

**POLICY DIALOGUE ON AID FOR TRADE**

# **MANAGING AID FOR TRADE AND DEVELOPMENT RESULTS**

## **Vietnam Case Study**



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## **VIETNAM CASE STUDY<sup>1</sup>**

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<sup>1</sup> This study was commissioned by the OECD and undertaken by a group of Vietnamese consultants, Vu Quoc Huy, Tran Hung and Phung Van Quan, under the guidance and supervision of Cao Manh Cuong, Deputy Director General of the Foreign Economic Relations Department of the Ministry of Planning and Investment of Viet Nam. The authors would like to express sincere thanks to Bryan Fornari, Deputy Head of Co-operation, EU Viet Nam Office, Frans Lammersen and his team at the OECD, and those who participated in the Consultation Meeting on 18 June 2012, as well as the agencies interviewed for their valuable support and comments.

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## ABBREVIATIONS

ADB	Asian Development Bank
AEF	Aid Effectiveness Forum
AfT	Aid for Trade
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Government Overseas Aid Programme
BPD	Busan Partnership Document
BS	Budget support
CG	Consultative Group
CPS	Country Partnership Strategy
CRS	Creditor Reporting System
CSO	Civil society organisation
FDI	Foreign direct investment
FTA	Free trade agreement
GAP	Government Action Plan
GIZ	Deutsche Gesellschaft für Zusammenarbeit
GoV	Government of Viet Nam
GDP	Gross domestic product
GSO	General Statistics Office
HCS	Hanoi Core Statement on Aid Effectiveness
JICA	Japan International Cooperation Agency
LMDG	Like Minded Donor Group
M&E	Monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development
MfDR	Managing for Development Results
MIC	Middle income country
MOIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Investment
MOF	Ministry of Finance
MUTRAP	Multilateral Trade Assistance Project (EU)
ODA	Official development assistance
OSF	Five-year Strategic Frameworks for ODA Mobilisation and Utilisation
PM	Prime Minister
PD	Paris Declaration on Aid Effectiveness
SBV	State Bank of Viet Nam
SECO	Swiss Economic Development Cooperation
SEDP	Socio-Economic Development Plan
SEDS	Socio-Economic Development Strategy
SMEs	Small and medium-sized enterprises
SOE	State-owned enterprise
TA	Technical assistance
TRA	Trade-related assistance
VBF	Vietnam Business Forum
VCCI	Viet Nam Chamber of Commerce and Industry
VIETRADE	Viet Nam Trade Promotion Agency
VND	Vietnamese Dong
VPD	Viet Nam Partnership Document
WB	World Bank
WB-IDA	World Bank-International Development Association
WTO	World Trade Organization

## EXECUTIVE SUMMARY

This study has been conducted under an initiative launched by the OECD and the World Trade Organization (OECD/WTO) in 2012 as part of their efforts to introduce and strengthen meaningful and comparable results frameworks for aid for trade (AfT) by developing a set of AfT intervention logics with quantifiable targets and a menu of indicators to measure development results. Viet Nam is one of six countries participating in this initiative, along with Bangladesh, Colombia, Ghana, Rwanda and the Solomon Islands.

The study reviews Viet Nam's economic development and its trade performance in the last two decades, as the country has moved to a market-based economy and opened up to the world. It highlights key challenges the country is facing at this new stage of development

Viet Nam's economic growth performance in the last two decades can be considered one of the most spectacular in the developing world. In the past two and half decades the country has achieved an average annual growth rate of around 7%. The main reason is its adoption and implementation of market reforms and opening to the world economy. Despite impressive achievements in growth, trade and development during the last two decades, Viet Nam faces a number of trade-related problems and constraints. Underdeveloped infrastructure, weak capacity to handle new and complicated management issues, relatively high costs of doing business, and a low level of skills are among the constraints it needs to overcome to ensure sustained development.

Viet Nam has a clear vision for bringing the development agenda forward. The ten-year Socio-Economic Development Strategy (SEDS) and the five-year Socio-Economic Development Plans (SEDPs) at national, sectoral and provincial levels are very important policy documents in regard to realising this vision and giving directions for implementation. Their goals and objectives are good but ambitious, as the resources and instruments for achieving them are not comparable. Co-ordination has been improving, but remains inadequate. The monitoring and evaluation of the SEDP in general, and public investment resources in particular, have been established in recent years but are still far from success due to the decentralised public management systems, the complexity of performance indicators, and the capacity for collecting quality data in a timely, reliable and consistent manner. Though awareness has been raised thanks to support through technical assistance by development partners like the Asian Development Bank (ADB), Belgium and the UN Development Programme (UNDP), monitoring and evaluation of the SEDP using Managing for Development Results (MfDR) are seen as more popular at the national level than at the sectoral and sub-national level due to lack of knowledge, methodologies and technical skills and capacity and resources constraints. Local planning authorities seem less enthusiastic about adopting a results-based approach in their work due to the complexity of the concept, the costs and time requirements of data collection, and possible inconsistencies between data concepts at the national and local level in some cases.

The year 2006 is regarded as the starting point for the adoption of MfDR by the Government of Viet Nam, in order to monitor and evaluate the SEDP 2006-10 through the issuance of Decision 555 of the Ministry of Planning and Investment. The technical guidance manual for sub-national levels was then developed and applied in pilot provinces. The results-based approach was also piloted in a number of line ministries, such as the Ministry of Agriculture and Rural Development (MARD) and Ministry of Industry



and Trade (MOIT) with an encouraging start and possible replication for a future results-based management framework, in particular for aid for trade.

This report also reviews donor assistance to Viet Nam in the last two decades. It is well recognised that the international donor community has contributed significantly to the successful transformation of Viet Nam. From the early 1990s, when official development assistance (ODA) was resumed, Viet Nam has received sizeable support from the donor community. Donors' alignment with the government's strategy has been well received, but requires a more effective and flexible mechanism so that the comparative advantages of each donor can be fully exploited and co-ordination and harmonisation become smoother. The Aid Effectiveness Forum can be a good platform to provide further support and strengthening for such co-operation. Many donor projects have successfully applied the intervention logics in project design, implementation, and monitoring and evaluation. There is, however, a missing link between the "intermediate outcomes" and "final outcomes" of these projects. Closing this gap and making the results-based framework more visible and effective is essential to improve the development outcomes of donors' efforts. From the government's perspective, there is a need to improve institutional capacity for mainstreaming the results-based framework in national development planning in general and aid for trade in particular.

As a concrete step towards introducing and strengthening meaningful and comparable results frameworks for aid for trade, this report recommends the following activities as a follow-up to the study:

### ***Working with the government***

1. Work closely with the Aid Effectiveness Forum on possible implementation of the new results-based framework paradigm to ensure better co-ordination and alignment of donors' activities with the government's development strategy;
  - Work with appropriate government agencies to integrate the results-based framework into the New Government Action Plan for International Economic Integration, making the role of aid for trade more visible in this important policy document and developing a system of monitoring and evaluation;
  - Support the drafting of an International Economic Integration Strategy Paper, introducing the new concepts of trade, value for trade, aid for trade and the results-based framework paradigm into this strategic policy document;
  - Consider the possibility of working with the Ministry of Planning and Investment (MPI) in developing a monitoring and evaluation (M&E) framework for the Socio-Economic Development Plan 2011-15, based on experience with M&E in 2006-11;
2. Work with the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Industry and Trade (MOIT) as pilot cases to improve their policy documents: reinforcing the results-based framework, applying a set of indicators and results chains for these policy documents;
  - Work with MPI to incorporate the OECD Aft categories coding system into the new ODA database in order to track and co-ordinate aid for trade, along with development assistance for other purposes;

- Work with the General Statistics Office (GSO) to incorporate aid for trade indicators into the approved set of national statistical data to ensure the availability, quality and reliability of verifiable information.

### ***Working with the donor community***

- Work closely with the Aid Effectiveness Forum, donor groupings, the Vietnam Business Forum (VBF) and the Viet Nam Chamber of Commerce (VCCI) to strengthen dialogues and co-ordination and monitor progress in implementing AfT strategy;
- Work with selected donors on reinforcing the results-based framework at all levels: country and projects. Potential partners for collaboration include AusAID, the EU, Finland, GIZ, Swiss Economic Development Cooperation (SECO) and USAID;
- For trade policy projects such as MUTRAP IV and STAR Plus: introduce the new OECD framework to strengthen their existing results-based framework (moving from intervention logics to outcomes linkages: different outcomes levels with different projects);
- For infrastructure/building capacity projects: introducing the new OECD results-based framework by strengthening the link between the “intermediate outcomes” and “final outcomes” in these projects.

## INTRODUCTION

Viet Nam is a country in transition. During the last three decades it has experienced a dramatic transformation, moving from a traditional centrally planned economy, isolated from most of the world, towards a more open, market-oriented economy. The status of Viet Nam has just changed from a less developed country to a new lower middle income country (MIC). One of the most striking features of the country's transformation has been its rapid growth, impressive expansion of trade and investment with the rest of the world, and significant poverty reduction. Viet Nam has achieved an average growth rate of more than 7% per annum in the last two decades. Both exports and imports grew by around 20% per annum on average during this period. Foreign direct investment (FDI) grew from nearly USD 1 billion in 1990 to 20 billion in 2010. At the same time, poverty has been reduced significantly, from 58% in 1993 to 14.5% in 2008. During this period the country has deepened its economic integration with the world, engaging in a number of bilateral, multilateral and regional trade and investment activities. This has helped expand its trade and investment linkages, facilitate domestic reforms, and improve governance and the competitiveness of the economy.

The international donor community has contributed significantly to this successful transformation of Viet Nam. From the early 1990s, when official development assistance (ODA) resumed, Viet Nam has received sizeable support from the donor community. This support has taken many forms: from technical assistance (TA) to lending and budget support (BS). Trade, on the other hand, has been an engine of growth for the country in the last two decades. Viet Nam belongs to a group of countries that have a high level of trade openness, measured by total trade to GDP. It is also a country where trade liberalisation so far has a stronger employment effect with a limited adverse impact.

Despite impressive achievements in the last two and half decades, as a country in transition Viet Nam faces a number of challenges in coming years to ensure sustainable development. The serious macroeconomic turbulence it experienced after its WTO accession, when inflation reached the record level of 23% per annum in 2008, concerns about the effectiveness of the state sector and public investment, and continuing trade deficits are just a few examples that demonstrate how serious and real these challenges are. In addition, Viet Nam faces a number of governance issues and supply-side bottlenecks. There is an intensive debate over the effectiveness of both public investment and ODA in Viet Nam at the moment, as it is facing the major challenge of restructuring its economy, the banking system and state-owned enterprises (SOEs).

A results-based management approach carefully designed to reflect the link between resources, activities, objectives and performance indicators within a coherent, consistent framework, in this context, could help to better monitor and evaluate ODA and public resources utilisation for development objectives, and hence improve the competitiveness and sustainability of the economy as a whole and the effectiveness of ODA and AfT in particular.

This report uses a results-based management approach initiated by the OECD/WTO in their efforts to introduce and strengthen meaningful and comparable results frameworks for AfT by developing a set of AfT intervention logics with quantifiable targets and a menu of indicators to measure results. The existing mechanism of managing development results in national development planning, as well as in the donors'

AfT in Viet Nam, are examined and some recommendations for introducing and strengthening the results-based management framework are made.

The report is organised as follows. Section 1 reviews Viet Nam's economic development and its trade performance in the last two decades, as the country has moved to a market-based economy and opened up to the world. This section also highlights key challenges it faces at this new stage of development and how the country's development strategy has been designed to deal with these challenges. Section 2 looks at donor assistance to Viet Nam in the last two decades, since ODA resumed in the early of 1990s, assessing its contribution to the country's development and its alignment and co-ordination with Viet Nam's development objectives and vision. Section 3 reviews the existing mechanism of managing development results in the context of the country's development planning. It shows, in particular, that an encouraging start in this area has been made in the national five-year Socio-Economic Development Plans, as well as through some sectoral planning at the ministerial level. Donors' efforts in this area are also examined through interviews and field visits. However, this section also shows that much needs to be done before an effective results-based framework for development results can be introduced and institutionalised. Finally, Section 4 provides some specific recommendations to both the government and donors to join their efforts in order to establish a much needed Managing for Development Results framework.

## 1. VIET NAM'S ECONOMIC DEVELOPMENT, TRADE PERFORMANCE, POLICIES AND CHALLENGES

### 1.1. Viet Nam's impressive record of growth, trade and development

Viet Nam's economic growth performance in the last two decades can be considered one of the most spectacular in the developing world. During the past two and half decades the country has achieved an average annual growth rate of around 7%. The main reason for this growth is its adoption and implementation of market reforms and opening to the world economy.

Table 1 shows the annual growth rate of GDP and its components by sectors (agriculture, industry and services) in the period 1990-2008. Viet Nam had one of the highest economic annual growth rates in the world. Industry is the fastest growing sector, while agriculture is the slowest despite its impressive average annual growth rate of 4%. Industry's share in total GDP increased from 25.2% in 1990 to 41.6% in 2010. Both the agriculture and service sectors have seen their shares in GDP decline. Agriculture, in particular, has lost its relative importance in GDP, as its share dropped from nearly 32% in 1990 to 20.6% in 2010. This rapid decline of the agriculture sector's share in GDP is a clear indicator of the country's strong pace of industrialisation.

The annual growth rate of industrial output accelerated from 13.4% in the period 1996-1999 to 22% during the last ten years. The manufacturing sub-sector grew much faster than the mining sub-sector and those sectors which are technically more advanced, such as electronic equipment; computer and communication equipment tended to show higher output growth rates than the others. Export-oriented industries such as garments and footwear showed even stronger growth in the early years of the decade, before the global financial crisis in 2008 (Vu, 2008). Therefore, in terms of output growth, Viet Nam succeeded in taking bold steps towards industrialisation and modernisation. A temporary drop in the industrial sector's share in 2010-11 reflects the macroeconomic turbulence the economy has experienced in recent years due to both external and internal factors (*e.g.* the global financial crisis and domestic problems with the banking sector and SOEs).

**Table 1. GDP Growth Rate and Composition, 1990-2011**

Year	Annual growth rate (%)				Share in GDP (%)		
	GDP	Agriculture	Industry	Service	Agriculture	Industry	Service
1990-99	7.4	3.9	10.6	7.7	30.2	28.9	40.9
2000	6.8	4.6	10.1	5.3	24.5	36.7	38.7
2001	6.9	3.0	10.4	6.1	23.2	38.1	38.6
2002	7.1	4.2	9.5	6.5	23.0	38.5	38.5
2003	7.3	3.6	10.5	6.5	22.5	39.5	38.0
2004	7.8	4.4	10.2	7.3	21.8	40.2	38.0
2005	8.4	4.0	10.7	8.5	21.0	41.5	37.5
2006	8.2	3.7	10.4	8.3	20.4	42.0	37.6

2007	8.5	3.8	10.2	8.8	20.3	42.0	37.7
2008	6.2	4.1	6.1	7.2	22.2	40.4	37.4
2009	5.3	1.8	5.5	6.6	20.9	40.8	38.3
2010	6.8	2.8	7.7	7.5	20.6	41.6	37.8
2011	5.9	4.0	5.5	7.0	22.0	40.8	37.2

Source: General Statistics Office (2012)

Trade, on the other hand, has been an engine of growth for Viet Nam in the last two decades. Its total volume of trade with the world increased from USD 5 billion in 1990 to as much as USD 205 billion in 2011, of which USD 97 billion in exports and USD 107 billion in imports. All major trading partners, including ASEAN, China, the EU, Japan, the Republic of Korea and the United States, have seen their trading links with Viet Nam grow rapidly (Table 2). The total volume of trade between Viet Nam and the United States, for example, increased from just USD 730 million in 2001 to USD 17 billion in 2011 (GSO, 2012). This surge in trade is a result of the bilateral trade agreement the two countries signed in 2001, which provides better market access for Vietnamese goods and facilitates domestic reforms to improve Viet Nam's business environment and competitiveness (STAR, 2009).

**Table 2. Viet Nam's trade with key trading partners, 2005-2011 (USD million)**

	2005	2006	2007	2008	2009	2010	2011
<b>Imports (total annual growth rate, %)</b>	<b>15.0</b>	<b>22.0</b>	<b>39.9</b>	<b>28.5</b>	<b>-14.7</b>	<b>22.1</b>	<b>15.0</b>
ASEAN	9 326	12 547	15 908	19 568	16 461	16 408	20 900
EU	2 581	3 129	5 142	5 582	5 343	6 362	7 500
Chinese Tapei	4 304	4 825	6 947	8 363	6 113	6 977	8 557
Republic of Korea	3 594	3 908	5 340	7 255	6 708	9 761	13 176
Hong Kong, China	1 235	1 441	1 951	2 633	2 121	860	970
Japan	4 074	4 702	6 189	8 240	6 836	9 016	10 400
China	5 900	7 391	12 710	15 974	15 411	20 019	24 594
United States	863	987	1 701	2 647	2 711	3 767	4 529
<b>Exports (total annual growth rate, %)</b>	<b>22.3</b>	<b>22.8</b>	<b>22.1</b>	<b>29.0</b>	<b>-9.7</b>	<b>26.5</b>	<b>22.3</b>
ASEAN	5 744	6 633	8 110	10 338	8 761	10 351	13 600
EU	5 517	7 094	9 096	10 896	9 402	11 386	16 500
Chinese Tapei	935	969	1 139	1 401	1 121	1 443	1 843
Republic of Korea	664	843	1 243	1 794	2 078	3 092	4 715
Hong Kong, China	353	453	583	877	1 034	1 464	2 206
Japan	4 340	5 240	6 090	8 468	6 336	7 728	10 781
China	3 228	3 243	3 646	4 850	5 403	7 309	11 125
United States	5 924	7 845	10 105	11 887	11 407	14 238	16 928

Source: General Statistics Office (2011)

Viet Nam not only increased its trade volume, but also shows great improvement in diversifying its commodity exports' composition and market destination. The export diversification index, measured by the Herfindahl-Hirschman Index concentration ratio, fell from 0.033 in 2000 to 0.016 in 2010. The export diversification index within each major export market also improved in recent years (Table 3). Recent trade data show that Viet Nam is starting to gain a significant position in the global electronics production

network with the presence of Intel, Samsung and others in the country helping to increase both exports and imports of these products and their components (Vu *et al.*, 2012).

**Table 3. Export diversification index, measured by the Herfindahl-Hirschman concentration ratio, 2000-2010**

Year	All Viet Nam's exports	ASEAN	China	EU12	Japan	Republic of Korea	United States
2000	0.033	0.288	0.630	0.218	0.122	0.078	0.160
2001	0.030	0.293	0.549	0.231	0.104	0.088	0.198
2002	0.027	0.265	0.465	0.234	0.096	0.100	0.129
2003	0.028	0.293	0.378	0.224	0.097	0.077	0.162
2004	0.027	0.299	0.496	0.196	0.096	0.069	0.143
2005	0.028	0.334	0.436	0.178	0.099	0.068	0.122
2006	0.025	0.292	0.217	0.140	0.096	0.066	0.114
2007	0.022	0.227	0.170	0.125	0.100	0.073	0.117
2008	0.020	0.164	0.200	0.128	0.143	0.066	0.116
2009	0.017	0.160	0.173	0.117	0.094	0.092	0.119
2010	0.016	0.119	0.141	0.113	0.087	0.077	0.115

Source: Authors' calculations using Global Trade Information Services (GTIS) data.

## 1.2. Major trade-related problems and constraints

Despite Viet Nam's achievements in growth, trade and development during the last two decades, it faces a number of trade-related problems and constraints. Its future development and trade performance, in particular, will depend on how successfully the country can deal with these constraints. The Socio-Economic Development Strategy (SEDS) has pointed out that:

*There remain limitations and inefficiency in the planning, mobilisation and utilisation of resources; investments are scattered; there are many weaknesses in state management.... Economic growth relies greatly on extensive factors and the shift to intensive development remains slow..... Problems with market economy institutions, human resources quality and infrastructure continue to be bottlenecks to development (SEDS, 2011).*

Many of these weaknesses are revealed in the World Bank's *Doing Business 2013* report, as shown in Table 4. The Ease of Doing Business index measures an economy's business environment based on ten topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. There has been encouraging improvement in making doing business easier in Viet Nam in the last couple of years. The time required to start a business fell from 39 days in 2010 to 34 days in 2012. Costs of doing business (*e.g.* business registration, getting construction permits, electricity) all fell substantially (Table 4). Transportation costs for imports also declined from USD 645 per container in 2010 to USD 600 in 2012. Despite this progress, Viet Nam still lags behind other countries in the region in regard to most indicators. While many improvements were observed in Viet Nam in recent years in terms of simplifying export-import procedures, the time spent on some these activities remains high for the region. It requires on average 21 days for exports and the same for imports. While the cost to import has been reduced and is quite low compared to other countries in the region, the cost to export remains relatively high, increasing from USD 555 per container in 2010 to USD 610 in 2012 (Table 4).

**Table 4. Time and cost of doing business in Viet Nam (2010, 2012) and other selected countries (2012)**

	Indonesia	Malaysia	Philippines	Thailand	Viet Nam 2012	Viet Nam 2010

<i>Starting a business</i>						
Time (days)	47	6	36	29	34	39
Cost (% of income per capita)	22.7	15.1	18.1	6.7	8.7	13.3
<i>Dealing with construction permits</i>						
Time (days)	158	140	84	157	110	110
Cost (% of income per capita)	95	17.5	103	9.2	67.3	110.8
<i>Getting electricity</i>						
Time (days)	108	46	50	35	115	115
Cost (% of income per capita)	1244	53.9	833	75.3	1 988	3274
<i>Registering property</i>						
Time (days)	22	14	39	2	57	57
Cost (% of property value)	10.8	3.3	4.8	6.3	0.6	1.1
<i>Paying taxes</i>						
Time (hours per year)	259	133	193	264	8 72	1050
Total tax rate (% profit)	34.5	24.5	46.6	37.6	34.5	40.1
<i>Trading across borders</i>						
Time to export (days)	17	11	15	14	21	22
Cost to export (USD per container)	644	435	585	585	610	555
Time to import (days)	23	8	14	13	21	21
Cost to import (USD per container)	660	420	660	750	600	645

Source: World Bank (2013).

Viet Nam's global competitiveness also needs improvement. Its ranking in the *Global Competitiveness Report* dropped from 59 in 2010-11 to 75 in 2012-13 (Table 5). The quality of its overall infrastructure is improving, but other indicators have fallen in recent years with the exception of mobile phone subscriptions and available airline seats. The quality of roads, ports and electricity supply was ranked very low and was declining (Table 5). The competitiveness of Vietnamese firms remains low, as indicated, for example, by the low quality of local supplier quality, nature of competitive advantage, and production process sophistication. The report for 2012-13 ranks Viet Nam's competitive advantage at 139 out of 144 economies. While local supplier quality is ranked 99, local supplier quantity is ranked much higher (38). Value chain breadth, which measures the degree to which a country's exporting companies are primarily involved in resource extraction or production rather than performing higher level functions such as product design, marketing, sales, logistics and after-sale services, is also ranked very low (114), a drop from 76 two years before (WEC 2010, 2012).

**Table 5. Viet Nam's infrastructure quality and business sophistication rankings, 2011-2012**

No	Indicators	Rank		Value		Change in value (%)
		2010-11	2012-13	2010-11	2012-13	
	Global Competitiveness Index	59	75	4.3	4.1	-3.9
	2nd Pillar: Quality of Infrastructure	83	95	3.6	3.3	-6.1
2.01	Quality of overall infrastructure	123	119	3.0	3.2	6.6
2.02	Quality of roads	117	120	2.7	2.7	-0.7
2.03	Quality of railroad infrastructure		68		2.6	
2.04	Quality of port infrastructure	97	113	3.6	3.4	-4.3
2.05	Quality of air transport infrastructure	88	94	4.2	4.1	-1.7
2.06	Available airline seat km/week, millions	36	33	493.4	674.5	36.7
2.07	Quality of electricity supply	98	113	3.6	3.1	-13.6
2.08	Mobile telephone subscriptions/100 pop.	58	18	100.6	143.4	42.6
2.09	Fixed telephone lines/100 pop.	35	86	34.9	11.5	-67.1
	11th Pillar: Business Sophistication	64	100	4.0	3.6	-10.2
11.01	Local supplier quantity	61	38	4.9	5.0	2.8
11.02	Local supplier quality	91	99	4.1	4.1	-1.3
11.03	State of cluster development	13	36	4.9	4.2	-13.1



11.04	Nature of competitive advantage	110	139	2.8	2.5	-10.0
11.05	Value chain breadth	76	114	3.4	3.0	-13.0
11.06	Control of international distribution	72	108	4.0	3.6	-9.2
11.07	Production process sophistication	69	118	3.6	3.0	-16.8
11.08	Extent of marketing	51	110	4.4	3.5	-21.7
11.09	Willingness to delegate authority	64	105	3.6	3.3	-10.4

Source: World Economic Forum, *Global Competitiveness Report* (2010, 2012).

Concerning trade performance and competitiveness, much needs to be done to ensure more value for (and from) trade. While Viet Nam is considered to have a high level of openness and there are good signs of export diversification in recent years, exports remain basically resource-intensive with low value addition (CIEM, 2010). Most export items, especially agriculture-related ones, are very vulnerable to external price and demand shocks that already adversely affect many farmers and small businesses since there is no risk management mechanism in place to address these shocks. Lack of market information and underdeveloped logistical support also seriously undermine trade performance. Rigid exchange rate control and rising labour costs, in tandem with a shortage of skilled labour, are further eroding the country's international competitiveness.

The Government of Viet Nam (GoV) is well aware of these weaknesses in the economy and the challenges it faces in the new development context. The five-year Socio-Economic Development Plan 2011-15, for example, explicitly points out that the current system of infrastructure has failed to meet requirements and has hindered economic development:

*The transportation network was incomplete and of low quality without modern highways, seaports, river ports and airports. Road quality was very low and outdated. Seaports were not capable of receiving large vessels. Traffic congestion was found to be very common in big cities and key economic regions. The overcrowding at seaports and airports remains serious. The electricity sources and grid did not meet the requirements of production and people's lives (GoV, 2011).*

The report also recognised that “institutional capacity building, management, administration and law enforcement were weak. The co-operation and co-ordination among agencies and levels was not close and effective.” There are serious problems with co-operation and co-ordination among agencies and levels, with considerable overlapping in functions and responsibilities of government agencies undermining the state management's efficiency and effectiveness (GoV, 2011).

### 1.3. Viet Nam's development strategy

Recognising the important role of trade as an engine for Viet Nam's growth and development, the Government of Viet Nam is implementing a policy of “proactively and actively integrating into the international community” (SEDS, 2011).

The government development vision in general and its vision for trade development in particular are reflected in its ten-year Socio-Economic Development Strategy (SEDS) 2011-20, whose objective is to make Viet Nam a modern, industrialised country by 2020. This strategy identifies three areas for “breakthroughs” to achieve this goal: improving market institutions; promoting human resources/skills development (particularly skills for modern industry and innovation); and infrastructure development (Communist Party of Viet Nam, 2011).

As a further step towards implementing the Socio-Economic Development Plans and Socio-Economic Development Strategies, the Ministry of Industry and Trade (MOIT) has developed the Master Plan for

Trade Development, which is aimed at accelerating trade links with the rest of the world. The Master Plan sets out the following major objectives, among others:

- to accelerate the export and import of goods through expanding markets and sustainable development of industries and sectors;
- to foster negotiations with trading partners to improve market access for Vietnamese goods, taking advantage of economic and trade co-operation programmes with ASEAN members, China, and other major trading partners such as the EU, Japan and the United States; and
- to develop various supporting activities, develop a system to provide enterprises with information and market forecasting, develop trade promotion activities, and promote the role of business associations.

The five-year plan also set some targets for export and import activities. The average growth rate for total export turnover over five years, for example, is expected to be 12-14% per annum while the 2015 export turnover is expected to be VND 35-38 million per person, equivalent to USD 1 400-1 520 per person (GoV, 2011).

In short, Viet Nam has a clear development vision in general and in the area of trade development, in particular. The stated objectives, however, seem ambitious and little is said about what resources and instruments could be used to achieve these goals. The Socio-Economic Development Plan 2010-15, for example, includes the objective of “restructuring export structure” by listing a number of “tasks” such as promoting the export of high value-added goods, reducing the share of raw materials like crude oil and coal in total exports, strengthening exports of processed agricultural, forestry and fisheries products with high productivity and value addition, promoting exports of electronic, IT and software products, and improving the quality of export products that meet international quality standards (MPI, 2011). But it is difficult to find in this document any clear indication of how that could be done and what incentives and instruments could be used. Furthermore, there is a serious problem of co-ordination between different stakeholders and agencies on how to work together to jointly achieve these goals. In this context, a consistent results-based management framework is very important to ensure that these well-stated development objectives are achieved.

Monitoring and evaluation of government projects and plans is a daunting task in Viet Nam due to the complexity of the system of performance indicators itself and the capacity to collect quality data in a timely, reliable and consistent manner. The government has issued a decree that sets out a system of national statistical indicators consisting of 350 indicators covering 21 different areas of the country’s socio-economic activities (GoV, 2011). The decree also assigns different government agencies to take the lead in developing a sector-specific set of indicators for monitoring and evaluation. Implementing this decree will not be an easy task. The system of monitoring and evaluation will be analysed in greater detail in Section 3.

## **2. AID FOR TRADE IN VIET NAM**

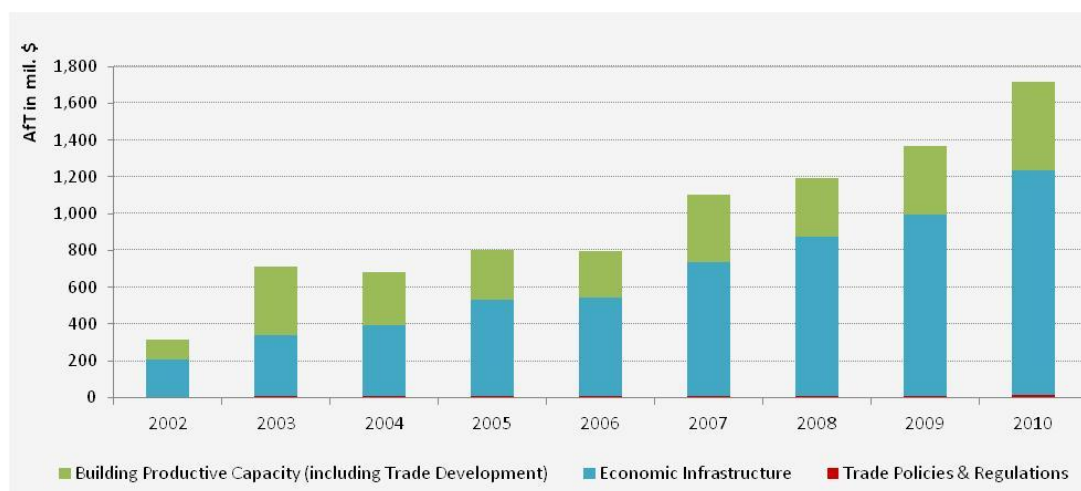
### **2.1. ODA and aid for trade in Viet Nam: an overview**

In 1993, Viet Nam resumed relations with the international financial institutions (the ADB, IMF and World Bank) and bilateral donors, giving it access to large-scale development assistance. Since then international donors have been very active, helping to address the capacity building and development needs of the country in general and the trade sector in particular. Viet Nam has a large donor community (51 in 2009, of which 28 bilateral and 23 multilateral), which has been evolving over the years with the involvement of non-DAC donors, together with increasing South-South co-operation and trade-related support. To date, in terms of ODA commitments and disbursement, Viet Nam is one of the top five recipients of ODA in the world (Cox et al., 2010). The total volume of ODA committed and disbursed has increased steadily over the past decade, from USD 2 400 million and USD 1 650 million, respectively, in 2000 to USD 7 905 million and 3 541 million in 2010 (MPI, 2011). ODA continues to be a significant source of development finance, accounting for 12-13% of the total state investment budget. It is also considered an important channel of technical assistance and knowledge transfer.

Based on Viet Nam's aid classification, sectoral allocation of ODA in the 2000-09 shows a strong emphasis on the economic sector, representing 63% of all assistance (mostly for transport, energy infrastructure, and agriculture and rural development). Transition to a market economy (which includes general budget support, administrative reform, the financial sector and the business environment) received about 14% of all assistance, with the remainder allocated to social development, environmental protection and other sectors. Looking at equivalence to the OECD Creditor Reporting System (CRS) classification, the allocation of ODA to aid for trade was considerable, accounting for about 52% on average of total sector allocable ODA to Viet Nam in 2002-10. In fact, aid for trade has become an increasingly important priority in Viet Nam's ODA agenda. Figure 1 shows a significant increase in the disbursed volume of aid for trade to Viet Nam, from USD 315 million in 2002 to 1,716 million in 2010 (OECD, 2012).

**Figure 1. Aid for Trade in Viet Nam: disbursement by categories, 2001-2010**

constant USD 2010 million

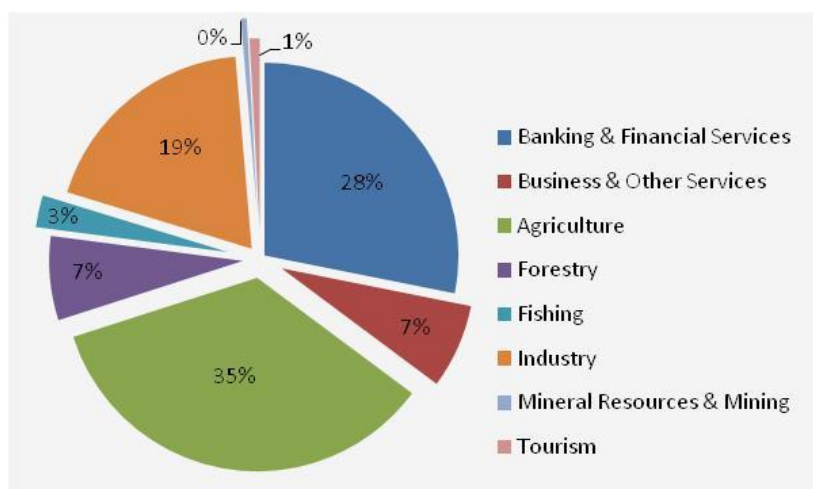


Source: OECD's Creditor Reporting System (2012) and authors' calculations.

The categorical allocation of aid for trade in 2002-10 again confirms the strong emphasis on trade-related economic infrastructure (including transport, communications and energy infrastructure), representing about 66% of total AfT support on average. The importance of improved transportation, energy and other economic infrastructure in overcoming barriers that keep the country from benefiting from the world trading system is well understood among trade communities and stakeholders. An official estimate by the Development Strategy Institute (DSI) in 2011 shows the country will need about USD 400 billion for this purpose, meaning the need for infrastructure development will be even greater in the next ten years. The OECD CRS indicates a slightly increasing trend in this share, from 65% in 2002 to 71% in 2010, showing the GoV priorities for large-scale economic infrastructure, which are expected to continue for some time. Similarly to the overall ODA profile, the Six Development Banks Group – which brings together the Agence Française de Développement, Asian Development Bank, JICA (Japan), Korea Eximbank, KfW (Germany) and World Bank – provides most of the “hardware” support (*e.g.* for trade-related economic infrastructure), accounting for about 97% of total AfT in 2002-10.

*Building productive capacity* received around 28-34% of total AfT assistance in 2002-10. Within this segment, the largest items are agriculture (35% of all AfT) followed by banking and financial services (28%) and industry (19%) (Figure 2). The top five donors in this category include WB-IDA, France, Switzerland, Germany and Japan.

**Figure 2. Composition of Aid for Trade in Viet Nam, 2002-2010**



Source: OECD's Creditor Reporting System (2012) and authors' calculations.

*Trade policy and regulations* received about 1% of total AfT. In absolute terms, however, it increased significantly from USD 3.31 in 2002 to USD 18.14 million in 2010, with allocations in the following fields: WTO, Free Trade Agreements, trade-related legislation, trade defence, trade promotion, competition policy, enabling environment, consumer protection, investment, technical barriers to trade (TBT), business registration, intellectual property, labour issues, corporate social responsibility (CSR), SMEs, private sector development (PSD), sanitary and phytosanitary (SPS) measures, and customs. The top ten donors in this category in 2002-10 were Australia, Belgium, Canada, Denmark, the EU, Finland, Germany, Japan, Switzerland and the United States.

With Viet Nam's achievement of middle income country (MIC) status in 2009, the ODA profile is changing and development partners (DPs) are reportedly beginning to scale back or change the nature of their assistance. Viet Nam will have less access to concessional ODA funds for its economic infrastructure ("hardware" assistance), and the Government of Viet Nam and DPs have begun to discuss how to combine replacing aid with other sources of development finance. "Software" support (including trade-related technical assistance and building productive capacity) is seen as continuously needed in order for the GoV to strengthen its planning and budgeting and build development policy instruments in a decentralised environment. The trend for trade policy and regulations and trade-related adjustment assistance is continuing to rise slightly, showing a shift in country assistance strategy by a number of donors. With a limited ODA time horizon remaining, the GoV and DPs in Viet Nam are working together to strategically identify objectives, priority areas and the best results-based management framework for AfT in order to achieve maximum value from the remaining aid flows, especially to increase the country's competitiveness and international trade towards the achievement of the Millennium Development Goals (MDGs) and VDGs by 2015.

Viet Nam has not yet adopted the OECD CRS codes for its ODA database. Therefore, the GoV statistics do not break down AfT into categories. In particular, policy support and capacity building are too often included as components of larger ODA projects/programmes. This explains some discrepancies between the GoV AfT statistics and OECD CRS data, which calls for government efforts to strengthen AfT reporting in Viet Nam.

## 2.2 Donors and government co-ordination in aid for trade

Viet Nam is among the most active countries in regard to implementing the Aid Effectiveness Agenda under the Paris Declaration and its localised version, the Hanoi Core Statement on Aid Effectiveness (HCS). The government has very strong ownership of the country's development agenda and exercises strong leadership in aid management and co-ordination. Linking with national SEDPs, the five-year Strategic Frameworks for ODA Mobilisation and Utilisation (OSFs) issued by the Prime Minister provide the country's framework for ODA management. The Strategic Framework 2011-15 sets the goal for ODA disbursement of USD 16 billion by the end of this five-year period and highlights Viet Nam's development priorities for international co-operation to support implementation of the "three breakthroughs" in the SEDP 2011-15, as mentioned in the previous section (*i.e.* improving market institutions, promoting human resources/skills development (particularly skills for modern industry and innovation), and infrastructure development), as well as a number of national targeted programmes in the areas of poverty reduction (Resolution No. 80/NQ-CP), new rural development (Resolution No. 800/NQ-CP), climate change, and rural employment creation. Aid for trade, in its broadest sense, can support all these development areas.

The Strategic Framework 2011-2015 also sets out the institutional responsibilities for ODA management, broadening its approach to the use of less concessional development loans in the new MIC context and describing the procedures involved for approval of individual projects/programmes. The Ministry of Planning and Investment (MPI) acts as focal point. It is responsible for preparing OSFs, strengthening the ODA legal framework (*e.g.* the revised Decree 131 under PM approval), acting as an intermediary between DPs and recipient institutions, and providing technical support for individual projects. MPI also maintains an ODA database for co-ordination and reporting purposes. The Ministry of Finance (MOF) provides financial oversight, collects disbursement data, and ensures that these data are reflected in the budget (sometimes, reportedly, with considerable time lags). The ODA management process is now becoming more decentralised to line ministries and agencies (Cox et al., 2010).

### Box 1. The Aid Effectiveness Forum (AEF) in Viet Nam

Called the Partnership Group on Aid Effectiveness (PGAE) until January 2010, the Aid Effectiveness Forum (AEF) serves as a senior platform for dialogue among active development actors in Viet Nam, at the strategic and policy level, on aid effectiveness issues and development effectiveness. In the new development context with a changing aid profile, Viet Nam is developing new aid architecture, with the AEF elevated to a senior policy forum and a hierarchical network of thematic working groups and sector Partnership Groups, which are working on the technicalities of aid delivery and/or government-donor co-ordination/dialogues at sub-national level. With broad participation by the National Assembly, government agencies, local governments, development partners, civil society organisations (CSOs), NGOs and the private sector, the AEF organises bi-annual events just before the mid-year and annual Consultative Group (CG) meetings, enabling commitments or sticking points to be referred to a higher level. The AEF is the leader in the implementation of global aid effectiveness initiatives in Viet Nam, including the Paris Declaration and Hanoi Core Statement in 2005-10 and the Busan Partnership Document with its building blocks since 2011. Currently, the AEF is developing the Viet Nam Partnership Document (VPD), with national indicators and 2015 targets set for monitoring implementation of the Busan Partnership for Effective Development Co-operation in Viet Nam, where aid for trade as a building block is also included.

Most DPs in Viet Nam are active participants in aid effectiveness processes through: designing and implementing their assistance programmes in line with the country's development strategies; harmonising and simplifying to improve the efficiency of project implementation, strengthen country systems and introduce new aid modalities; managing for results; engaging in active dialogues with the Government of Viet Nam and various development actors; and improving information sharing to ensure mutual accountability. Donor co-ordination in Viet Nam is realised through four main donor groupings (*e.g.* the Six Development Banks, the LMDG, the EU and UN agencies) where their interests and comparative advantages are better shared and used to build their country support programmes in the spirit of improved

division of labour and better use of development finance. The government is maintaining dialogues with development partners and international NGOs on international co-operation and Viet Nam's development agendas through high-level Consultative Group (CG) meetings and other platforms, such as sector partnership groups and the Aid Effectiveness Forum (AEF) (Box 1).

The World Bank's Country Partnership Strategy (CPS) 2012-16, for example, directly supports Viet Nam's SEDS 2011-20 and SEDP 2011-15 and is guided by the key challenges set out by these documents. The CPS will therefore support "investments and policies aimed at (i) strengthening Vietnam's competitiveness in the regional and global economy, (ii) increasing the sustainability of its development, and (iii) broadening access to economic and social opportunity" (World Bank, 2011). The Swiss Economic Development Co-operation (SECO) continues to support Viet Nam in three major areas: strengthening macroeconomic framework conditions and financial sector infrastructure, promotion and internationalisation of small and medium-sized enterprises (SMEs); and sustainable trade policy (SECO, 2012).

Aid for trade in Viet Nam is mobilised and managed under the same legal and institutional framework and implementation procedures as other ODA funding, meaning under the joint management of national ODA management agencies (*e.g.* MPI, MOF, SBV) and line agencies (line ministries or provinces). Line agencies (*e.g.* MOIT for trade policy and energy infrastructure support, MARD for building capacity in agriculture, forest and fisheries, MOT for transport infrastructure) submit requests for Aft assistance to MPI for screening and inclusion in the ODA Request List before negotiations with interested donors for funding. In providing aid to Viet Nam, most DPs develop country assistance strategies which may include trade-related initiatives.

As a rather new concept in Viet Nam, and while there is no explicit aid for trade strategy as such, the various aid for trade elements and components are present in both the SEDP 2011-15 and the OSF 2011-15 and are reflected in individual donor projects. In response to the OECD-WTO Aid for Trade Initiative, Viet Nam formed the Aft Inter-Ministerial Working Group through Decision No. 27/QD-UBQG dated 9/4/2012 (NIEC, 2012), chaired by MPI and with members from MOIT, MOFA and NCIEC as the first step in co-ordinating Aft projects/programmes and improving the development results of aid for trade. Donors recently formed a trade-related assistance (TRA) working group as the first initiative to co-ordinate all trade-related technical assistance among development partners in Viet Nam. The TRA group, currently chaired by the EU, meets quarterly, sharing information on Aft projects/programmes and promoting alignment, harmonisation and co-ordination among donors.

As in the case of overall ODA planning and implementation, donor partners in Viet Nam often build their Aft plans based on the country's development objectives and their own competitiveness and strengths. The EU, for example, emphasises coherence between development and trade and continues to provide support to strengthen trade policy and regulations for the development of economic opportunities and for the export-oriented development strategy for Viet Nam, as it considers Viet Nam to be one of its foremost economic partners. The United States Agency for International Co-operation (USAID) provides continuing support for better governance, the rule of law and continued economic reform, with trade as one of main focus areas.<sup>2</sup> Economic integration is one of the three core areas of Australia's Strategic Approach to Aid in Viet Nam for 2010-15. In addition, a number of development partners are promoting regional integration (*e.g.* ASEAN regional integration support by the EU, the Mekong Private Sector Development Facility III by Finland, Trade Capacity Building in Mekong Delta Countries by Norway, and the Regional Co-operation Project on Risk Management for Customs in the Mekong Region by JICA), while ADB has supported various initiatives to improve trade and transport facilitation (TTF) along GMS corridors, including the new Mekong sub-region programme, jointly with Australia and the World Bank.

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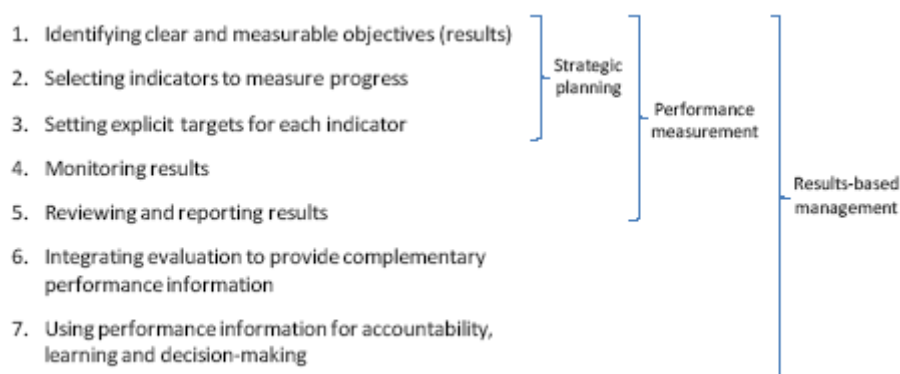
<sup>2</sup> US Assistance to Viet Nam factsheet (<http://vietnam.usembassy.gov/assistancefactsheet.html>)

### 3. THE RESULTS-BASED FRAMEWORK: THE VIETNAMESE CONTEXT AND ITS IMPLICATIONS FOR AID FOR TRADE MANAGEMENT FOR RESULTS

#### 3.1 The results-based management framework and its application to aid for trade

While the need for better management for results (*e.g.* those changes that can be attributed to a development measure) of development projects as well as government plans is widely acknowledged, their operationalisation and putting into effect by different stakeholders, governments, donors and the private sector is still a daunting task. Sound performance management requires: a focus on results at all phases of the development process (from strategic planning through implementation to completion and beyond); alignment of actual programming, monitoring and evaluation activities with the agreed expected results; keeping the results reporting system as simple, cost-effective and user-friendly as possible; managing for, not by, results through targeting resources to achieve outcomes; and, finally, using results information for management learning and decision-making, as well as for reporting and accountability (OECD, 2011). An effective results-based management system should include sound strategic planning and performance measurement, as reflected in the seven phases of implementation developed through the joint efforts of the OECD, the World Bank and donors (Figure 3).

Figure 3. Seven phases of effective result-based management



Source: OECD, 2011

Experience in Viet Nam (as described in the previous section) and other parts of the world shows that while the principles of effective results-based management are widely understood and supported, enormous challenges remain with respect to transforming these principles into practice. Lack of awareness of the need for this new innovative approach, deficiencies in institutional support to ensure credible reporting and effective M&E, sound understanding of the “results chains” of programmes/projects, and interventions towards development outcomes are the main reasons for this slow progress in introducing results-based management.

OCED (2012) has developed tools and guidance to support this process of change in the area of aid for trade. In recent work a framework has been developed that shows clearly the links between the direct outcomes of individual projects/programmes that aim to address a country’s trade fundamentals (*e.g.* connectivity, infrastructure bottlenecks, trade distortions, and the intermediate outcomes associated with improved trade and investment flows) and the final outcomes that reflect the value for trade such as job creation, income generation, economic and social upgrading, political and economic stability, and



environmental sustainability (OECD, 2012). The framework is based on new thinking about trade and aid for trade objectives, capturing the most recent trends in trade patterns and paradigms: from countries to global value chains; from exports to imports; from stocks to flows; from industries to tasks; and from trade value to value for trade. This framework makes “results chains” clearer, and hopefully can facilitate better implementation of a results-based management approach.

The next sections will review the development planning approach that Viet Nam has been applying for a number of years and the country’s recent experience with results-based management at the overall national scale. How the results-based management framework has been used by the government and by donors in the area of aid for trade will then be examined, using the OECD’s approach described in this section as an analytical framework.

### **3.2. The results-based management framework: the Vietnamese context – national development planning**

Development planning has a long tradition in Viet Nam. The planning cycle adopted in Viet Nam usually starts with the Socio-Economic Development Strategies, approved by the Communist Party of Viet Nam Congress, in which strategic vision and goals are put forward for a long-term development horizon of 10 to 20 years. These goals and visions are then operationalised through the five-year national Socio-Economic Development Plans (SEDPs), in which specific objectives and targets are set out and institutional and financial arrangements are made. The annual socio-economic plans serve as implementing tools. In addition, a number of projects and national targeted programmes are designed and implemented in parallel with the mainstream planning process.<sup>3</sup> At the local and ministerial levels, development strategies, master plans and targeted programmes are also developed to address specific development objectives at the local and sector levels.

This complicated planning process and these tools often meet with criticism. As the World Bank points out, the system has inherited many features of the centrally planned economy, which emphasised inputs and outputs rather than outcomes and impacts. Implementation, on the other hand, focuses on individual agencies and localities with little attention paid to inter-agency issues (World Bank, 2011). Co-ordination among various agencies and various localities is very limited and inefficient. Discussions with a number of people during field visits to two projects, Da Nang Port and Hai Van Pass, show that the impact of these projects in terms of promoting regional development and competitiveness has been notably reduced due to weak regional infrastructure to build co-ordination and lagging business environment improvement, which could have resulted in more trade flows and better scores on port utilisation indicators. Agricultural exports, on the other hand, are of concern and regulations of both the Ministry of Agriculture and Rural Development and the Ministry of Industry and Trade are without an effective co-ordination mechanism. Too many sea ports, airports and other infrastructure facilities, as well as production units such as those for steel and cement, have been built in a scattered manner all over the country, with no regional and national co-ordination (National Assembly, 2011). This results in significant waste of resources and under-utilisation of facilities, reducing investment effectiveness and outcomes. Therefore, there is a significant gap within this planning framework between activities, processes and development outcomes.

Monitoring and evaluation (M&E) is commonly carried out by regular administrative reports and short inspection visits, both of which tend to emphasise issues within a given agency’s administrative responsibilities. Strategically important inter-agency issues, international economic integration included, are commonly dealt with by inter-ministerial committees, which merely play a co-ordinating role with

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<sup>3</sup> Currently there are 16 national targeted programmes covering a wide range of areas such as poverty reduction, HIV/AIDS, climate change, new rural development and employment creation.

limited influence on resource allocation and use (World Bank, 2011). Managing for development outcomes (which, by their nature, often occur beyond a specific location or agency) is difficult to implement within this M&E framework and modality. For example, two national targeted programmes, new rural development and rural employment creation, have the objective (among others) of improving skills for rural residents, but there is serious lack of co-ordination between the two programmes in terms of targeting, provision of training services, and job support.

In 2006, for the first time, Viet Nam adopted the approach of Managing for Development Results (MfDR) by issuing Decision 555 on Results-based Monitoring and Evaluation of the SEDP 2006-10. The technical guidance manual for sub-national levels was then developed and applied in pilot provinces. Mid-term and end-term reviews of the SEDP 2006-10 were successfully conducted using the MfDR approach. In addition, the Government of Viet Nam established a legal framework for supervision and evaluation of public investment as well as the national monitoring and evaluation system for ODA programmes and projects, which is close to international standards and is harmonised with donors (especially with the Six Development Banks). For the SEDP 2011-15, efforts to improve MfDR continue to be made with a greater focus on development of a medium-term public investment plan. The MfDR concept and methodology are now common at all levels, although there are still certain constraints due to lack of capacity and of strong commitment at sub-national levels. For these reasons, a similar M&E framework for the SEDP 2011-15 has not been established.

The results-based approach was also piloted in a number of provinces and line ministries (World Bank, 2011). An interesting experiment has been undertaken by the Ministry of Agriculture and Rural Development, where, despite the absence of an overall M&E framework for the SEDP 2011-15, a sector-specific M&E framework was developed and officially endorsed by the Minister's Decision No. 1621/QD-BNN-KH, (MARD, 2012). This sector results-based framework contains a set of 165 indicators for monitoring and evaluation. Clearer links between output and outcome indicators have been established in the M&E matrix. MARD has also put into operation a computerised information system that allows tracking of records with a small number of indicators of more than 1 000 investment projects under the Ministry's management, as well as wide sharing of this information online among provinces and departments. While this information system itself is not yet a results-based system, its establishment and operation have already confirmed the feasibility of creating such a system to support data collection, information sharing and reporting for proper M&E purposes. The experiment should be analysed in regard to possible replication for a future results-based management framework for aid for trade.

At the local level, applying the results-based approach has been a daunting task so far. There is no substantial initiative to move it forward yet. Interviews in two big cities, Ho Chi Minh City and Da Nang, show that local planning authorities are reluctant to adopt the results-based approach in their work because of the complexity of the concept, the costs and time of data collection, and possible inconsistency between data concepts at the national and local level in some cases. Export and import data collected by provinces, for example, may be misleading because commodity flows often go beyond administrative borders. Goods produced in one province that go to a trading company located in another province, before going on to overseas partners, are often recorded as goods for domestic use in the first province and exports in the second province, which is incorrect. The gross domestic product (GDP) concept applied in the local context may raise some methodological issues and controversy. In addition, there are concerns about the "indicator cloud" and "fog of confusion" phenomenon (OECD, 2006), where requiring too many indicators for monitoring and evaluation may be counterproductive. Another lesson learned from experience in implementing M&E for national development planning is the importance of national statistical capacity to support an M&E system (World Bank, 2011). Data availability and credibility remain serious problems in Viet Nam. Despite significant improvement during the last two decades in technical and institutional statistical capacity (which Viet Nam has achieved with strong support from different donors), much remains to be done in this area. Important sets of data which are crucial for policy formulation, monitoring

and evaluation are often absent, incomplete, inconsistent or not available in a timely manner. Dapice (2003) showed that GDP data reported by provinces were often inflated, so that there was inconsistency between provincial and national data. This inconsistency continues to exist. Vu Thanh Tu Anh (2011) shows that in 2010 GSO claimed the total GDP increase in that year was about VND 35 043 billion, whereas the total GDP increase by the top 11 provinces was VND 44 550 billion or 21% higher. In addition, Viet Nam is one of perhaps only a few countries that do not report the Central Bank's data on a regular basis. Trade data up to now have been made available on the GSO website, but using an *ad hoc* (or outdated) classification.

The government has been putting effort into improving the national statistical capacity both technically and institutionally. A national system of statistical indicators consisting of 350 indicators was approved by the Prime Minister's Decision No. 43/2010/QĐ-TTg, dated 2 June 2010. These 350 indicators are classified into 21 groups covering most of the country's socio-economic activities and natural and human endowment. Trade alone, including both internal and external according to the Vietnamese concept, has 18 indicators. Data for these indicators can be collected by GSO and line ministries on a regular reporting basis, and/or be based on surveys (GoV, 2010). Some line ministries, such as MARD (Decision No. 1621/QĐ-BNN-KH) (MARD, 2012) and MOIT (Circular No. 19/2012/TT-BCT) (MOIT, 2012), have further operationalised this system of indicators to the sector level, taking into account sector specifics and needs for data and information in the ministries. The MOIT system of indicators, for example, consists of eight sub-groups, which cover many trade-related activities and outputs. A selection of planning indicators is shown in Table 6.

**Table 6. The Socio-Economic Development Plan (SEDP) 2011-15 and a selection of AfT-relevant indicators and targets**

No.	Targets/key indicators	Unit	Baseline 2010	2011-15 targets
<b>Economic targets</b>				
1	Average GDP per capita on the ending date	USD	1 168	1 965-2 000
2	Annual average GPD growth rate	%	7.0	6.5-7.0
3	Economic structure – agriculture, forestry and fishery	%	20.58	18.5-18.0
4	Economic structure – industry and construction	%	41.10	41.7-42.0
5	Economic structure – services	%	38.32	39.8-40.0
6	Share of aid in total state budget revenue (%)	%	0.8	0.6
<b>Exports and imports</b>				
7	Export volume per capita	USD	830.5	1 389-1 520
8	Export growth rate	%	17.3	5.8-8.2
8a	Export growth rate for agricultural, forestry and fishery products	%	---	---
9	Import growth rate	%	18.0	4.4-7.4
10	Share of export-import revenue in total national budget revenue (%)	%	21.3	19.4-19.7
11	Share of trade deficit in exports	%	22.4	10.1-12
<b>Productivity and trade</b>				
12	Agriculture, forestry and fishery production growth rate	%	5.1	4.0-4.5
13	Growth rate of retail sales of consumer goods and social services	%	26.3	25.0
<b>Transportation</b>				
14	Growth rate of commodity transportation volume	%	11.8	12.0
15	Growth rate of passenger transportation volume	%	10.2	11.8
<b>Information-communications</b>				
16	Number of telephone subscribers/100 people	subscribers	147.4	154.0
17	Number of broadband internet subscribers/100 people	subscribers	12.6	8-8.5
<b>Tourism</b>				
18	Number of international visitors coming to Viet Nam	million people	20 846	30.8
<b>Investment and business environment</b>				
19	FDI share in total investment	%	18.8	16.4-16.5
20	Total number of enterprises registered for establishment	thousands	600	1 000
<b>Social targets (and competitiveness)</b>				
21	Population growth rate	%	1.05	1.0
22	Proportion of poor households	%	9.45	2% per year
23	Number of labourers provided with employment	million people	8.1	8.0
24	Proportion of trained workers in total labour force working in the national economy	%	40.0	55.0
25	Proportion of patents registered for protection	%	---	10.0
26	Percentage of technological innovations	%	---	13.0
<b>Environment and resources targets</b>				
27	Proportion of forest coverage	%	39.5	42-43

Source: MPI, 2011; MOIT, 2011.

While this system of indicators at both national and sectoral level is comprehensive, using it literally in the complete form may suffer from “indicator cloud and fog” symptoms. The costs of collecting the information could be substantial, and its credibility could be doubtful due to financial, human and institutional constraints. Moreover, many indicators remain very much outputs rather than outcomes, or have only a vague relationship with development objectives (e.g. number of department stores, number of business persons using email on the MOIT list). “Fine-tuning” this set of indicators (making it comparable with development objectives) is an important task for establishing a results-based framework. The experience of MARD is worth considering.

### **3.3 The results-based management framework: the Vietnamese context - aid for trade**

#### ***3.3.1 Government framework and mechanism***

The issue of trade and international economic integration has a very important role in strategic planning in Viet Nam. This has been reflected in many policy documents over the years. The Socio-Economic Development Strategy 2000-10, for example, emphasises the need for “proactive economic international integration, improving competitiveness, efficiency and quality, and reducing trade barriers” (Communist Party of Viet Nam, 2000). The SEDP 2011-15 sets out a number of trade-related targets such as export and import growth, quality, and value addition for export commodities. It also calls for “strengthening co-operation with development partners and making joint efforts to improve aid effectiveness, thus making greater contributions to development effectiveness” (Government of Viet Nam, 2011b). When Viet Nam became a WTO member in 2007, the government enacted Resolution No. 16/2007/NQ-CP on international economic integration, which lays out the Government Action Plan (GAP) for 2007 to take advantage of and deal with the challenges of WTO accession. The GAP includes 12 important groups of tasks, ranging from institution building and human resources development to agricultural modernisation and rural development (Government of Viet Nam, 2007). These tasks are considered important in order for Viet Nam to be successful in deepening its international economic integration. A new resolution on economic integration for 2012-15 with a vision to 2020 is being drafted to serve as a platform for establishing targets, tasks and solutions to improve the efficiency of international integration in the future. Two important trade-related policy documents prepared by the Ministry of Industry and Trade (MOIT), “Comprehensive Strategy for Service Sector Development to the year 2020 (CSSSD) with a vision up to 2025” and “Goods Import-Export Strategy 2011-15”, have also been approved recently. At the ministerial level, the MOIT Master Plan for Trade Development from 2011 to 2020, oriented to 2030, has been put into effect with a number of targets (MOIT, 2012). Recently, the Prime Minister urged MOIT to draft a comprehensive International Economic Integration Strategy Paper.

While the issue of trade and international economic integration has been high on the policy agenda, Viet Nam does not yet have an explicit aid for trade policy document. The role of ODA in supporting the government’s implementation of its strategy and plans for international economic integration has been mentioned in a broader sense, without specific reference to this particular area. On the other hand, the Government Action Plan with its 12 tasks is very general and not focused enough. Again, in all the policy documents previously mentioned there is no clear M&E framework. The results-based management framework has not been introduced in these documents yet.

#### ***3.3.2 The results-based management framework for aid for trade from the donors’ perspective***

Aid for trade is provided by 24 (out of a total of 51) active development partners, accounting for about 52% of total allocable ODA to Viet Nam. Most development partners provide trade-related support as inseparable parts of their country development assistance strategies, which are all reportedly aligned with the SEDP and related provincial and sector plans/strategies. As revealed by the PD evaluation results in 2010, 95% of ODA in Viet Nam is mobilised and implemented in the spirit of aid effectiveness principles: ownership, alignment, harmonisation, results-based, and mutual accountability (Cox et al., 2010). In support of OECD/WTO aid for trade initiatives, a number of development partners in Viet Nam (*e.g.* the EU, Switzerland, the United States) recently started to develop explicit aid for trade programmes.

The survey and interviews with some development partner officials show that all development partners have adopted a results-oriented planning approach, as they are working closely with government agencies in designing aid for trade projects/programmes. As numerous supply-side constraints (*e.g.* legal and institutional frameworks, capacity, the business environment) remained to be addressed following Viet Nam’s accession to WTO in 2006, almost all trade-related assistance would fit in. However, government

planning frameworks (e.g. the SEDP 2011-15, the GAP, the MOIT Trade Development Master Plan) remain very broad, with many goals but a lack of detail on priorities and policy instruments, and development partners find it difficult to achieve meaningful alignment. Instead, according to some development partner officials interviewed, the development partners conduct their own research on Viet Nam's trade-related priorities/needs through other initiatives such as the semi-annual Viet Nam Business Forums (VBFs) organised by the Viet Nam Chamber of Commerce and Industry (VCCI) and/or prefer to continue working through trusted strategic partners in niche areas. Here, detailed requests for donor support continue to be made in *ad hoc* way, resulting in a fragmented AfT profile that works against coherent development of the trade sector as a whole. The Trade-related Assistance (TRA) working group, led by the EU, is among ongoing efforts to break away from this pattern with a better division of labour among interested development partners, while evaluators of the VIETRADE project have recommended adopting a sector-wide approach for the trade sector in Viet Nam.

At the project level, the concept of "performance measurement" has been adopted in different degrees for trade-related infrastructure investments and technical assistance. This is quite obvious in the case of support for trade-related economic infrastructure (which accounted for 66% of total AfT assistance), where mostly large-scale investment projects (e.g. by ADB, Australia, Japan and the World Bank) are based on country-owned transport/energy sector programmes or strategies. ADB evaluations and Viet Nam-Japan joint evaluations show that all supported infrastructure projects were generally delivered with a clear chain of results from inputs to outputs, direct outcomes and long-term impacts.

Again at the project level, infrastructure-related key indicators were defined in the project design documents, making results monitoring possible. Appendix 1 provides the examples of two Japan-funded loan projects, Da Nang Port improvement and Hai Van Pass-Tunnel construction (surveyed as case projects for this study), where results-based management elements are found in project design, activities programming is based on log frame identification of clear and measurable objectives, and there are associated monitoring indicators and targets. ODA was effectively provided in direct response to the priority transportation needs for trade and economic development in Central Viet Nam. The projects were implemented with harmonised procedures based on Viet Nam's system of reporting, monitoring for results with *ex post* evaluation, and use of performance information for accountability, learning and decision making. *There is, however a missing link between the "intermediate outcomes" and the "final outcomes" in these projects.*

The picture is more mixed in terms of results-based management for assistance to build productive capacity and trade policy and regulations, which are mostly trade-related technical assistance (TRTA). As PD evaluation in 2010 indicated, technical assistance is the most fragmented part of the aid portfolio in Viet Nam and is often poorly co-ordinated at the policy or technical level. With current institutional deficits for a country at its level of development, and numerous constraints on sectoral planning capacity, co-ordination of this kind of assistance will become a pressing aid effectiveness issue.

### ***3.3.3 Measuring the results of aid for trade: results from selected case projects<sup>4</sup>***

Accounting for 52% of total ODA to Viet Nam in 2002-10, aid for trade contributes significantly to the country's development and trade growth, as well as to improving its competitiveness and addressing supply-side constraints. The government (GSO and related ministries) monitors progress towards the SEDP AfT-relevant targets annually, as described in the previous section. MPI has put in place a national ODA monitoring and reporting system. Within that framework, aid for trade projects/programmes in Viet Nam are regularly monitored and periodically evaluated to measure progress and results/impacts.

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<sup>4</sup> This section is based on observations during our field visits while conducting this study.

For this study we conducted a field survey of six projects: two of trade-related economic infrastructure and four of trade-related technical assistance (TRTA). These projects are briefly described on the basis of the OECD's results-based management framework.

For trade-related economic infrastructure, it is quite straightforward to measure project performance and trade-related outcomes. As in case of the Japan-funded Da Nang Port improvement and Hai Van Pass-Tunnel construction loan projects, the government's PMU 85 regularly monitored outputs based on defined target indicators with routine performance reporting, while the Viet Nam-Japan joint *ex post* evaluations provided assessments of project outcomes and impacts. That is possible because baselines and quantitative data related to designed key monitoring indicators are available. As in the case of other similar evaluations, linkages with national-level indicators remain difficult. There were normally attribution problems with evaluations, as impacts on the ultimate goals of infrastructure projects for the Vietnamese economy as a whole could not be determined. The survey by the research team confirmed that the projects significantly improved regional transportation in terms of time and cost, producing sustained positive socio-economic, trade, investment and poverty reduction impacts (see details in Appendix 1). However, according to some local government officials interviewed for the study, there were concerns that the intended benefits of the Da Nang Port might be diminished due to new development of the port at Lang Co-Chan May nearby, which calls for better and integrated regional development planning with a long-term vision. *Making the link between "intermediate outcomes" and "final outcomes" clearer is important as a next step to improve the results-based framework of such projects*

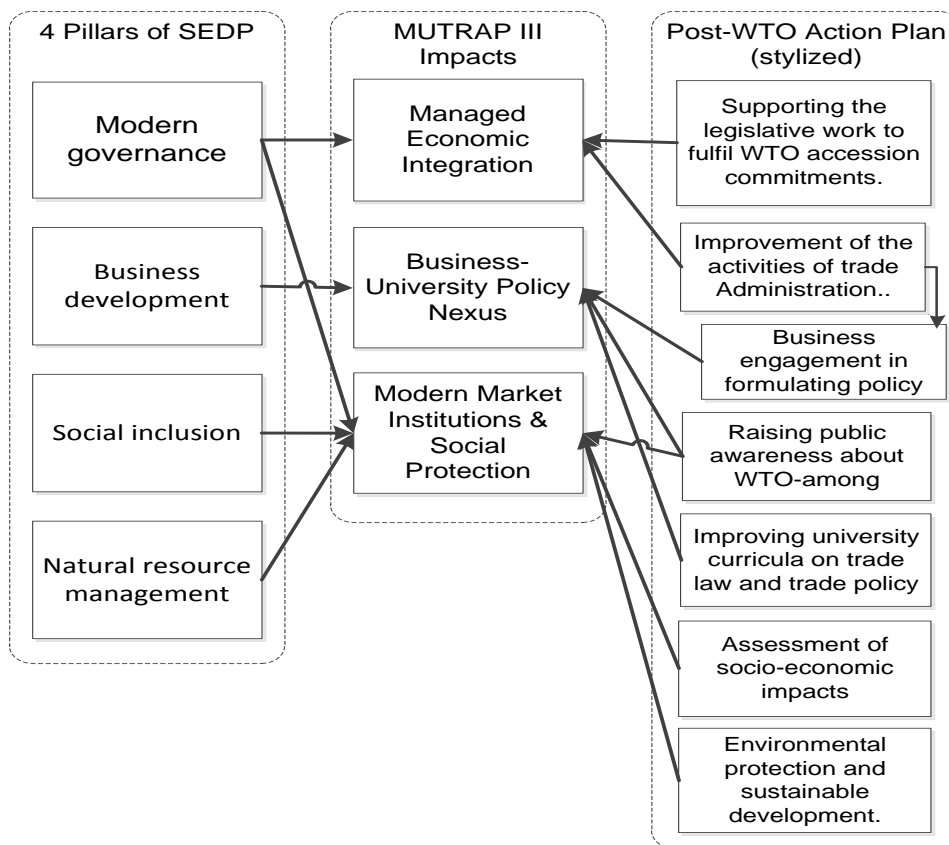
As for the TRTAs, monitoring and evaluation was also conducted regularly, as required by the government and donors' regulations. Routine performance reporting provides factual information about the implementation process. The mid-term review and evaluations were conducted and performance information used for management learning (*e.g.* adjusting project activities or designing for new phases). Evaluation and review reports indicated that all four TRTAs contributed significantly to improving trade policy and regulations, export promotion and trade development, and trade capacity building due to long-standing assistance by same donors (Appendix 1). Among the four reviewed TRTAs, the B-WTO programme, with strong government ownership under NCIEC co-ordination and the support of the GAP, appears to be mainly domestically oriented and possibly to have greater impact on capacity building and to contribute more to addressing supply-side constraints.

All the reviewed trade-related assistance projects (TRTAs) have building blocks for results-based management. Evolving through successive phases, all programme designs have been aligned to government priorities with some adaptability to Viet Nam's changing needs in the future. Normally, the TRTAs have developed the programmer's logical framework as the basis for project implementation and monitoring, although evaluators of the STAR II project argued that a certain flexibility would increase the efficiency of the aid management process and might better respond to the country's needs. It is a significant challenge to have quantifiable trade-related objectives for trade-related technical assistance projects. Among the four reviewed projects, only the EU-Viet Nam programme MUTRAP III developed quantitative trade indicators with baseline data for measuring results and trade-related outcomes. The remaining TRTAs mainly developed inputs, activities and output indicators, with only a few outcome indicators that are not well defined for linking with trade-related outcomes and the impacts of project interventions.

Related to aid effectiveness principles, TRTAs tend to use the country's system (financial management, procurement) less for aid delivery and instead to use human resources outside the government (*e.g.* for international expertise). Although this is not necessarily less effective and is even more efficient (as in the case of STAR and MUTRAP III) in the long term, government ownership with improved institutional and management capacity will have a greater impact on trade and development results. In addition, although three projects (B-WTO, MUTRAP III and STAR Plus) have different

approaches, focuses and modes of operation with no overlaps, better co-ordination by the government is highly recommended for effective trade results.

**Figure 4. Projects with intervention logics**



Source: Report WTO-C21 - EU-Viet Nam MUTRAP III Impact Assessment (2012).

The common challenge in measuring the development results of TRTAs is that impact logics are not well defined, together with a lack of quantitative benchmarks and well defined trade-related indicators. Figure 4 shows the impact logics of MUTRAP III. Together with quantitative benchmark indicators of performance that created a basis for results-based management and evaluators, they were able to measure trade-related outcomes and impacts. A new OECD guideline with three levels of outcomes could be applied to this type of projects.



#### **4. TOWARDS EFFECTIVE RESULTS-BASED MANAGEMENT FOR AID FOR TRADE IN VIET NAM: CONCLUDING REMARKS**

Viet Nam has undergone an unprecedented process of socio-economic transformation in the last decade and a half. Globalisation and trade have played an important role in its successful transition so far. The country faces enormous challenges in the years ahead, as it opens up further to international economic integration and deepens its economic reforms. Great opportunities are also opening to the country, and trade will have a significant contribution to make to its development journey. The donor community has been active and effective in helping Viet Nam in its transition, and aid for trade has greatly contributed to this success although no explicit aid for trade strategy exists in the country.

As Viet Nam is a middle income country, its new stage of development requires more effective use of scarce resources from the donor community and internal sources. The results-based management framework is important for both the government and donors in their work to improve the effectiveness of donor and government resources. Many attempts at results-based management have been made in Viet Nam by the government and donors in the past, but results so far have been mixed at best. There are many reasons why this is the case. While the government has a very clear strategic vision of where and how the country should be going, setting the focus of development objectives and prioritising needs improvement, inter-agency co-ordination and division of labour are also important, especially when dealing with complicated cross-cutting issues. The alignment of donors with the government's strategy requires a more effective and flexible mechanism, so that the comparative advantages of each donor can be fully exploited and co-ordination and harmonisation be made smoother. The Aid Effectiveness Forum could provide further support and strengthening for such co-operation. Many donors' projects have successfully applied the intervention logics in a project's design, implementation, and monitoring and evaluation. However, there is a missing link between "intermediate outcomes" and "final outcomes" in these projects. Closing this gap and making the results-based framework more visible and effective is essential to improve the development outcomes of donors' efforts. From the government's perspective, there is a need to improve institutional capacity for mainstreaming the results-based framework in national development planning in general and aid for trade in particular.

As a concrete step towards introducing and strengthening meaningful and comparable results frameworks for aid for trade, the following activities are recommended as a follow-up to this study.

##### *Developing an aid for trade strategy with a proper monitoring and evaluation framework*

- Develop an aid for trade strategy with integrated outcome objectives, based on the government's trade-related policies and strategies;
- Develop an M&E framework with an integrated set of aid for trade indicators (including national and sectoral levels) and clear guidelines for use in project formulation and implementation.

### *Improving government and donor co-ordination*

- Improve inter-ministerial and inter-provincial co-ordination relating to aid for trade through the AfT Inter-Ministerial Working Group;
- Improve communication, donor co-ordination and division of labour through the Trade-Related Assistance Working Group, and consider putting in place a Trade Sector-Wide Approach for Viet Nam;
- Improve dialogues among government and development partners and support active participation of the private sector, civil society and other stakeholders in aid for trade agendas through the Aid Effectiveness Forum (AEF) and the Vietnam Business Forum (VBF).

### *Improving the information base for effective results-based management*

- Incorporate aid for trade indicators into the approved set of national statistical data to ensure the availability, quality and reliability of verifiable information;
- Incorporate the OECD AfT categories coding system into the new ODA database in order to track and co-ordinate aid for trade.

Some other specific recommendations are as follows:

#### **4.1 Working with the government**

- Work closely with the Aid Effectiveness Forum on possible implementation of the new results-based development framework paradigm to ensure better co-ordination and alignment of donors' activities with the Government's development strategy;
- Work with appropriate government agencies to integrate the results-based development framework into the New Government Action Plan for International Economic Integration, making the role of aid for trade more visible in this important policy document and developing a system of monitoring and evaluation;
- Support drafting of an International Economic Integration Strategy Paper, introducing the new concepts of trade, value for trade, aid for trade, and the results-based development framework paradigm into this strategic policy document;
- Consider the possibility of working with the Ministry of Planning and Investment (MPI) in developing an M&E framework for the Socio-Economic Development Plan 2011-15, based on experience with M&E in 2006-11 with an emphasis on aid for trade indicators;
- Work with the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Industry and Trade (MOIT) as case studies to improve their policy documents: reinforcing the results-based framework, apply a set of indicators and results chains for these policy documents;
- Work with MPI to incorporate the OECD AfT categories coding system into the new ODA database in order to track and co-ordinate aid for trade, along with development assistance for other purposes;

- Work with the General Statistics Office (GSO) to incorporate aid for trade indicators into the approved set of national statistical data to ensure the availability, quality and reliability of verifiable information.

#### **4.2 Working with the donor community**

- Work closely with the Aid Effectiveness Forum, donor groupings, the Vietnam Business Forum (VBM) and Viet Nam Chamber of Commerce (VCCI) to strengthen dialogues and co-ordination and monitor progress of implementing AfT strategy;
- Work with selected donors on reinforcing the results-based framework at all levels: country and projects. Potential partners for collaboration include AusAID, the EU, Finland, GIZ, Swiss Economic Development Co-operation (SECO) and USAID;
- For trade policy projects such as MUTRAP IV and STAR Plus, introduce the new OECD framework to strengthen their existing results-based framework (moving from intervention logics to outcomes linkages: different outcomes levels with different projects);
- For infrastructure/building capacity projects, introduce the new OECD results-based framework by strengthening the link between the “intermediate outcomes” and “final outcomes” of these projects.

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**APPENDIX 1: PROJECT-LEVEL RESULTS-BASED MANAGEMENT FRAMEWORK FOR  
AID FOR TRADE CASE STUDIES IN VIET NAM**

<b>1. Beyond WTO: Strengthening pro-poor sustainable growth and for poverty reduction (2007-13)</b>	
<b>Programme in Brief</b>	<p><b><u>Objective:</u></b> <i>To support the Government Action Plan (GAP) to implement the WTO commitments and to manage the economic integration of Viet Nam into the world economy. The on-going Phase II (2009-13) has four main components: (1) Strengthening the institutions of the market economy; (2) Addressing social and economic consequences of integration for the rural sector; (3) Supporting capacity for management and co-ordination of integration; and (4) Supporting implementation of provincial action plan activities.</i></p> <p><b><u>OECD Aft Category:</u></b> Trade Policy and Regulations</p> <p><b><u>Aid Effectiveness Pursued:</u></b></p> <ul style="list-style-type: none"> <li>• Strong government-led programme: National-level PMU under the National Committee for International Economic Co-operation (NCIEC) with a set of government-led PMU for national, sectoral and provincial projects under respective components.</li> <li>• Aid modality: Joint financing technical assistance (multi-donor trust fund by AusAID and DFID).</li> <li>• Use of government systems in implementing project activities, including financial management.</li> <li>• Efficiency of aid management processes under questions due to wide programme scope, long approval processes and an unwieldy institutional structure.</li> </ul>
<b>Strategic Planning with Measurable Objectives/Targets</b>	<ul style="list-style-type: none"> <li>• Aimed at supporting actions under the <b>GAP</b>, the B-WTO programme has joint/harmonised programming based on combining a focus on agreed core priority policy areas and activities with sufficient flexibility to address changing and emerging government priorities at national, sectoral (across 10 ministries) and 4 provinces. “Facility” mechanism for funding implementation of a range of priority activities in the GAP has a risk of losing the strategic focus and the NCIEC</li> </ul>

	<p>is currently re-defining the priority issues/sectors to focus on for the remainder of Phase II.</p> <ul style="list-style-type: none"> <li>• Programme is designed with structured results-matrix of 5 components/logical framework, but targets are not clearly defined, especially at the programme level.</li> </ul>
<b>M&amp;E Framework with Monitoring Indicators</b>	<ul style="list-style-type: none"> <li>• M&amp;E framework developed based on logical framework at overall programme level and for sectoral and provincial projects.</li> <li>• Programme log frame provides inadequate guidance on performance measurement and monitoring and evaluation – not clear link between various levels.</li> <li>• Monitoring indicators (mostly local, e.g. number of enterprises getting support on international economic integration) are clearly defined for specific projects but not for programme level – difficult for monitoring and evaluating the Programme performance and development results and M&amp;E reports are not available for review.</li> </ul>
<b>Reporting, Reviewing and Evaluation Process</b>	<ul style="list-style-type: none"> <li>• Implementation procedures (including monitoring and reporting) well established and documented. Reporting is conducted regularly following government regulation and based on approved activities/work plans.</li> <li>• Mid-term review (MTR) was conducted in July 2012 – new phase is under preliminarily discussion.</li> </ul>
<b>Information, Learning and Co-ordination</b>	<ul style="list-style-type: none"> <li>• Programme information available on B-WTO website <a href="http://www.b-wto.gov.vn/">http://www.b-wto.gov.vn/</a> with numerous publications.</li> <li>• Annual workplans are reviewed, which together with outcome of MTR are used for designing and decision making for next-year workplans.</li> <li>• B-WTO has good co-operation with related projects such as MUTRAP III and STAR programme through information sharing and international experts' contribution.</li> <li>• Co-ordination among government agencies within the B-WTO is an area of concern.</li> </ul>
<b>2. Multilateral Trade Assistance Project (EU-Viet Nam MUTRAP III 2008-12)</b>	
<b>Project in Brief</b>	<p><b><i>Objective:</i></b> To assist Viet Nam to implement the Socio-Economic Development Plan (SEDP) and the Post-WTO Action Plan for sustained pro-poor economic growth through stronger integration into the global trading system. Specifically, the project is organised around five main areas: (i) improved capacity of the MOIT to co-ordinate and implement WTO commitments and participate in multilateral trade negotiations; (ii) improved interaction and co-ordination of the MOIT with stakeholders to develop a coherent, socially and environmentally sustainable trade integration strategy; (iii) increased capacity of the MOIT to effectively negotiate and co-ordinate regional trade agreements such as AFTA, the ASEAN plus dialogue, and bilateral FTA</p>

	<p>negotiations with major trade partners including the EU; (iv) improved facilitation in trade in services; and (v) strengthened capacity to implement the competition and consumer protection laws.</p> <p><b><u>OECD Aft Category:</u></b> Trade Policy and Regulations</p> <p><b><u>Aid Effectiveness Pursued:</u></b></p> <ul style="list-style-type: none"> <li>• Government PMU embedded within MOIT with outsourced implementing units for individual sub-projects (from various governmental, international and private partners, business associations and universities).</li> <li>• Aid modality: Bilateral TA by European Union.</li> <li>• Less government ownership in project management: Donor manages most contracts through “<i>call for proposals</i>” or “<i>call for tenders</i>”; GoV manages only supplied; EU rather than GoV regulations were applied to financial management, while national and international expertise was contracted through external companies.</li> <li>• Project is evaluated as high efficient in aid management processes reportedly due to focusing on one implementing agency (MOIT), anatomy of the Project Task Force, flexibility, outsourcing most of project activities through service contracts with high technical competence and a pool of quality international experts.</li> </ul>
<p><b>Strategic Planning with Measurable Objectives/Targets</b></p>	<ul style="list-style-type: none"> <li>• Building on two earlier projects, also co-financed by the EU (MUTRAP I &amp; II) as longstanding trade-related assistances, MUTRAP III is designed with active stakeholders’ participation and aligns well with the two main relevant strategic documents by the Vietnamese Government (<b>SEDP and Post-WTO Action Plan</b>) as well as with the Vietnam-European Community Strategy Paper (2007-13). Standard project design in EC for development projects, OECD documents and the European Commission’s Project Cycle Management Guidelines (March 2004) were used in planning and programming.</li> <li>• Focusing on <b>FTA</b> negotiations (<i>e.g.</i> EU-Viet Nam FTA, ASEAN-China, ASEAN-Korea, ASEAN-Japan FTAs)</li> <li>• MUTRAP III is designed with well structured impact logics around three areas for co-ordinating between the SEDP and the Post-WTO action plan such as: (i) managed economic integration; (ii) business-university policy nexus; and (iii) modern market institutions and social protection - Clear measurable objectives and a number of SEDP-related targets defined for purpose and results levels (see project’s log frame)</li> </ul>



<b>M&amp;E Framework with Monitoring Indicators</b>	<ul style="list-style-type: none"> <li>• M&amp;E framework developed based on logical framework at project level down to results-level, based on which annual work plans with activities for each of 3 areas of intervention are developed. Project is basically implemented through contract management for outsourced implementing units of beneficiary agencies.</li> <li>• The log frame provides good guidance on performance measurement and M&amp;E. Key indicators measuring progress include trade flows, implementation of trade policy commitments, quality of new trade agreements and implementation of the Government's Post-WTO Action Plan, where verifiable SEDP-related and international trade-related indicators (<i>e.g.</i> WEF indicators) are clearly defined and used with baselines for 2007 – GSO data used for preliminary estimate of trade data.</li> <li>• M&amp;E frameworks with indicators for grant sub-projects are unknown for the research team of this study – and it is not clear link between performances of individual sub-projects with measurable objectives of whole project.</li> </ul>
<b>Reporting, Reviewing and Evaluation Process</b>	<ul style="list-style-type: none"> <li>• Implementation procedures (including monitoring and reporting) well established and documented. Reporting is conducted regularly following both government and EU regulation.</li> <li>• Annual external monitoring missions are conducted in addition to the monitoring by the Delegation and the monitoring system established by the project task force.</li> <li>• Mid-term evaluation of MUTRAP II conducted in 2007.</li> <li>• Impact assessment and lessons learnt reports for MUTRAP III conducted in 2012 and MUTRAP IV is to be started.</li> </ul>
<b>Information, Learning and Co-ordination</b>	<ul style="list-style-type: none"> <li>• Project information with quarterly newsletters, project documents, publications and other trade-related information available in details on project website <a href="http://www.mutrap.org.vn/default.aspx">http://www.mutrap.org.vn/default.aspx</a> and other MUTRAP-funded trade info webportals.</li> <li>• Review reports with lessons learnt are used in decision making and designing of new phase activities (<i>e.g.</i> MUTRAP IV).</li> <li>• Good co-operation with related projects in information learning and provide international experts to participate in BWTO programme.</li> </ul>
<b>3. Support for Trade Acceleration Plus (STAR Plus 2011-13)</b>	
<b>Project in Brief</b>	<p><b><u>Objective:</u></b> <i>Support the Government of Viet Nam's efforts to implement trade and investment reforms, including changes in economic governance and macroeconomic areas, to ensure an environment attractive for investment, trade and private sector growth. Specifically, the STAR Plus is focusing on (i) supporting required changes in laws, policies and institutions to comply with the bilateral trade agreement between the US and Vietnam, to meet WTO commitments; (ii) training and capacity building; and (iii) facilitating BIT and TPP negotiations.</i></p> <p><b><u>OECD AfT Category:</u></b> Trade Policy and Regulations</p>

	<p><b><u>Aid Effectiveness Pursued:</u></b></p> <ul style="list-style-type: none"> <li>• Government PMU within MOIJ but managed by parallel donor’s project office - DAI.</li> <li>• Aid modality: Bilateral TA by USAID</li> <li>• Limited use of government systems in project management: USAID financial management and procurement procedures are applied, while national and international experts (as project team outside MOJ) were contracted through DAI.</li> </ul>
<b>Strategic Planning with Measurable Objectives/Targets</b>	<ul style="list-style-type: none"> <li>• Building two earlier projects (STAR I and II) since 2011, STAR Plus is generally and continuously in response to the government priorities for activities programming, but also focusing on US government priorities (e.g., <b>US-Viet Nam BTA</b> before and <b>BIT and TPP</b> now).</li> <li>• As a <i>flexible, demand-driven project</i>, STAR Plus doesn’t have project log frame, but based on ad-hoc activities proposals from 17 ministries and agencies. A number of measurable objectives are defined, but it appears no clear linkages with proposed sub-projects.</li> </ul>
<b>M&amp;E Framework with Monitoring Indicators</b>	<ul style="list-style-type: none"> <li>• Project doesn’t have an overall M&amp;E framework with clear monitoring indicators, but requires M&amp;E Plans for individual outsourced activities / sub-projects (monitoring by COTR).</li> <li>• International trade-related indicators such as <i>Global Trade Index</i>, <i>Global Competitiveness Reports</i> and <i>Doing Business</i> are used to evaluate project’s effectiveness and impacts.</li> <li>• Small scale activities (on request of GoV ministries and agencies), generally not exceeding USD 5-10 000 and typically involve seminars and training most often provided by the donor-contracted project team – and mostly monitored by inputs/activities.</li> </ul>
<b>Reporting, Reviewing and Evaluation Process</b>	<ul style="list-style-type: none"> <li>• Reporting regularly to USAID and Steering Committee (under MOJ) including final report by project office (DAI).</li> <li>• Performance evaluation of STAR II conducted in May 2011 and idea for new STAR project is under discussion.</li> </ul>
<b>Information, Learning and Co-ordination</b>	<ul style="list-style-type: none"> <li>• Limited project information available on website <a href="http://usaidstarplus.org/">http://usaidstarplus.org/</a>.</li> <li>• STAR projects are perceived to be more responsive to emerging issues and in the approval and delivery of activities.</li> </ul>

<b>4. VIETRADE: Support to Trade Promotion and Export Development in Viet Nam (VIE/61/94 - 2004-07 and Project Extension - 2009)</b>	
<b>Project in Brief</b>	<p><b><u>Objective:</u></b> Support the Government of Viet Nam in achieving its ambitious export development targets under its 2000-10 Export Development Plan. Specifically, the project focuses on: (i) Strengthening the internal capacity of Viet Nam's lead export promotion agency (VIETRADE); (ii) Strengthening VIETRADE's capacity to serve as the apex/focal point for a national Trade Support Network made up of product associations, local trade promotion organisations (TPOs) and other government, parastatal, and private organisations associated with export development; (iii) Strengthening the capacity of the trade support institutions included in the network; and (iv) Indirectly, through the strengthened capacity of trade-support institutions, strengthening the capacity of exporting enterprise to succeed in foreign markets.</p> <p><b><u>OECD Aft Category:</u></b> Export Promotion and Trade Development.</p> <p><b><u>Aid Effectiveness Pursued:</u></b></p> <ul style="list-style-type: none"> <li>• ITC execution from June 2004-September 2006, VIETRADE national execution within MOIT (government PMU) from October 2006-December 2007 and for Project Extension in 2009.</li> <li>• Aid modality: TA jointly funded by SECO and SIDA; Project Extension in 2009 funded by SECO.</li> </ul>
<b>Strategic Planning with Measurable Objectives/Targets</b>	<ul style="list-style-type: none"> <li>• Building earlier initiatives in trade promotion since 2000, the VIETRADE project is continuously supporting the government priorities in building trade-related capacity and trade development and based on National Export Development Strategy and VIETRADE needs for activities programming.</li> <li>• The project-approach is applied with a simplified log frame with detailed identification and formulation of outcomes, outputs, activities and resource allocation for annual workplans. But objectives/targets are not clearly defined with measures and no link defined with national level trade targets.</li> </ul>
<b>M&amp;E Framework with Monitoring Indicators</b>	<ul style="list-style-type: none"> <li>• Project's M&amp;E framework is mostly on inputs and outputs of planned activities with monitoring indicators only broadly defined.</li> <li>• Programme approach in management is recommended by evaluators in 2009, but for that project's log frame and M&amp;E framework with monitoring indicators is to be improved.</li> </ul>

<b>Reporting, Reviewing and Evaluation Process</b>	<ul style="list-style-type: none"> <li>• Reporting regularly to VIETRADE and SECO.</li> <li>• Final evaluation conducted in 2009 with recommendation for project extension in 2009 and a follow-up project supported by SECO is planned for 2011-15 (to be started in late 2012).</li> </ul>
<b>Information, Learning and Co-ordination</b>	<ul style="list-style-type: none"> <li>• Related information available on website <a href="http://www.vietrade.gov.vn/">http://www.vietrade.gov.vn/</a>.</li> <li>• Co-ordination with other trade-related projects is recommended, preferably through trade sector sector-wide approach.</li> </ul>
<b>5. Da Nang Port Improvement project (1999-07)</b>	
<b>Project in Brief</b>	<p><b><u>Objective:</u></b> <i>To enhance transportation and contribute to socio-economic development in Central Viet Nam. The project is to improve Tien Sa port (pier, breakwater construction and cargo terminal) and port access.</i></p> <p><b><u>OECD AfT Category:</u></b> Economic Infrastructure.</p> <p><b><u>Aid Effectiveness Pursued:</u></b></p> <ul style="list-style-type: none"> <li>• Government PMU (PMU 85 under MOT) with Japanese constructors.</li> <li>• Aid modality: Bilateral investment loan by JICA.</li> </ul>
<b>Strategic Planning with Measurable Objectives/Targets</b>	<ul style="list-style-type: none"> <li>• Project is designed based on government priorities (<i>e.g.</i> National SEDP, SEDP of Da Nang City, the National Transportation Master Plans, National Port Development Master Plan, 1996) and three-phased Master Plan for Da Nang. Port improvement and development prepared with JICA technical assistance in 1998. FS for this project by WB.</li> <li>• Project designed with detailed log frame linking goal, purposes, outcomes, outputs and activities levels and quantifiable means of verifications. Measurable targets defined.</li> </ul>
<b>M&amp;E Framework with Monitoring Indicators</b>	<ul style="list-style-type: none"> <li>• M&amp;E framework with well-defined monitoring indicators developed and implemented by PMU 85. Baseline data collected for some indicators.</li> <li>• Trade-related indicators include “<i>Increase cross-border trading activities</i>”; “<i>Satisfaction of import/export companies, shipping companies and port users</i>”; “<i>Increase cargo traffic</i>”.</li> </ul>
<b>Reporting, Reviewing and Evaluation Process</b>	<ul style="list-style-type: none"> <li>• Regular progress reporting (quarterly, annual) using government reporting system by contract packages and detailed activities</li> <li>• <i>Ex post</i> evaluation conducted in 2009 with recommendation for Phase II.</li> </ul>

<b>Information, Learning and Co-ordination</b>	<ul style="list-style-type: none"> <li>• Information sharing among PMUs under MOT. Related information available from MPI and JICA.</li> <li>• Linked with Hai Van Pass-Tunnel Construction Project also funded by JICA at almost the same period.</li> <li>• Development impacts had been analysed and shared but competition of recently developed nearby ports could diminish the economic benefits of Tien Sa port.</li> </ul>
<b>6. Hai Van Pass-Tunnel Construction project (1999-2007)</b>	
<b>Project in Brief</b>	<p><b><u>Objective:</u></b> <i>To establish traffic safety and efficiency for National Highway No.1 at the Hai Van Pass section and contribute to economic development in Central Viet Nam and whole country</i></p> <p><b><u>OECD Aft Category:</u></b> Economic Infrastructure.</p> <p><b><u>Aid Effectiveness Pursued:</u></b></p> <ul style="list-style-type: none"> <li>• Government PMU (PMU 85 under MOT) with Japanese constructors.</li> <li>• Aid modality: Bilateral investment loan by JICA.</li> </ul>
<b>Strategic Planning with Measurable Objectives/Targets</b>	<ul style="list-style-type: none"> <li>• Project is designed based on government priorities (<i>e.g.</i> National SEDP, SEDP of Da Nang City and Thua Thien - Hue province, the National Transportation Master Plans) and ADB Feasibility Study on Expansion Mekong Regional Development Plan. FS for this project by WB.</li> <li>• Project designed with detailed log frame linking goal, purposes, outcomes, outputs and activities levels and quantifiable means of verifications. Measurable targets defined.</li> </ul>
<b>M&amp;E Framework with Monitoring Indicators</b>	<ul style="list-style-type: none"> <li>• M&amp;E framework with well-defined monitoring indicators developed and implemented by PMU 85 and then transferred to HAMADECO. Baseline data collected for some indicators.</li> <li>• Trade-related indicators include “<i>Improve transportation with increased traffic capacity and safety</i>”; “<i>Increase inter-regional trading activities</i>”; “<i>Satisfaction of transportation companies</i>”; “<i>Increase tourists</i>”; “<i>Increase transportation along East-West Economic Corridor</i>”; “<i>Increase cross-border import/export</i>”</li> </ul>
<b>Reporting, Reviewing and Evaluation Process</b>	<ul style="list-style-type: none"> <li>• Regular progress reporting (quarterly, annual) using government reporting system by contract packages and detailed activities.</li> <li>• <i>Ex post</i> evaluation conducted in 2009.</li> </ul>

<b>Information, Learning and Co-ordination</b>	<ul style="list-style-type: none"><li>• Information sharing among PMUs under MOT. Related information available from MPI and JICA.</li><li>• Linked with Da Nang Port Improvement Project also funded by JICA at almost the same period.</li><li>• Sustainable development impacts are recognised and shared, with many lessons learnt such as O&amp;M and technology transfer (for the Ngang Pass Tunnel in Ha Tinh Province).</li></ul>
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