster-prone countries in the world with around 70 per cent of its population at risk of typhoons, torrential storms and flooding. In 2009 alone, more than US\$1.3 billion was lost to natural disasters, with 454 recorded deaths. This is projected to get worse with the impacts of climate change.

Identified as one of the most vulnerable countries in the world to climate change, Vietnam is already experiencing wetter wet seasons, dryer dry seasons, higher intensity rainfall, flash flooding and increased frequency of tropical cyclones. Sea levels have risen 20 cm over the last 50 years, and if they rise by just one metre, more than 11 per cent of Vietnam's coastal population (around 4 million people) could be displaced.

Vietnam's coastal environment, which millions of people depend on for their livelihoods, is under pressure from population growth, deforestation, erosion, flooding and the impacts of climate change. This is having serious impacts on the livelihoods of the poor.

Carbon dioxide emissions quintupled from 1990 to 2007, compared to doubling or less in China, India and Indonesia over the same period. As rapid urbanisation continues, and domestic and industrial energy consumption rises, Vietnam needs to lock in low-carbon growth, including by improving energy efficiency, public transport and cleaner power generation.

Achieving a balance between environmental and economic sustainability is a significant challenge, but critical to sustaining the lives and livelihoods of millions of people in Vietnam and in the region.

MDG 7 regarding environmental sustainability includes targets for access to safe drinking water and basic sanitation. Around one quarter of Vietnam's rural population do not have access to clean water and around half do not have access to hygienic latrines. Further work is needed – especially in rural areas – to provide widespread access to these basic services and meet the Government of Vietnam's MDG 7 targets.

3.2 Australia's national interests

Australia has a national interest in working with Vietnam to overcome poverty. Vietnam is one of our most important and valued regional partners. Australia's trade and investment relations with Vietnam are significant, our defence and security links are growing and our educational partnership continues to strengthen. Vietnam's central role in the region means that its stability and growth is good for regional cooperation, security, trade and prosperity.

Vietnam is a major trading partner for Australia with two-way trade reaching \$6 billion in 2010–11, having grown more than 10 per cent a year over the last decade. Vietnam's rapid economic growth over recent years has increased demand for imported goods, creating significant opportunities for Australian exporters of dairy produce, machinery, metals, petroleum-based products and wheat. As Vietnam's population

approaches 90 million – the thirteenth largest in the world – its value as a trading partner will increase. Vietnam is committed to the long-term objective of global economic integration through its membership in APEC, East Asia Summit, Association of Southeast Asian Nations (ASEAN) Free Trade Agreements, Trans-Pacific Partnership and World Trade Organization.

Vietnam's increasing economic power will also lend weight to its strategic and political influence, further highlighting the value of our ongoing development cooperation.

Vietnam is also a key partner for Australia in tackling a range of transboundary issues, including people and drug trafficking, HIV/AIDS and transnational crime.

Australians and Vietnamese maintain strong personal and institutional connections. Every year around 23 000 Vietnamese students choose to study in Australia. The large Vietnamese community in Australia – numbering around 180 000 – also contributes to this strong connection.

Australia's growing aid program underlines the value Australia places on its partnership with Vietnam. Vietnam will continue to be one of the largest recipients of our official development assistance for 2010–15.

3.3 Capacity to make a difference

Australia continues to make a valuable contribution in Vietnam by building on successes and lessons learned from two decades of bilateral development cooperation. We have notable successes—the design and construction of the My Thuan Bridge, the provision of water and sanitation to 10 million households over the last five years, and the emerging influence of Australian Development Scholarship graduates in policy making, business and academia. These successes, and Vietnam's development trajectory, gives us confidence that more can be achieved during the life of this strategy. Vietnam is a country in transition with a thirst for new ideas. Our assistance focuses on sectors where we have experience and the potential to make a difference. Australia is well placed to provide ideas and knowledge, including in helping Vietnam to tackle a new range of challenges, including climate change and advanced economic reform. Vietnam will need the support of and the benefit of lessons learned from trusted partners, like Australia, to help meet these challenges. Our priorities support Vietnam's national plans for social and economic development.

Australia recognises Vietnam's ownership and leadership of the development agenda. Our aid is increasingly delivered through and helps strengthen the Government of Vietnam's own systems. Australia's aid program builds on already strong relationships with key decision makers and institutions in Vietnam, as well as a history of working in partnership with other multilateral and bilateral donors and non-government organisations.

The Government of Vietnam is a strong leader with significant absorptive capacity. It provides strong leadership in managing the donor community, which works against aid fragmentation. While the portion of Australian aid to Vietnam's gross domestic product is small, we continue to partner with like-minded donors, particularly the multilateral development banks, to maximise our effectiveness and impact.

3.4 Scale and effectiveness

Aid makes up only 4 per cent of gross domestic product in Vietnam. However, with donors committing US\$7.9 billion in official development assistance in 2011 and with increasing donor involvement in policy dialogue, these flows are nevertheless significant. Australia is the sixth largest bilateral donor to Vietnam and the largest bilateral grant donor. This makes our presence important. A number of donors have announced plans to phase-out traditional official development assistance support to Vietnam while others,

including Australia, will stay for some years. Against this background we will need to engage effectively with non-traditional donors whose presence in Vietnam is on the rise.

A significant portion of aid provided to Vietnam is in the form of low interest loans from the Asian Development Bank (ADB), the World Bank and the Japanese and Korean development banks. With Vietnam's transition to middle-income country status, its access to highly concessional ADB and World Bank loans is diminishing. However, it will remain eligible for concessional borrowing from the International Bank for Reconstruction and Development and ADB ordinary capital resources.

An important consideration for Vietnam is to continue improving the way loans are deployed, for example into quality infrastructure where financing is most needed. It is important for donors and the Government of Vietnam to work closely on this to maximise the effectiveness of future investments. This will require a shift from supporting direct service delivery towards long-term partnerships and policy dialogue on emerging challenges.

4 Strategic priorities for Australian aid

4.1 Proposed focus areas and expected outcomes

Our aid program focuses on the areas where Australia can make a difference in responding to Vietnam's development challenges outlined above. Our focus reflects the priority areas that the Government of Vietnam has identified in its Social and Economic Development Strategy 2011–2020. These are the areas where progress is needed for Vietnam to reach its goal of becoming an industrialised country by 2020. Our program's core areas are

- human resource development
- economic integration (including infrastructure)
- environmental sustainability (including climate change and water and sanitation).

These core areas also reflect the five core goals of the Australian aid program

1. saving lives—by increasing access to safe water and sanitation
2. promoting opportunities for all—by providing enhanced leadership, knowledge and technical skills to Vietnamese through development scholarships
3. sustainable economic development—by investing in infrastructure and the opening of markets as well as reducing the negative impacts of climate change
4. effective governance—by helping the Vietnamese Government modernise its institutions so they can support the next stage of the country's development (institutional strengthening is a crosscutting issue for all of Australia's sector programs)
5. humanitarian and disaster response—by supporting Vietnam's efforts to reduce the impacts of natural disasters.

Our bilateral investments are complemented by Australian investments in dealing with transboundary issues such as infectious diseases, avoidable blindness, HIV/AIDS, people trafficking and regional trade integration. Australian Volunteers will continue to make a valuable contribution to building the capacity of individuals, organisations and communities through skills and knowledge exchange.

1. Human resource development

Australia will keep human resource development as a flagship of our development cooperation program to Vietnam.

Our scholarship program will build on a strong record of more than 35 years of investment in improving the credentials of Vietnam's workforce. Scholarships are most effective in countries with an appetite for ideas and information, like Vietnam. The scholarship program will focus support on the strategy's three core areas. This will be complemented by investments to build closer partnerships between Vietnamese and Australian public and private institutions to facilitate knowledge exchange and long-term links. We will continue to achieve gender equality in our scholarships program to empower women to participate in Vietnam's economy, leadership and education upon their return.

2. Economic integration

Australia will assist Vietnam find the innovative solutions needed to finance and construct the hard infrastructure necessary for strong national and regional economic integration. Investments in infrastructure will improve food security, open up markets and improve incomes, employment and enterprise opportunities for poor people in rural and urban areas.

The Mekong Delta will be the geographic focus of this work. Cooperation on the Cao Lanh Bridge, as part of the wider Central Mekong Delta Region Connectivity project, will be a high priority for Australia's aid program. Australia will support design and construction supervision as well as finance a significant portion of the building of the Cao Lanh Bridge. The bridge will be a key transport link from Ho Chi Minh City through the Delta, linking to the Southern Coastal Corridor which leads through to Thailand. It is expected to directly benefit five million people and provide improved transport facilities for 170 000 road users daily within five years of completion. Australia will work closely with the Asian Development Bank and the Government of Vietnam to ensure that social safeguards, particularly resettlement, are given appropriate attention.

In addition to supporting improvement of Vietnam's major transport corridors, Australia will continue to assist in upgrading rural transport infrastructure (canals, rural roads and bridges), connecting farms to markets, to improve the incomes of the rural poor.

On infrastructure, Australia will advocate more for greater private sector involvement in delivering infrastructure. Australia's infrastructure support will incorporate key priorities such as climate change resilience, HIV transmission mitigation, gender equality and use of innovative financing arrangements, such as public – private partnerships.

Australia will complement these infrastructure investments with support for economic policy and institutional reform. Implementing reforms in areas such as finance, banking, industry, state owned enterprises, competition policy and land policy will strengthen the policy framework and institutions essential to the proper functioning of a globally integrated economy. In the area of trade this means support for evidence-based policy as well as legal and regulatory reforms in areas that will improve Vietnam's competitiveness and productivity, supporting its ongoing transition to a market economy.

Australia's flagship investment in this area is the Beyond World Trade Organization (BWTO) Program, which is helping Vietnam take advantage of the opportunities, and manage the challenges, of its integration into the global economy. The program supports reviews, analysis and research that are being used to inform Government-led reforms in areas such as competition policy, state owned enterprises, and land management. The program is also building the capacity of key Vietnamese institutions that are implementing the reform agenda by training key officials. In addition, the program is helping the rural sector adjust by funding market analysis that identifies new opportunities for farmers and workers who have been negatively impacted by economic integration.

As a member of the Association of South East Asian Nations (ASEAN), East Asia Summit (EAS) and Asia-Pacific Economic Cooperation (APEC), and a signatory of the ASEAN – Australia – New Zealand Free Trade Agreement (AANZFTA), Vietnam will also benefit from our regional programs to promote greater regional integration in areas such as trade and finance, through technical assistance and capacity building for the ASEAN and APEC Secretariats and member countries.

At a sub-regional level, Australia will continue to cooperate with the ADB and the governments of the Greater Mekong Subregion to improve Mekong trade and transport facilitation through activities such as capacity building for border officials and relevant line agencies. This builds on our support to the Cross Border Transport Agreement, designed to free the legal movement of people and goods across borders in the subregion by streamlining licensing, customs, quarantine and immigration procedures. Australia will also support work to address the serious issues of people trafficking and HIV/AIDS transmission

regionally. If not dealt with in parallel with regional integration investments and reforms, these issues could become more serious as more people and goods move through the region.

3. Environmental sustainability

Sound investments in ensuring environmental sustainability (MDG 7) will help Vietnam navigate through its middle-income years. Australia's environmental sustainability work covers water and sanitation and climate change. This is complemented by the Australian Centre for International Agricultural Research's work on technical and agribusiness research in Vietnam.

Australia has invested heavily in water and sanitation for more than two decades with positive results. While much progress has been made, challenges remain. More work is needed to reach the MDG 7 targets set by the Government of Vietnam—increasing the proportion of the rural population with access to clean water to 85 per cent and with access to basic sanitation to 65 per cent. It is estimated that only 52 per cent of the population has access to safe sanitation. We will continue to play a lead role in supporting Vietnam's National Rural Water Supply and Sanitation Program to increase access to safe water and sanitation and, in doing so, improve public health and save lives. Australia will also continue to focus on improving financial management, planning and oversight in this sector.

Australian assistance will help Vietnam adapt to a changing climate and reduce greenhouse gas emissions in line with global efforts. Our support will help reduce the negative impacts of climate change and other environmental factors on poor people. Climate change assistance is a new area of Australian support for Vietnam.

On adaptation, Australia will build on previous success in disaster risk reduction in Vietnam and continue to work with Germany in the Mekong Delta to preserve biodiversity and help communities establish sustainable livelihoods. On mitigation, Australia will support Vietnam's transition to low-carbon development, to reduce emissions and improve energy security and the sustainable use of resources. On policy reform in the energy and infrastructure sectors, we will apply our knowledge and experience to help Vietnam 'get the settings right' for low carbon development.

At a regional level Australia will continue to work with regional governments and multilateral organisations, including the Mekong River Commission, to help improve management of the river basin's water resources. The intersection of climate change and river basin management is important to this work.

4.2 Program approaches and ways of working

The *Australia – Vietnam Joint Aid Program Strategy 2010–2015* will build on the successes of the current program's delivery while recognising that some changes in emphasis and direction are required to meet emerging challenges. The key aspects of Australia's approach to providing aid over the life of this strategy are described below, as well as an outline of how we will work with program partners to achieve the most effective outcomes and value for money.

High-level policy engagement: Engaging in key policy areas underlying Vietnam's vision to become fully industrialised by 2020 will help build stronger, more effective institutions. Consistent with the Australia – Vietnam Comprehensive Partnership, we will become more engaged in policy areas like public financial management and economic reform, infrastructure policy, gender equality and environment policy.

Fostering relationships: Fostering people-to-people and institutional links between Vietnam and Australia will grow in importance. Both countries recognise that fostering relationships requires significant

time and effort, but these relationships will form the bedrock of the partnership and will remain relevant long after the transition from a traditional aid partnership.

Supporting anti-corruption: Australia will continue to support anti-corruption through our program in Vietnam. Australia will bring together anti-corruption policy makers and practitioners from Australia and Vietnam to strengthen Vietnam's fight against corruption, and actively participate in annual high-level Anti-corruption Dialogues between the Government of Vietnam and donors to discuss key corruption issues and solutions. We will continue working in partnership with the World Bank and Vietnam's Ministry of Finance to improve public financial management including accountability of public asset management. We will continue to share our best practice approaches to minimising corruption risks in aid program delivery. For example, in the water sector, we made a tangible contribution to better practices and transparency by supporting the State Audit of Vietnam to conduct value for money audits of the national target program for water and sanitation.

Supporting gender equality: Incorporating gender equality in the program will ensure development outcomes are achieved. Equal opportunity for women and men supports economic growth and helps to reduce poverty, key goals for our aid to Vietnam. Specifically, Australia's aid program to Vietnam will support gender equality in scholarships, save the lives of rural women through the provision of clean water and sanitation, and empower women to participate in the economy through investments in infrastructure and economic reform.

Working with government systems: Harmonising Australia's support with other donors and aligning our work with Vietnam's systems and programs will continue to define the way we deliver assistance in Vietnam. Working through partner government systems improves the efficiency and effectiveness of all resources available for the delivery of services, including those of the partner government.

Program partners

Strengthening partnerships between Australian and Vietnamese counterparts will be critical to our aid effectiveness in Vietnam. Beyond this, AusAID will continue to work with Australian Government bodies, education and research institutions, the private sector and NGOs. These partners have a wealth of knowledge and experience based on a long history of cooperation in Vietnam. They will continue to help Vietnam achieve its goal of industrialisation by 2020 through more reforms in the public sector, the private sector and civil society.

Targeted use of non-government organisation capacity: NGOs have long been active in Vietnam's development, including by working with local civil society to deliver projects at community level. Throughout the period of this strategy, there will be more scope to engage international and local NGOs on policy issues and in program implementation, particularly with climate change. AusAID is developing a regional platform to maximise the effectiveness of activities and relationships between AusAID and NGOs. This will provide a new mechanism for us to partner with Australian, international and local NGOs in implementing our aid program in Vietnam.

Working closely with other donors: Australia supports a number of international partnerships with bilateral and multilateral development organisations working in Vietnam. Our country-level partnership with the World Bank and co-financing of transport infrastructure projects with the ADB enables joint analytical work and larger resource flows to shared priorities. Australia also has formal agreements with bilateral donors such as Germany (climate change) and works in partnership with donors such as the United Kingdom and Denmark (water supply and sanitation) to deliver selected sector programs. Collaborating with donors improves the efficiency and effectiveness of development activities, making the

best use of limited resources, avoiding duplication and making liaison easier for the Vietnamese Government.

5 Program performance and risk management

5.1 What will success look like at the end of strategy

By the end of the strategy (2015) the following will have been achieved:

1. **Human resources capacity will be stronger:** An additional 1380 Vietnamese will have received tertiary education in Australia. New partnership links will have been established and existing links between Vietnamese and Australian institutions will have been strengthened.
2. **Vietnam will be more closely integrated with the region:** The Mekong Delta will have better transport infrastructure, lowering the operating costs of travel and the travel time needed to access key local and regional markets.
3. **Access to water and sanitation will steadily improve:** The incidence of water-borne diseases will have decreased.
4. **Actions to address the impacts of climate change will have progressed:** The Government of Vietnam will have developed a climate change response that builds resilience in vulnerable communities and enables adaptation planning, by improving understanding of climate change impacts and identifying practical approaches to adapt.

5.2 Performance assessment framework

This strategy's performance assessment framework to 2015 (Table 1) identifies the Government of Vietnam's development goals supported by this strategy (column 1). It also identifies the associated strategy objective (column 2) and 2015 targets (column 3). These will contribute to the headline results in Tier 2 of the results framework in *Australia's Comprehensive Aid Policy Framework to 2015–16*, which articulates the contribution of Australian aid to development outcomes in our partner countries.

Table 1: Indicative objectives for the *Australia – Vietnam Joint Aid Program Strategy 2010–2015* and associated Government of Vietnam development goals

Government of Vietnam development goal	AusAID's strategy objective	AusAID's strategy objective targets 2015
1. HUMAN RESOURCE DEVELOPMENT		
Meet human resource needs associated with progression to industrialised country by 2020	1. Improve the quality of Vietnam's human resources	<ul style="list-style-type: none"> > deliver 1380 scholarships and 300 fellowships > increase number and strength of links between public sector institutions > increase contribution of scholarship alumni and institutional links to meeting Vietnam development challenges
2. ECONOMIC INTEGRATION		
Increase economic activity in targeted regions (including cross-border)	2. Develop better transport infrastructure and policy to support economic integration	<ul style="list-style-type: none"> > improved transport infrastructure, facilitating better access to markets for more people in Mekong communities > higher traffic volume, lower operating costs and travel time on targeted transport corridors > evidence-based policy approaches to enhance opportunities and address challenges associated with economic integration
3. ENVIRONMENTAL SUSTAINABILITY		
Reduce incidence of water-borne diseases	3. Increase rural access to clean water and hygienic sanitation	<ul style="list-style-type: none"> > target 85% rural clean water access > target 65% rural hygienic sanitation access
Reduce human, economic and environmental losses associated with climate change, including natural disasters	4. Advance climate change adaptation and mitigation (focusing on Mekong Delta)	<ul style="list-style-type: none"> > 750,000 people assisted to build their resilience to climate change and weather-based disasters > improved quality of sea-dykes and mangrove belts in the south-west Mekong Delta > incorporate climate resilience into all new infrastructure support activities > greenhouse gas emission reduction through improved energy efficiency, adoption of clean technologies and agricultural production.

5.3 Risk management

Four main risks might prevent or inhibit delivery of this strategy's objectives. These risks and the measures for managing them are described here.

1. **Effectiveness of the reform process:** International economic instability may hinder Vietnam's reform process. Weak capacity in certain parts of government, including at local level, may also inhibit the progress of critical reforms. Australia will manage these risks by keeping up-to-date on the evolving context in which the development program is being implemented in Vietnam. This will include reviewing regular updates of analyses on Vietnam, and keeping abreast of international events. Australia will also work in partnership with other donors, such as the World Bank, and government agencies to support economic and other policy reform programs.
2. **Australia unable to meet the challenges of implementing a larger and changing aid program in Vietnam:** As Australia's development partnership with Vietnam matures and expands this increases demand on AusAID resources. AusAID will maintain program quality by ensuring adequate management resources and technical expertise (local, Australian and international).
3. **Implementation of environmental and social safeguards on major infrastructure activities does not comply with Australian obligations:** AusAID will work closely with the Government of Vietnam and development partners like the World Bank and the ADB to ensure environmental safeguards are given due attention, in line with our obligations under the *Environment Protection and Biodiversity Conservation Act 1999* (Cwlth). AusAID will ensure that all project stakeholders give due attention to social safeguards, including resettlement. We will monitor these issues closely and provide additional technical expertise to partners if required. Attention to environmental and social safeguards will be given throughout all major infrastructure projects with Australian financing, during design, implementation and monitoring.
4. **Increased incidence of corruption:** Australia takes a zero tolerance approach to corruption and fraud. Controlling this risk is critical for the effectiveness and accountability of Australia's aid program in Vietnam. We will regularly review our own systems and processes to identify weaknesses and reduce opportunities for corruption. We will provide technical expertise in public financial management and undertake joint fiduciary risk assessments with multilateral organisation and bilateral partners at national and provincial levels. In cooperation with other donors, we will also engage with the Government of Vietnam on implementing its National Anti-Corruption Strategy to 2020.

6 References

Vietnam is the subject of much research and analysis. Sources informing the development of this strategy include:

- AusAID, *Vietnam Annual Program Performance Reports, 2007–2010*
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