



Australian Government

Department of Foreign Affairs and Trade



Evaluation of the Australia-Vietnam country strategy 2010-15

Office of Development Effectiveness

May 2015

Foreword

In my 40 years of working in international development, Vietnam has made some of the most impressive development gains of any country. Poverty rates, child and infant mortality have dropped dramatically while national income and life expectancy have consistently increased. These improvements are a credit to the Vietnamese Government and its people, as well as the international donors who have supported them.

This evaluation is consistent with my observations from when I worked in Vietnam for the World Bank. It outlines that Australia and Vietnam have enjoyed a long-term, committed relationship based on mutual respect. The strength of the relationship is evident in the evaluation's findings on the significant development results achieved with Australia's aid. It is also reflected in Australia's ongoing aid program in Vietnam at a time when other donors are withdrawing from the country.

The evaluation also resonates with my thoughts on the future of aid to middle income countries. Vietnam has been classified as a lower middle income country since 2009 and for many years it has confidently driven its own development agenda, coordinated donor partners, and reduced its reliance on aid. The challenge facing donors such as Australia is how to work with Vietnam and other middle income countries to maximise the impact of future aid. Should donors focus on supporting the development priorities of partner governments? Or should donors focus on the potential gaps and risks, such as extreme poverty, marginalised communities, or new and emerging challenges, which may not feature in the development strategies of Australia's partner countries?

These are difficult questions which I do not believe can be easily answered. The value of this evaluation is that it raises the issues and examines the opportunities and challenges of working with middle income countries in new ways. I recommend the report to all development professionals with an interest in debating the future of aid in middle income countries.



Jim Adams
Chair, Independent Evaluation Committee

Office of Development Effectiveness

The Office of Development Effectiveness (ODE) is an independent branch within the Australian Government Department of Foreign Affairs and Trade (DFAT). ODE monitors the Australian aid program's performance, evaluates its impact, and contributes to international evidence and debate about aid and development effectiveness. ODE's work is overseen by the Independent Evaluation Committee (IEC), an advisory body that provides independent expert advice on ODE's evaluation strategy, work plan, analysis and reports.

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Executive summary

Australia's ongoing commitment to Vietnam's sustainable development is founded upon a "positive economic, political and security relationship, reinforced by warm and expanding people-to-people links".* Formal diplomatic relations were established in 1973.

Since the early 1990s, Vietnam has made significant socioeconomic development gains, many of which can be traced to the country's economic renovation (Do Moi) program, initiated in 1986. The Doi Moi reforms were announced amidst a period of low economic growth, hyperinflation and food shortages that highlighted the shortcomings of a centrally-planned economy. Vietnam's transition towards a market-oriented economy has resulted in several tangible development gains.

However, the attainment in 2009 of 'middle income status' (which is based entirely on GNI per capita) does not automatically translate into concomitant improvements in the lives of all of a country's citizens, and Vietnam as a 'lower middle income country' (LMIC) continues to face a number of specific development challenges. These challenges are most often associated with rising inequalities (particularly among regions and population groups) and the risks posed by environmental degradation and natural disasters as a result of climate change. In 2010, more than 20 percent of Vietnam's population lived on less than US\$2.25 per day.

Official Development Assistance (ODA) has played an important role in supporting Vietnam's economic growth, and has been important in ameliorating several of the adverse impacts of the country's transition to a market economy. ODA to Vietnam from multiple sources has risen steadily since 1993, and in 2012 stood at around \$4 billion a year. However it is anticipated that ODA will decline (in absolute terms) over the coming years, and some bilateral donors have ended, are phasing out or have recast their development aid. In contrast Australia's total ODA disbursements to Vietnam increasing steadily between 2008 and 2012, and in 2012 Australia was the largest provider of grant finance to Vietnam.

The primary purpose of this evaluation is to assist in the delivery of the remainder of DFAT's existing country strategy in Vietnam (2010-15) and to inform future country strategy development and execution. This is achieved by assessing the effectiveness of DFAT's development and implementation of the country strategy, the indicative results obtained and the legacy of past Australian aid investments. The evaluation focusses on the period 2010 to 2013 and the present tense used in the evaluation report refers to the program as at 2013. The evaluation findings and recommendations were discussed with DFAT's Vietnam program in 2014 to assist the development of a new country strategy.

The evaluation relies primarily on qualitative methods of enquiry including document analysis, stakeholder interviews and a brief review of the assistance and engagement experience in two provinces (Quang Ngai province in the central region and An Giang province in the Mekong Delta). The evaluation's findings are limited by the lack of quantitative data on program outputs, outcomes and administrative costs.

* DFAT website (2014): https://www.dfat.gov.au/geo/vietnam/comprehensive_partnership_vietnam.html - accessed 25/11/2014

Strengths and relevance of the country strategy

The 2010-15 country strategy builds on a strong track record of cooperation between Australia and Vietnam, which has historically focused on four themes; developing the skills of individuals, improving Vietnam's governance systems, investing in infrastructure and leveraging relationships through nurturing and capitalising on long-standing and strategic linkages with partners in Vietnam.

The country strategy design continues these threads but shifts the emphasis towards a mix of sectors where it had a track record of success, alongside adapting to address newly emerging challenges, in particular the area of economic integration. The strategy has no directly targeted statement on how it will support the Vietnam Government to address poverty. It states that *'Donor investments must target reforms in areas that threaten to constrain future prosperity'* implicitly linking continued poverty reduction to increasing prosperity. The strategy is organised around three pillars with the percentage balance of expenditure through to 2013 given in the table below:

1. *Human resource development* through maintaining support for scholarships and training programs, whilst fostering relationships through people-to-people and institutional links (public and private sector) that facilitate knowledge exchange and are relevant long after the transition from a traditional aid partnership.
2. *Economic integration* through continued support to infrastructure development and economic reform.
3. *Environmental sustainability* through increasing rural access to clean water and sanitation, and through supporting climate change adaptation including disaster risk management, and promoting climate change mitigation through developing and advocating the use of clean technologies.

Table Expenditure against strategic objectives 2010-13*

Objective	Total expenditure to June 2013 (\$millions)	Percentage of bilateral program
Improvement in the quality of Vietnam's human resources	97	24
Developing better transport infrastructure and policy to support economic integration	109	27
Enhancing environmental sustainability (including rural access to clean water and sanitation)	144	36

Vietnam and Australia recognised that in the strategy design there were some ongoing areas of Australian engagement that would need to be phased out to ensure that adequate resources were available to support these priorities. It was agreed that Australia would discontinue support for health systems reform and ethnic minority poverty reduction.

The country strategy provides a clear intent for Australian aid in terms of its overall aims and was developed through a structured and contestable process which provided strategic direction, a clear sense of priorities (choices were made) and the basis for a largely coherent and strategic program. It

* Extracted and interpreted from Aidworks data

has provided a clear framework and robust basis for the consideration of new programming directions as proposed and followed through. In its formative stage there was adequate and timely consultation with the Vietnamese Government, whole-of-government partners and Australian non-government organisations (NGOs). Discussions between the Australian and Vietnamese Governments in the strategy development process revealed strong support for Australian assistance for the Cao Lanh Bridge, for scholarships (especially PhDs) and a renewed emphasis on agricultural research delivered through the Australian Centre for International Agricultural Research (ACIAR).

The country strategy objectives and initiatives are aligned with the three strategic priority areas in Vietnam's Socio-economic Development Plan 2011-2015 (SEDP). However, the country strategy does not express its intended outcomes as specific and measurable results that can be easily linked to Vietnam's development priorities.

The role of the private sector in development did not figure strongly in the shaping of the 2010-15 country strategy. There is a commitment to ensuring gender equality across all sectors of engagement and whilst the system to take forward the gender equality commitment within the country strategy is reasonably well developed it lacks the authority to take it to the next level and drive the shift on gender equality that the country strategy envisaged. Moreover, the absence of an overall country program logic with gender integrated into it has led to gender being diluted within the overall programming and implementation process.

The country strategy has been, and remains in step, with the evolving policy priorities of the Australian Government. The emphasis on the positive role that Vietnam can play in the Mekong subregion and wider ASEAN forums including on private-sector development and governance is an important aspect of this policy coherence.

Effectiveness of implementation and management arrangements

There are three streams in the implementation of the Vietnam country strategy: investments that represent the strategy's stated direction; legacy investments that reflect earlier strategic directions; and investments that may be the basis for a shift in emphasis beyond 2015. By 2012 most of the residual projects from the previous country strategy had been completed and the country program largely reflected the new strategic focus, with the notable exception of ACIAR whose continuing work in Vietnam on agricultural research was not recorded in the final published strategy document, and the continuing work with the Asian Development Bank (ADB) on health systems. There have been important and effective continuing engagements on HIV and on human rights.

The country strategy commits to *'provide more assistance through Vietnam Government systems where we assess these are robust'* based on a rationale that working with and through Vietnam government systems improves the efficiency and effectiveness of all resources (including those of the government available for the delivery of services). Between 2010/11 and 2012/13 the program disbursed 26.5 per cent of its funds through the Vietnam Government. ODA delivered by other government departments has made up a small part of Australia's overall investment in Vietnam. Vietnam's largest investments from other departments in recent years have come from ACIAR.

In 2013 in-country program team was led and managed by a well-established senior team. This included a counsellor (supported by a Mekong regional minister-counsellor) with extensive understanding and experience of operating in Vietnam. This understanding and experience has facilitated informed and decisive decision-making and contributed to effective leadership and management practice. Effective relationships have been forged and actively managed with other development partners (especially the World Bank) in implementing the country strategy.

Within the Vietnam program, initiative monitoring has remained mostly at the output level. Although the Vietnam program was an early adopter of program-wide Performance Assessment Frameworks (PAFs), the arrangements for performance management of the country program do not provide a clear and confident basis for the systematic gathering of outcome-level performance information. Australia is assisting the Vietnamese Government to improve its own monitoring systems, with notable work on the monitoring and evaluation system for the Rural Water Supply and Sanitation National Target Program (RWSS NTP). This builds on the success of the earlier Vietnam Australia Monitoring and Evaluation Support Project (VAMESP).

Other Australian government departments have a relatively small involvement in implementation of the country strategy, and there is limited, but proportionate, coordination between other government departments and the country program team. There is limited visibility within country program monitoring of Australian assistance in Vietnam provided through regional and global programming.

Corporate guidance, support and advice have been provided in a proportionate and timely manner by Australia's program team during the development and implementation of the country strategy. Risk management processes for the country strategy are robust; overall, the right risks have been identified and have been well managed. Although good information on outcome-level performance has been limited, country program managers have identified and implemented appropriate actions to improve the country program.

Results and achievements

The evaluation assessed the achievements of the country strategy through to 2013 against the strategic objectives and the performance targets of the three pillars. These are summarised as follows:

Pillar 1: Improving the quality of Vietnam's human resources

The evaluation found that the scholarship program (the major spending area under this pillar) has been effectively and efficiently run, is valued and has strengthened the wider relationship between Australia and Vietnam. At the time of the evaluation, a total of 748 scholarships and 300 short-term fellowships have been awarded, and an increased number of institutional links have been established between public sector institutions in Vietnam and Australia. Up to 2013 the implementation of this pillar has been largely successful, and the program is on track to meet its 2015 targets.

Pillar 2: Supporting economic integration

Australia provides support to Vietnam's economic integration on two separate levels: 1) through supporting domestic integration policy, regulatory and institutional reforms to foster international competitiveness, and 2) through supporting the development of better transport infrastructure to increase connectivity. The evaluation found that Australian funded initiatives are delivering well against the objective of delivering better policy to support economic integration. Key outputs from this strategic area include policy and research papers that have improved the evidence base for shaping and supporting the implementation of key reforms.

The evaluation also found that through direct investments in large construction projects, as well as technical assistance and support to capacity building and finance models, the strategy is delivering on its objectives in transport infrastructure. Achievements include: completion of a detailed design for the Cao Lanh Bridge; contributing to the construction of 415km of rural roads in the Mekong Delta from 2007-13; and providing funding to ensure the social and environmental impacts of infrastructure projects are appropriately managed. Overall the results achieved to 2013, considered against the

country strategy indicators/targets, suggest that the Pillar objective of assisting in better transport infrastructure and policy to support economic integration will be largely achieved.

Pillar 3: Enhancing environmental sustainability

Australia is a valued, long-term partner in increasing rural water supply and sanitation, and is providing strategic management and technical assistance to the RWSS NTP. Through policy dialogue and technical support Australia has supported the roll out of this national program to all provinces. Australian assistance has also contributed to the development and use of a comprehensive monitoring and evaluation (M&E) framework for the RWSS sector and helped ensure adequate attention is given to sustainability issues within this NTP.

In the area of climate change adaptation including disaster risk management, key results have included: good practice models documented and published by the Disaster Management Centre for distribution at the national and provincial level; the adoption of integrated disaster risk management plans in 12 provinces; and effective demonstrations of new technologies including protective fences to improve the survival and growth of mangrove areas. Although Australia clearly has relevant experience to share in energy efficiency and climate change mitigation, it is only relatively recently that funding commitments been made.

Overall the results achieved to 2013, considered against the country strategy indicators and targets, suggest that the Pillar objective of increasing rural access to clean water and hygienic sanitation will be largely achieved. Given data limitations in 2013 when field enquiry for the evaluation was completed it is too early to assess the extent to which Australia's objectives in climate change will be achieved.

Conclusions

As a country undergoing major transition, Vietnam has numerous opportunities for sustainable, inclusive growth. Concurrently, Vietnam is faced with several social, economic and environmental challenges which, if left unaddressed, may threaten many of the remarkable gains of the past two decades. Overcoming these challenges will require effective collaboration between the country's different levels of government (commune, district, province and national).

Australia's long-standing engagement in Quang Ngai and An Giang provinces has the potential to shed light on the challenges associated with working effectively across these different levels of government. It is suggested that DFAT commissions a joint study with Vietnamese counterparts to identify lessons learned about effective collaboration at commune, district, provincial and national levels.

Building on the experience up to 2013, the future context and an indication of where and how the current country program is positioned and equipped to support change processes led by the Vietnamese Government, the evaluation suggests that in looking beyond 2015 Australia should consider the following:

- › Assisting Vietnam to play a more engaged and influential role on regional issues and as a positive force on development issues (south-south cooperation) in the ASEAN region
- › Improving the lives of the poorest and most marginalised by focusing on equitable access to high quality public services and social protection measures
- › Combining the above with distinct and complementary aspects of building prosperity (working on aspects of economic development) and on scientific cooperation

- › Pushing innovation (as well as risk) in the aid program so that Australia plays the role of a ‘reliable and critical friend’. This would continue the progression beyond a traditional donor-recipient relationship and build upon a rich understanding of the workings of a particular sector and the strength of the relationships already developed
- › Actively applying lessons learned from the ‘aid’ program to the political and trading relationship, reflecting an integrated development approach.

In terms of style of engagement it is felt that an increasingly important aspect for Australian assistance will be to take a ‘brokering role’, bringing different actors, capabilities and resources together around specific agendas within the Vietnamese operating system.

Recommendations

The evaluation makes four recommendations to the DFAT Vietnam program relating to program management, gender equality, targeting the poor, and approaches to the critical area of private sector role in development.

Recommendation 1

Consistent with DFAT’s review of guidance on Performance Assessment Frameworks (PAFs) and their role in Aid Investment Plans (AIPs) and Aid Program Performance Reports (APPRs), the DFAT Vietnam program should review the way it captures and reflects on outcome-level data for all sectors of engagement to ensure data is used to guide future programming.

Recommendation 2

In the next AIP, DFAT Vietnam program should include a framework for implementing gender equality measures. This should include clear accountabilities for ensuring gender equality is addressed in program implementation; objectives and targets related to gender equality that are linked to Vietnam Government norms and indicators; and systems for measuring progress towards gender targets.

Recommendation 3

DFAT Vietnam program should clearly articulate how Australia’s aid will promote inclusive economic growth in ways that reach the most poor and vulnerable and support pathways to lift people out of poverty.

Recommendation 4

DFAT Vietnam program should consider the opportunities for effective private-sector engagement in the aid program that leverages off learning from previous aid programs, leveraging public resources to mobilise additional private financing (e.g. public-private partnerships), improving the business enabling environment, and addressing priority institutional constraints to business growth.

Management response

DFAT welcomes the findings of this evaluation of the Australia-Vietnam country strategy 2010-15. The evaluation concluded that the country strategy maintained relevance according to the evolving policy priorities of the Australian Government during the period 2010-15.

DFAT accepts all four of the recommendations of the evaluation report and has already made some progress in addressing key findings. The evaluation will be used to inform development of the Vietnam programs new Aid Investment Plan 2016-20. The recommendation and lessons learned from the previous country strategy will be applied accordingly through that process.

DFAT's management response to recommendations

Recommendation	Response	Details
<p>Recommendation 1</p> <p>Consistent with DFAT's review of guidance on Performance Assessment Frameworks (PAFs) and their role in Aid Investment Plans (AIPs) and Aid Program Performance Reports (APPRs), the DFAT Vietnam program should review the way it captures and reflects on outcome-level data for all sectors of engagement to ensure data is used to guide future programming.</p>	Agree	DFAT is committed to ensuring an outcome level perspective is applied to the Vietnam aid program. To achieve this the new Aid Investment Plan (2016-2020) will set intended outcomes for the areas of Australian engagement and provide a clear set of projected results for the aid program in Vietnam. Future programming decisions will be informed by assessed progress towards these targets.
<p>Recommendation 2</p> <p>In the next AIP, DFAT Vietnam program should include a framework for implementing gender equality measures. This should include clear accountabilities for ensuring gender is addressed in program implementation; objectives and targets to gender equality that are linked to Vietnam Government norms and indicators; and systems for measuring progress towards gender targets.</p>	Agree	DFAT is currently in the process of completing a gender stocktake for the Vietnam program. This gender stocktake will be used as a basis for developing a gender strategy which will provide the overarching framework for implementing gender equality measures. DFAT recognises that a twin-track approach of mainstreaming gender equality is required while also targeting investments specifically at closing gender gaps where women face binding constraints. In the new Aid Investment Plan dedicated investments on gender will be prioritised.
<p>Recommendation 3</p> <p>DFAT Vietnam program should clearly articulate how Australia's aid will promote inclusive economic growth in ways that reach the most poor and vulnerable and support pathways to lift people out of poverty.</p>	Agree	The new Aid Investment Plan (2016-2020) for the Vietnam program will specifically address this recommendation.
<p>Recommendation 4</p> <p>DFAT Vietnam program should consider the opportunities for effective private-sector engagement in the aid program that leverages off learning from previous aid programs, leveraging public resources to mobilise additional private financing, improving the business enabling environment, and addressing priority constraints to business growth.</p>	Agree	<p>In 2014 the Vietnam program commenced a new aid investment called Restructuring for a more Competitive Vietnam. This program is targeted at improving the business enabling environment and addressing priority institutional constraints to business growth.</p> <p>In preparation for the new Aid Investment Plan (2016-2020) a scoping study on private sector engagement is currently underway. This study will draw lessons from previous aid investments whilst identifying where opportunities exist to leverage public resources to mobilise private financing.</p>

1 Introduction

1.1 Background - Vietnam's socio-economic status

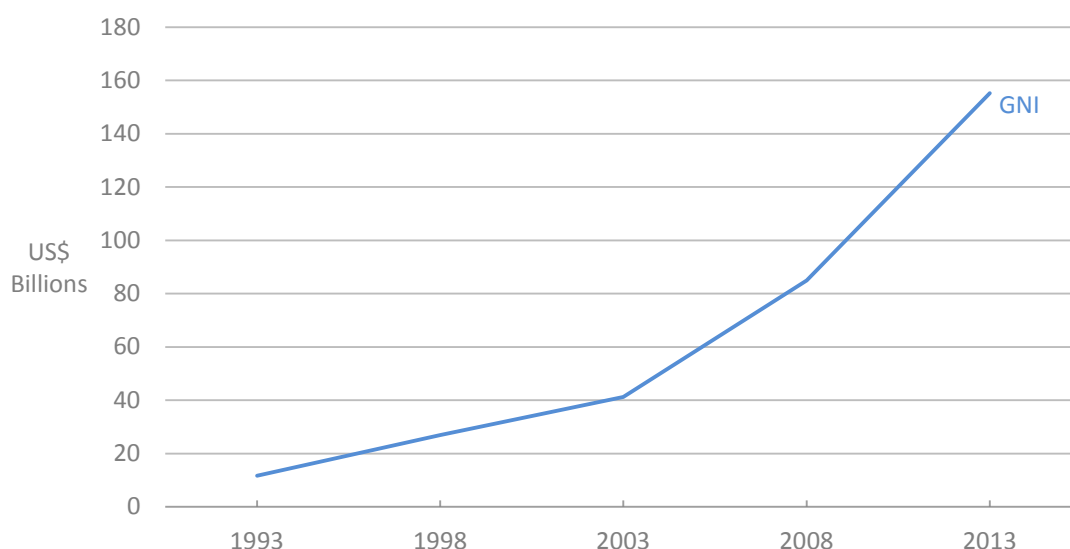
Economic reform, transition and growth

Vietnam has been transitioning towards a market economy since its economic renovation program (Doi Moi) was announced in 1986. The period leading up to Doi Moi was characterised by growing food shortages, hyperinflation and low economic growth. This was exacerbated by the collapse of the Union of Soviet Socialist Republics (USSR) and Eastern Europe bloc countries that Vietnam relied on for trade and development assistance.

There were relatively quick gains from Doi Moi reforms. Further reforms from the late 1980s and through the 1990s – combined with a relatively low-cost work force and a young population with a relatively strong and equitable basic education system – helped transform the economy.

Australia, the World Bank, the Asian Development Bank (ADB), and other bilateral donors resumed financial support to Vietnam from 1993.¹ Foreign investment and trade increased sharply. The country's gross national income (GNI) grew from just over \$10 billion in 1993, to over \$155 billion in 2013 (Figure 1).

Figure 1 Vietnam's gross national income has increased consistently*



Despite periodic recurrences of instability, especially during the Asian Financial Crisis in 1997, per capita gross domestic product (GDP) increased steadily from US\$189 per capita in 1993 to US\$1755 in 2013.²

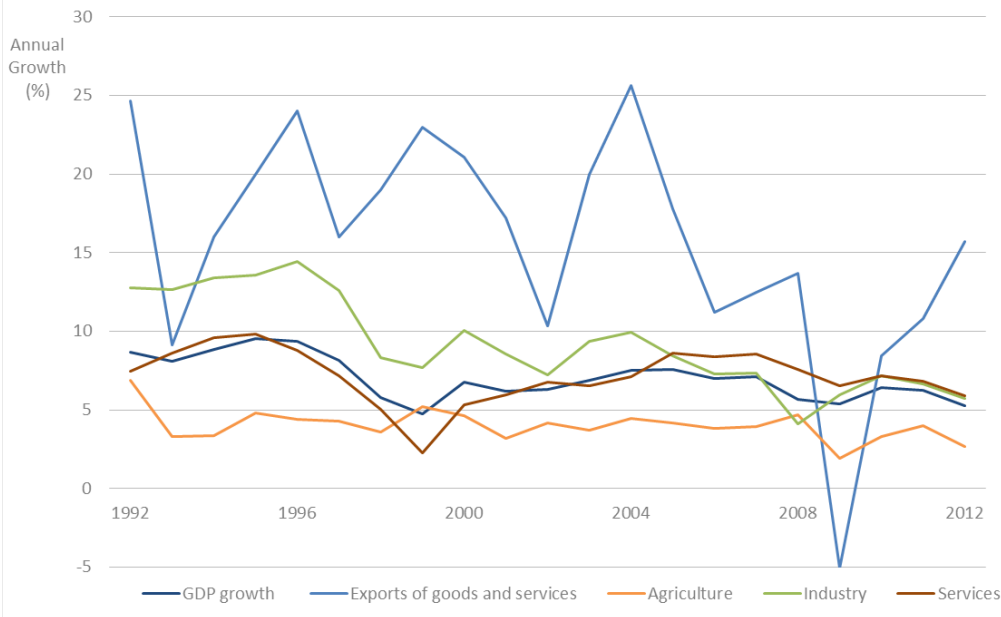
* World Bank Development Indicators (2014) – available at: <http://data.worldbank.org/indicator/NY.GNP.ATLS.CD>

Prior to the global financial crisis in 2007, Vietnam experienced a boom. Following the crisis, the current account deficit blew out, and annual inflation increased from 6.7 per cent in 2008, to above 20 per cent in 2009.^{3,4} The Vietnam Government acted to address imbalances in 2011 by limiting credit growth, increasing interest rates, and curtailing state expenditure. This helped reduce imbalances, with inflation falling to about 6.5 per cent in 2013. Export growth has remained strong, the country has a current account surplus, and international reserves are robust. However, the domestic private sector was adversely affected⁵ and individuals and firms investing in land and capital markets have experienced sharp drops in wealth. Average GDP growth has fluctuated at around 6 per cent per year since 2008, well below average growth in the previous decade (Figure 2).

Vietnam reached lower-middle-income country (LMIC)* status, as defined by the World Bank, in 2009. However, labour productivity and per capita income in Vietnam remain well below China and most other East Asian economies. There is growing national pressure to accelerate growth by reducing barriers to business investment and facilitating economic restructuring to improve competitiveness.

Economic integration is a central element of Vietnam’s strategy to ‘catch up’ with neighbouring countries in terms of labour productivity and living standards. Vietnam is a member of the World Trade Organisation (WTO) and the ASEAN Free Trade Area (AFTA), and has signed bilateral trade agreements with several major trading partners.

Figure 2 Economic growth in Vietnam, 1993-2012†



Vietnam is also active in regional economic cooperation agreements such as the ASEAN Economic Community, the regional economic cooperation partnership and the Trans-Pacific Partnership.‡ Planned implementation of these agreements, bilateral agreements (including with the European

* Middle-income-country status is defined by the World Bank as a country having a GNP per capita of between US\$1045 and US\$4125 (World Bank Atlas Method, <http://data.worldbank.org/about/country-classifications/world-bank-atlas-method>).

† Data is from the World Bank’s World Development Indicators.

‡ Regional economic cooperation agreements are shifting from comparatively simple free trade agreements to broader and more complex economic cooperation agreements covering goods, services, technology, competition, state enterprise reform, capital, movement of people, environmental standards and development.

Union), and the relatively recent WTO Trade Facilitation Agreement (2013)* will provide new economic opportunities, but also increase pressures to restructure the economy. The challenge for Vietnam's development planners and partners is to facilitate economic restructuring to promote positive and equitable impacts from integration.

Poverty reduction

Vietnam's growth strategies have resulted in relatively pro-poor outcomes.† The United Nations' (2012) report on the implementation of Vietnam's millennium development goals (MDGs) notes that:

*Of all the MDGs, Vietnam has made the most impressive progress on MDG 1 on poverty reduction.... Poverty has been alleviated among all demographic groups, in urban and rural areas, and across geographical regions.*⁶

Agricultural growth has been and continues to be important in reducing poverty as most of the poor live in rural areas. Growth in employment and income-generating opportunities in the industrial and service sectors are reducing poverty and raising living standards. Increasing numbers of rural workers are moving to industrial zones and urban areas for higher income earning opportunities;‡ many remit money to their families in poorer areas, as do overseas Vietnamese and export workers.⁷

In 2010 the World Bank estimated a new poverty line, equivalent to \$2.25 per person per day, drawing on data from the General Statistical Office. Designed to better reflect the living conditions of the poor in Vietnam this provided an estimated poverty rate in 2010 at 20.7 percent. In contrast estimates for poverty using official Vietnam Government urban and rural national poverty lines show a sustained decline in poverty from 14.2 per cent in 2010 to 11.1 per cent in 2012 and down to 9.9 per cent in 2013.⁸ However, the United Nations MDG monitoring report cautions that:

*The pace of [poverty] reduction is not equal among regions and population groups. The poverty rate is still high and chronic poverty persists, particularly among ethnic minorities and the most vulnerable groups such as children, women and non-registered migrants, and in disadvantaged areas. Urban poverty is starting to emerge as a new form of poverty. The risk of falling back into poverty is high, among other things because of the impacts of the global financial crisis, macroeconomic instability and more severe natural disasters as a result of climate change.*⁹

Human development

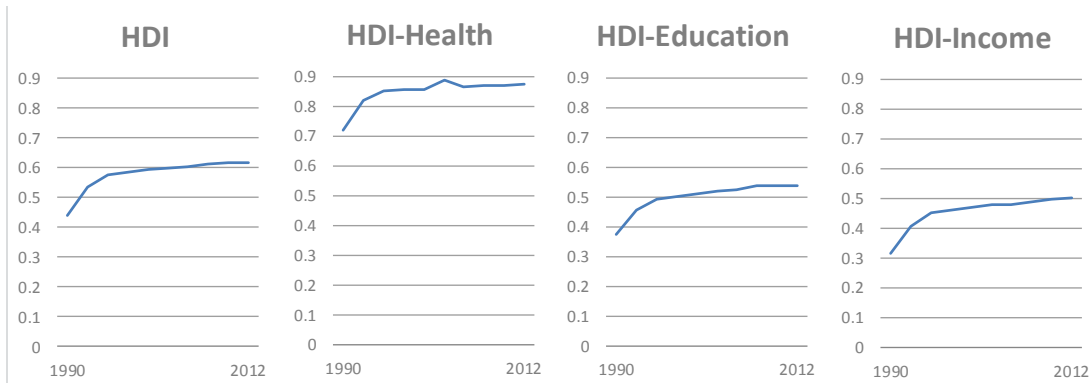
Vietnam has achieved rapid gains against a range of human development indicators including income, education and health¹⁰ since 1990 (Figure 3), climbing to 127 out of 187 countries in the United Nations Human Development Index (HDI).¹¹ Vietnam ranks between the 'high' and 'very high' quartiles for life expectancy at birth (75 years in 2011) and between the 'medium human development' and 'low human development' quartiles for mean years of schooling.¹²

* The agreement will increase customs efficiency and revenue collection, and help businesses access new export opportunities via more transparent customs practices, streamlined documentary requirements, and processing of documents (www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm).

† The most recent strategies include the Socio Economic Development Strategy (2001–10); Comprehensive Poverty Reduction and Growth Strategy; and Vietnam's Socio Economic Development Plan 2011–15.

‡ The rate of urbanisation has accelerated over the last decade and this trend is expected to continue. The government needs to plan infrastructure and services to respond to growing demand for urban services.

Figure 3 Vietnam has made impressive gains in human development*



1.2 Development trends

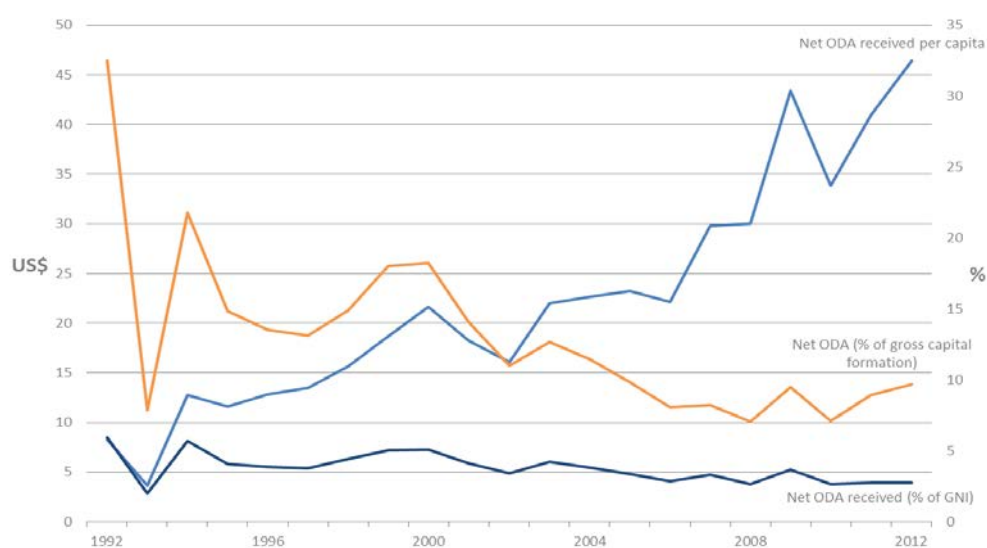
Prior to the lifting of the United States embargo on ADB and World Bank lending in 1993, the only significant development assistance was provided by United Nations agencies, Sweden, Finland and a limited number of international non-government organisations (NGOs). Since that time, most OECD countries, including Australia, have resumed development programs, as have many international NGOs.

Official development assistance (ODA) has risen steadily in absolute terms since 1993 (Figure 4). Since 2008 ODA has risen dramatically and in 2012 stood at around \$4 billion a year. This is dominated by concessional loans; multilateral and bilateral development banks have supplied 85% of total ODA to Vietnam since 2000. However, ODA has declined as a share of gross capital formation (Figure 4) and is expected to decline in absolute terms in the new few years. This means its relative importance as a source of investment is dropping. Nevertheless, ODA is still regarded by the Vietnamese Government as a catalyst for other investment flows and an important source of finance, accounting for 12–13 per cent of the total state investment budget from 2006–10.¹³

Vietnam’s graduation to LMIC status is affecting the nature of donor relations. The United Kingdom’s Department for International Development (DFID)¹⁴ is ending its bilateral support in 2016. Sweden phased out its bilateral cooperation in 2013 and in the same year the Netherlands shifted its relations from one based on development aid to one based on trade and investment. Such donors are expected to continue to provide support through multilateral agencies and/or via global or regional programs. Japan, the European Union and the United States have no plans to phase out their development cooperation programs with Vietnam.

* United Nations Development Programme, Human Development Index, Vietnam, UNDP, 2014.

Figure 4 Official development assistance disbursements in Vietnam*



According to the OECD, Australia ranked fifth in ODA to Vietnam as of June 2012 (Table 1) and according to Vietnam Government statistics, Australia ranked 20th in foreign direct investment.¹⁵

Table 1 Sources of official development assistance to Vietnam, 2012†

Rank	Donor	ODA, US\$ million	% of total ODA
1	Japan	1664	40.4
2	World Bank	1098	26.6
3	Asian Development Bank	231	5.6
4	Korea	200	4.8
5	Australia	145	3.5
6	France	135	3.2
7	Germany	99	2.4
8	United States	84	2.0
9	Denmark	61	1.5
10	EU institutions	34	0.8
	Total other donors	366	8.8
	Total all donors	4117	100

With the majority of Japan’s assistance being provided through soft loans and the UK support dropping, Australia was the largest provider of untied grant aid to Vietnam in 2012 (Figure 5). This presents an opportunity for Australia to tackle important development issues which the Vietnam Government may be reluctant to borrow funds for.‡ The relative decline of ODA compared to other

* Data is from the World Bank’s World Development Indicators.

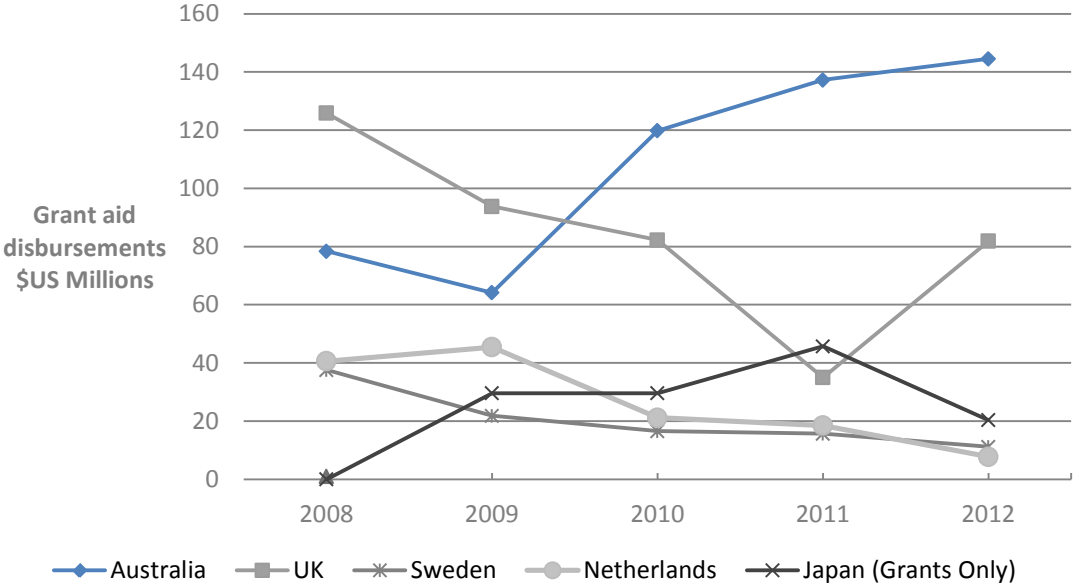
† Organisation for Economic Co-operation and Development, OECD DAC statistics 2013, QWIDS database, current at 2 April 2014.

‡ There is a large literature on the relative merits of loans or grants as a form of development financing. One of the arguments for the former advanced by Odedokun (2004) and others is that financial discipline on the part of recipients is encouraged more by loans than outright grants. A frequently cited advantage of grants is that they would fund components of projects that partner governments would not be willing to borrow for. Odedokun, M. (2004), *Multilateral and Bilateral Loans versus Grants: Issues and Evidence*, Blackwell.

revenue sources also highlights the opportunity for Australia (and other bilateral aid agencies) to shift their role from financier to knowledge broker.

Vietnam’s aid architecture is made up of a series of donor groupings including the Like Minded Donor Group (LMDG),* the six Development Banks, the European Union and its member states, and the One UN Initiative.† Australia is part of an informal ambassadors group which forms an important part of the aid architecture.

Figure 5 Australia was the largest provider of grant aid in 2012‡



The Vietnamese Government has continued to take a stronger leadership role in coordinating development cooperation to improve aid effectiveness. The Government-led Vietnam Development Partnership Forum replaced the World Bank-led Consultative Group as the major development cooperation forum in December 2013. There are also several joint Vietnamese Government and donor sectoral and thematic working groups. The Vietnam Government wants donors to focus more on ownership, results, inclusion, and transparency and accountability.¹⁶ It will be increasingly important for Australia to align its support with national priorities.

* Informal association of 14 bilateral agencies created in 2001 to promote harmonisation, joint programming and new aid modalities. The agencies are from Australia, Belgium, Canada, Denmark, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and the United Kingdom.

† Australia’s Multilateral Assessment (2012) found that the Delivering as One UN reforms in Vietnam were highly successful primarily due to country specific factors such as strong leadership from the government.

‡ Source: Data for Australia, UK, Denmark, Sweden and Netherlands obtained from OECD (2014) database, available at: <http://stats.oecd.org/qwids/>. Data for Japan obtained from JICA (2014), available at: <http://www.jica.go.jp/vietnam/english/c8h0vm000001sifa-att/vietnam.pdf> and http://www.jica.go.jp/vietnam/english/office/others/c8h0vm000001siky-att/brochure_07_en.pdf. Note that Japan figures represent grants only and do not include substantial concessional loans. Note also that data for Japanese grants in 2008 was not available, and is thus represented as zero.

1.3 This evaluation

Evaluation rationale, objectives, scope and questions

It is important to evaluate the Australia-Vietnam country strategy because the program size is large relative to Australia's total aid budget and to total ODA flows to Vietnam, and there is significant public interest in the delivery of Australian aid in Vietnam. The change in Vietnam's status to a LMIC also has implications for the program.

The evaluation aims to assist the delivery of the remainder of the existing country strategy (2010-15) and to inform future country strategy development and execution. It does this through assessing the effectiveness of the development and execution of the 2010-15 country strategy, the results obtained, and in reference to the targets set, the likelihood of the 2015 strategy objectives being achieved. The evaluation's focus is the Vietnam country program from 2010 to 2013 and the evaluation's findings were largely compiled in 2013. The present tense used throughout this report refers to the Vietnam program as of 2013. Discussions on the evaluation findings were held with the DFAT Vietnam program in 2014 to inform the development of a new country strategy.

The evaluation is guided by five questions:

- › *Relevance*: Did the Australia-Vietnam country strategy provide a sound framework for the delivery of effective aid to Vietnam?
- › *Implementation*: Has Australia managed its assistance program in a manner that is consistent with the commitments in the country strategy?
- › *Institutional arrangements*: Were the institutional arrangements underpinning the development and implementation of the Vietnam country strategy sound?
- › *Monitoring and evaluation*: Was the development and implementation of the Vietnam country strategy grounded in evidence produced by robust research, monitoring and evaluation practices?
- › *Results*: Was Australian assistance effective in producing results and what is the legacy of past investments?

Approach and methodology

This evaluation analyses the results achieved to 2013 across the country program (three years into the five-year strategy) in reference to the progress indicators set within the Vietnam Performance Assessment Framework (PAF).

The study has primarily used qualitative methods of enquiry (see Appendix 1), including document analysis, stakeholder interviews, and a brief review of the assistance and engagement experience in two provinces (Quang Ngai province in the central region and An Giang province in the Mekong Delta). Where possible, the evaluation used multiple data sources and has taken steps to triangulate results. Limited quantitative data was available on the Vietnam program's outputs, outcomes and administrative costs, which considerably limits the evaluations' findings.

To look beyond 2015 the evaluation considers Australian assistance and the areas where it can potentially contribute, within the broader landscape of the direction that Vietnam is taking in pursuit of its national development goals through its range of strategies and national scale programs. ¹⁷

Report structure

The report has five chapters:

- › *Chapter 1* provides the overall context of Vietnam's socioeconomic status, broad development trends including provision of ODA and an overview of evaluation approach and methodology
- › *Chapter 2* addresses the country strategy architecture, the iterative approach to development of the 2010-15 strategy, the focus of expenditure, and the platform provided by earlier Australian development cooperation
- › *Chapter 3* addresses the mechanisms for operationalising the strategy and the management and implementation of the country program from 2010
- › *Chapter 4* addresses the results of Australia's aid to Vietnam through the initiatives funded under the three pillars of the country strategy
- › *Chapter 5* looks at how Australian assistance can build on the expected contribution of the 2010-15 country strategy. Drawing from this analysis recommendations are provided for future Vietnam country strategies.

2 Australia – Vietnam development relationship and country strategy

2.1 Introduction

Vietnam is one of the largest recipients of Australian ODA for 2010-15. The total Australian expenditure and forward estimates for this period are over \$497 million (\$400 million up to June 2014). However this represents only a very small fraction of Vietnam's gross national income (GNI).

This chapter includes an overview of the Australia–Vietnam relationship and the platform provided by earlier periods of assistance, sets the Australian aid policy frame and describes the process of formulating the 2010-15 country strategy, and the arrangements for operationalising the country strategy. It concludes on the strengths and relevance of the country strategy.

2.2 Australia-Vietnam relationship

In February 2013, Australia and Vietnam marked the 40th anniversary of diplomatic relations. There have been numerous high-level bilateral visits between Australia and Vietnam over recent years, including a visit in February 2014 by the Australian Minister for Foreign Affairs to announce Australia's support for Vietnam's economic reform process. Formal defence relations were established between Australia and Vietnam in 1998 and both countries have held human rights talks regularly since 2002. The Australia-Vietnam Joint Trade and Economic Cooperation Committee's responsibility is to take forward the bilateral trade and investment relationship.¹⁸

Evolving aid relationship

The Australia-Vietnam bilateral ODA program resumed in 1993.* As described earlier, socioeconomic conditions have improved remarkably since 1993, and the Vietnam Government has acknowledged the contribution of ODA to this transformation,[†] and also noted the relevance, efficiency and impact of Australian assistance in a submission to the independent review of Australia's aid program.¹⁹

The focus and nature of Australian assistance to Vietnam has evolved since the 1990s as the relationship with the Vietnam Government has strengthened. Australian support was initially focused on scholarship programs and stand-alone projects targeting economic infrastructure and direct service provision in education, primary health care in rural areas and small-scale rural infrastructure.

* Australia provided limited ODA through UN agencies prior to 1993.

† Vietnam's Aid Effectiveness Forum (2012, p. 1) notes that the Vietnam Government's 'engagement with development partners has been pivotal in helping to deliver these development achievements'. <http://oda.mpi.Government of Vietnam.vn/Portals/4/VPD%20Final%20Draft.pdf>

The 2003-07 country strategy emphasised the importance of good governance to poverty reduction and development, and the need to work more closely with the Vietnam Government's development programs.

In 2005, the Australian Government committed to double its global aid budget by 2010. New initiatives included a major expansion of scholarship programs, a push for new ways of delivering aid and increased policy engagement with partner governments.

By 2006,²⁰ Australia was already contemplating how best to support Vietnam once it reached LMIC status. There was discussion about whether the Australian support should focus on helping the Vietnamese Government to target poverty reduction in rural areas and among disadvantaged and vulnerable groups in Vietnam, while simultaneously supporting the Vietnamese Government to strengthen the policy, legal and institutional environment required to build wider prosperity. Recognising that many of the world's poor were in middle-income countries, there was a corporate shift away from direct service delivery towards longer-term, strategic assistance in these countries with the goals of shaping policy-making and empowering the poor.^{21,22}

Vietnam and Australia signed a high-level Comprehensive Partnership Agreement in September 2009. The agreement expresses a shared interest in promoting Vietnam's growth, while recognising social, trade, environmental, and security interests shared by both countries. The Partnership Agreement Plan of Action, signed in October 2010, provides a basis for engagement and cooperation in diverse areas of mutual interest (including aid).*

Current aid framework

In November 2013, AusAID was integrated into the Australian Government Department of Foreign Affairs and Trade (DFAT). On 18 June 2014, the Minister for Foreign Affairs released Australia's new development policy, *Australian aid: Promoting prosperity, reducing poverty, enhancing stability*, together with a new aid performance framework, *Making performance count: Enhancing the accountability and effectiveness of Australian aid*. The reforms aim to build an aid program that is effective in promoting economic growth and reducing poverty and ensuring a stronger focus on performance, results and value for money. The new performance framework explicitly links performance with funding. Each country program is required to set performance benchmarks which will be used to assess program performance.†

As part of the Government's new performance framework released in June 2014, all country programs are required to have aid investment plans which will replace country strategies. By the end of 2015, all country and regional programs will have aid investment plans that identify the key constraints to growth and private sector development and describe how Australia's aid program will promote economic growth in ways that provide pathways out of poverty.²³

* This is currently being re-formulated.

† See further 'Australian aid: promoting prosperity, reducing poverty and enhancing stability' and 'Australia's new development policy and performance framework: a summary'.

2.3 Platform provided – Australian cooperation from 1993

Focus of expenditure

The focus of Australian ODA over the last two decades, based on levels of expenditure (Table 2) recorded from July 1995 up to June 2013, * has been on four areas: human resource development (HRD) focusing on the provision of scholarships (\$416 million); disaster risk reduction (DRR) and disaster risk management (DRM) (\$254 million); water supply and sanitation focused on rural areas (\$251 million); and transport infrastructure (\$212 million).

Table 2 Australian ODA to Vietnam by Sector, 1995-2013 (AUD \$ millions)†

2010-15 Country strategy pillars	Sector	DFAT	Other government departments	Total 1995-2013
<i>Pillar 1: Human resource development</i>	Human resource development	392.0	24.0	416
<i>Pillar 2: Economic integration</i>	Economic integration	66.4	3.3	69.7
	Transport infrastructure	210.7	1.6	212.3
<i>Pillar 3: Environmental sustainability</i>	Disaster risk reduction / risk management	253.9	0.25	254
	Water supply and sanitation‡	251.2	0.7	251.9
	Agriculture production systems§	56.2	56.8	113
<i>Other</i>	Health systems and HIV	135.9	1.7	137.6
	Ethnic minority poverty reduction	67.4	-	67.4
	Poverty reduction support credits	40.2	-	40.2
	Various**	29.5	0.2	29.7
	Humanitarian	19.4	-	19.4
	Human rights	13.0	-	13.0
	Clean technologies	6.9	2.3	9.2
	National monitoring and evaluation system	5.6	-	5.6
Total		1548.3	90.8	1639

Support for HRD, infrastructure, DRR and water supply and sanitation have been consistent sectors of engagement over the last 20 years. Support to health and rural development (ethnic minorities) has been dropped more recently as part of the shift of emphasis marked by the 2010-15 country strategy.

* These expenditure figures are based on an aggregation by the Evaluation Team of AidWorks (2005-06 onwards) and AMS (1995-96 onwards). This involved a blending of sector classifications which varied considerably over the period. This involved some judgement by the team and the figures provided should be regarded as illustrative.

† Data extracted from Aidworks and AMS.

‡ Includes small urban schemes.

§ Includes forestry and fisheries production systems.

** 'Various' includes a diverse set of expenditure including activities relating to environment, primary, secondary and basic education, small governance related activities.

The activities of Australian Centre for International Agricultural Research (ACIAR) in Vietnam represent by far the largest non-AusAID/DFAT investment.

Key themes of past Australian assistance running through the 2010-15 strategy period are:

- › *Focusing on developing the skills of individuals*: achieved through continuous Australian support to scholarships and recognising the value of mentoring and learning through doing
- › *Improving Vietnamese Government governance systems*: achieved through linking the planning and budgeting process with monitoring and evaluation (M&E). Australian assistance has recognised the value of systemic change as a precursor to building capacity within the Vietnamese Government to tackle complex future challenges
- › *Investing in infrastructure*: achieved through funding small and large-scale infrastructure and by working closely with multilateral partners and Vietnamese Government counterparts to influence standards within large, complex and strategic construction investments
- › *Leveraging relationships*: achieved through carefully nurturing and capitalising on long-standing and strategic relationships developed with partners in Vietnam.

Largest investments and flagship projects

Since 1993, the two largest single investments have been on scholarships (cumulative investment of \$341.1m from 1993) and the support committed in 1997 for the construction and associated works of the My Thuan Bridge (\$90m). Table 3 gives brief details of achievements from notable projects.

Table 3 Notable Achievements since 1993

Initiative	Funding period and total expenditure	Location	Key characteristics
Construction of the My Thuan Bridge and associated works	1998–2003 \$90 million	Mekong Delta	Largest single development project financed by Australia. Political significance and important symbol of cooperation. Significant economic impact in Mekong.
Work on flood defences at North Van Nao	1998–2005 \$19.5 million	Mekong Delta	Blending of hardware and software support to provincial authorities. An innovative approach integrating capacity building.
Scholarships for tertiary education in Australia	1994 ongoing \$341 million	National (unspecified)	Area of continuous and steadily increasing support (although recently scholarship numbers have declined). Focus on masters studies for individuals. Gender balanced. Diverse alumni.
Support to ethnic minority poverty reduction through rural development activities	2002–11 (3 phases) \$63.5 million	Upland districts of Quang Ngai Province, Central Vietnam and (part) national	Working closely with provincial, district and commune authorities addressing challenges in upland districts.
Establishment of a national system of ODA monitoring and evaluation	2004–09 \$5.6 million	National and Provincial agencies	Strategically positioned and timely project support to the Vietnamese Government for a national system for ODA monitoring. Strong capacity development effect.

The legacy of Australian assistance which the formulation of the 2010-15 country strategy inherited was significant in two respects. Firstly, it provided confidence in an increasingly stronger relationship between the two countries in which development assistance was core. Secondly, it brought experience of engaging with development challenges at multiple levels within the Vietnamese system.

2.4 Formulation of the 2010-15 country strategy

DFAT country strategies are public documents establishing bilateral commitments between Australia and a development partner, outlining objectives and a delivery approach over a specific period of time. Country strategies are intended to align Australian assistance with the development partner's goals and priorities, taking into account the country's context.²⁴

The iterative and protracted process of formulating the 2010-15 country strategy began in November 2007. The country strategy was published in October 2012. As discussed earlier, this country strategy was formulated during a period of significant economic upheaval.

Consultation process

The strategy development process was well resourced, with significant investment of time by the country program team at Post, and inputs from the country Desk and Canberra consultants. Vietnamese staff were involved in the country strategy development process, attending and contributing substantively to strategy development discussions and briefings. The country program team also had access to the Hanoi-based Mekong Regional Hub Team (including individuals with extensive experience in Vietnam) to help develop the strategy.²⁵

Discussions between the Australian and Vietnamese Governments informed strategy development, and a range of Australian government partners* were consulted about the country situation and strategic priorities. Prior to the integration of DFAT and AusAID, DFAT was consulted at key decision points in the formulation of the strategy. Australian NGOs† were consulted on four occasions (in Canberra and Hanoi), and the Australian Council for International Development provided written feedback on the draft strategy.

Frequent consultation with the Vietnamese Government helped to improve the relevance of the strategy, ensure its alignment with national development priorities and Australian development assistance objectives, and build key stakeholder (Australian and Vietnamese) support for the program.

The protracted process of the formulation and publication of the country strategy did cause some confusion about the precise country strategy objectives and the positioning of the work of ACIAR within the strategy. In the period between Ministerial approval and public access to the country strategy in December 2010 and the formal publication of the country strategy in October 2012, the strategy objective to '*Develop more sustainable and resilient systems in agriculture, forestry and fisheries*' was removed. As a result there was no direct reference made to agricultural research both under the third pillar of the strategy and within the associated PAF. The understanding of the evaluation team is that this reflected a view, held at that time by AusAID, which saw the focus and accountabilities associated with the country strategy as resting solely with AusAID. This was at odds with an earlier iteration of the country strategy which reflected a view that the valued ACIAR engagement in Vietnam should be seen as a sub-set of a broader whole-of-government country strategy.‡

* The following agencies attended the Vietnam Country Strategy whole-of-government consultation event on in May 2014: DFAT, ONA, Treasury, Department of Finance and Deregulation, ACIAR, Australian Federal Police, PM&C, Department of Climate Change and Energy Efficiency, Defence, DEWHA.

† Nine NGOs attended the NGO consultations on the draft Vietnam Country Strategy in May 2010: ActionAid Australia, ADRA, AFAP, APHEDA, CARE Australia, ChildFund Australia, Plan Australia, World Vision, ACFID.

‡ The Vietnam Government's submission to the independent review of Australia's aid program noted that:

With Australia's strength in agricultural research, projects implemented by the Australian ACIAR have brought practical impacts to agricultural development of Viet Nam. ACIAR's projects have improved the capacity of Vietnamese research institutions in agriculture, forestry and fishery and the application of research findings has helped to improve agricultural production and the living standards of the farmers.

Key objectives of the strategy

The Australia-Vietnam country strategy 2010-15 sets out four strategic objectives for helping Vietnam achieve its development goals as part of a shared global commitment towards the MDGs:

- i. Improvement in the quality of Vietnam's human resources
- ii. Better transport infrastructure and policy to support economic integration
- iii. Increase rural access to clean water and hygienic sanitation
- iv. Advance climate change adaptation and mitigation.

The objectives are aligned to the Vietnam Development Goals and the Vietnam Government Socio Economic Development Plan (SEDP) 2011-2015.

The strategy suggests Australia should continue to support areas where it has a track record of success, while also adapting to address newly emerging challenges. It does not directly outline how Australia will support the Vietnam Government to reduce poverty. However, the strategy does imply that reducing poverty and increasing national prosperity are linked; see, for example, statements such as 'donor investments must target reforms in areas that threaten to constrain future prosperity'.²⁶

During strategy development, the Vietnam Government expressed strong support for Australian assistance to the Cao Lanh Bridge, scholarships (particularly PhDs) and agricultural research delivered by ACIAR.

Vietnam and Australia recognised that some ongoing areas of Australian engagement would need to be phased out to ensure that adequate resources were available to support these priorities. It was agreed that Australia would discontinue support for health systems reform and ethnic minority poverty reduction. Australia's assessment²⁷ was that these withdrawals would not severely affect programs because of other ongoing donor support in these areas.

The core areas of the country program – referred to as pillars – are:

- > Human resource development
- > Economic integration (including infrastructure)
- > Environmental sustainability (including climate change, water supply and sanitation).

The country strategy identifies five areas where it will work with program partners to achieve the most effective outcomes:

- > Developing high-level policy engagement in key policy areas underlying Vietnam's vision to industrialise by 2020 (e.g. public finance management and economic reform, infrastructure policy, gender equality and environment policy)
- > Fostering relationships through people-to-people and institutional links (public and private sector) between Vietnam and Australia, links that facilitate knowledge exchange and are relevant long after the transition from a traditional aid partnership²⁸
- > Supporting Vietnam's fight against corruption
- > Supporting gender equality through incorporation of this principle across the program

- Working with and through Vietnam Government systems thereby improving the efficiency and effectiveness of all resources (including those of the government) available for the delivery of services.

The country strategy gives more attention to regional cooperation issues, with the Greater Mekong subregion (GMS)* being given special attention to support transport infrastructure and energy.

2.5 Operationalising the strategy

By 2012, most of the residual projects from the previous country strategy period had been completed and the country program reflected the new strategic focus. The major bilaterally funded initiatives running within the 2010–15 strategy period are indicated in Table 4. This distinguishes between those integral to the core of the strategy (under the three pillars) and those outside.

Table 4 Major funded initiatives 2010-15

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pillar 1: Human resource development										
Australia Awards Scholarships										
Pillar 2: Economic integration										
Cao Lanh Bridge										
Mekong Transport Infrastructure Development Project										
Southern Coastal Corridor										
Beyond WTO Phase 2										
Australia (World) Bank Partnership										
Pillar 3: Environmental sustainability										
RWSS National Target Program Phase 3										
Vietnam Rural Energy Distribution										
Climate Change and Coastal Ecosystems Program										
Vietnam Climate Change Action Grants										
Energy Distribution Efficiency Project										
Community Based Disaster Risk Management under ADB support project										

* The Greater Mekong Subregion (GMS) Program was launched in 1992 (facilitated by ADB). Other multilateral agencies (e.g. World Bank and UNESCAP) and bilateral donors support GMS activities. One aim is to mobilise resources to upgrade nine key transport corridors– five of which included Vietnam. A mid-term review of the GMS Strategic Framework 2002–12 found that while good progress had been made in 'hardware' aspects of GMS cooperation, more effort is needed to address cross-border 'software' issues such as private sector, labour migration, and communicable disease management.

Other Australian Government engagements within the country strategy period (bilateral, regional, global)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture - Improved productivity and enhanced incomes of small holders										
ACIAR Vietnam Program Technical and Agribusiness Research	■	■	■	■	■	■	■	■		
Health systems and HIV										
Delivering better health	■	■	■	■	■	■	■	■		
Clinton Health Access Initiative Phase 3					■	■	■	■		
HIV/AIDS Asia Regional Program	■	■	■	■	■	■	■			
Anti-corruption										
Communist Party Inspectorate training				■	■	■	■			
Ethnic minority poverty reduction										
Implementation support program (ISP) for P135 in Quang Nai province	■	■	■	■						
Human rights										
Vietnam Human Rights Technical Cooperation Phase 4					■	■	■	■		

The relative balance of expenditure against the strategic objectives can be seen in Table 5.

Table 5: Country Strategy Expenditure against Strategic Objectives, 2010-13*

Strategic Objective	Expenditure recorded in APPR (\$m)					% of bilateral program
	2010	2011	2012† (6 months)	2012-13	Total up to June 2013	
Improvement in the quality of Vietnam's human resources	27.1	26.8	15.3	27.6	96.8	24.2
Develop better transport infrastructure and policy to support economic integration	28.8	36.8	27.0	16.4	109.0	27.3
Increase rural access to clean water and sanitation	15.7	16.1	15.9	28.0	75.7	19.0
Advance climate change adaptation and mitigation	2.3	23.6	18.4	23.9	68.2	17.1
Other engagement	36.8	3.0	1.8	7.9	49.5	12.4

* Extracted and interpreted from Aidworks data.

† In 2012 APPR reporting switched from calendar to financial year.

Performance management of the Vietnam country program

Development aid needs to be assessed in terms of its contribution to the development goals of a country rather than merely in terms of the objectives of the individual projects/programs themselves. Country programs therefore need to clearly state the development outcomes they will contribute to and track progress towards these outcomes to assess country program performance.

DFAT's performance assessment frameworks (PAFs) set out outcomes, related indicators and baselines for the purposes of tracking progress towards country and regional program objectives. The Vietnam program was one of the pioneers within the department to develop and use a PAF as part of the annual reflection and reporting cycle. The program took a particular approach to the PAF of setting annual program milestones aligned to the four high-level country strategy objectives, drawing from the individual logic statements of the flagship/core investments under each strategy objective. This has proved a useful tool for program teams in reporting on annual progress at an initiative level and for providing a focus for steering activities – initiative by initiative – towards outputs in the year ahead. However, it is less useful for reporting against country strategy outcomes, as the link between the achievement of initiative milestones and progress towards country strategy outcomes is not always easily understood.

The Vietnam program does not yet have an overall program logic statement setting out (intermediate) outcome targets that lie between the strategic objectives of the country strategy and the individual initiative targeted outputs and objectives (outcomes). Such an approach – if the outcome targets are pitched at an appropriate level of ambition – can provide a valuable point of strategic focus for reporting and reflection on progress of the strategy. This relates to the intended effects of portfolio working; clusters of initiatives and policy engagement aligned to the sectors of the partner government across a particular strategy/programming period.

In Vietnam, as is the case in many other Australian funded programs, there are practical challenges to overcome in developing a workable PAF constructed around a set of country strategy outcomes. In Vietnam, government development planning takes place every five years at national, sectoral and provincial levels. The planning framework is very broad with many goals and at times has competing priorities and policy implications. SEDPs are a core element of the government system but are not fully integrated with Vietnamese Government sector strategies. Moreover, the articulation of outcomes and related change paths within the Vietnam Government sector strategies is generally weak (although improving). This complicates how a bilateral program identifies a set of clear outcomes around which it organises its engagement with the bigger picture of country development and reform.

Within the Vietnam program, initiative monitoring has remained mostly at the output level. The arrangements for performance management of the country program do not provide a clear basis for the systematic gathering of outcome-level performance information. There is some work in progress on developing the monitoring frameworks and approaches of individual initiatives to a stronger outcomes focus (e.g. the work on the Beyond WTO project, the support to impact evaluation in the Cao Lanh Bridge project, and more elaborate monitoring and evaluation for the Southern Coastal Corridor project and in particular for the Mekong Transport Infrastructure Development Project).

The Vietnam program lacks a strong sector-level perspective and has only one delivery strategy. The climate change delivery strategy is a useful tool for partners to understand what DFAT is doing on climate change but has its limitations in terms of bringing a clear results focus to the country

program.* This has been and remains a challenging area which is tied into the Vietnam development planning, monitoring and reporting framework.

Strengthening Vietnamese Government aid monitoring systems

The Vietnam Australia Monitoring and Evaluation Project (VAMESP) has been central to Vietnamese Government-led efforts to strengthen Vietnam's ODA monitoring and evaluation system. With some limited financial support from Australia, the Vietnamese Government has continued to sustain the project seeded by earlier Australian aid within the Ministry of Planning and Investment. To oversee public investments each Ministry now has an M&E unit, and each province has an M&E unit under the provincial Department of Planning and Investment.

Within the country program, there has been a limited continued engagement with Vietnamese Government monitoring systems. In RWSS NTP, the targets and indicators were used for reporting against the required government indicators at the time.

Gender equality

The gender gap in education, the workplace, and political participation has narrowed over the last two decades in Vietnam. Equality in education has been largely achieved but gaps in other fields remain, for example the low share of women in national administration, politburo and cabinet. Vietnam is party to the Convention of the Elimination of all forms of Discrimination against Women.

The Vietnam Government's National Strategy on Gender Equality was approved in 2010 and forms an important part of the wider SEDPs.²⁹ The strategic objectives are to work towards equality between men and women by 2020, enhance women's participation in the managerial and leadership positions, narrow the gender gap in labour and employment, raise the quality of female human resources, and ensure gender equality in access and benefit to programs, services and rights.³⁰ As part of its strategy, the Vietnam Government has set out a series of norms that are expected to be reached by 2015 and 2020. In 2011, Vietnam developed the National Action Plan on Gender Equality to operationalise the strategy.

Gender equality and women's empowerment is an overarching objective of the Australian Government's aid program and Australia's assistance is guided by a thematic gender equality strategy³¹ (2011) which commits Australia to be more engaged in gender equality policy in the countries and regions in which it works.

Despite being one of the underlying principles, addressing gender equality is only very briefly (but explicitly) included as a statement of intent in the Vietnam country strategy, in a commitment to increasing high-level policy engagement on gender equality. The intent is for program-level initiatives to be designed to take account of the different needs and roles of women and men. The absence of an overall country program logic with gender integrated into it has led to gender being diluted within the overall programming and implementation process.

Vietnam was included in a DFAT gender review of East Asia country strategies. Hanoi Post's Gender Action Plan (approved in early 2013) continued to allocate a dedicated gender budget (\$1.2m) and a gender resource (30% of her time) to coordinate the implementation of the Gender Action Plan,

* The Australia–Vietnam Climate Change Delivery Strategy 2011-2016 sets out the programs funded under the bilateral climate change portfolio. Annex B of the Delivery Strategy document provides a PAF with 3 outcomes and outcome indicators. However these outcome statements are themselves of a broad and imprecise nature and do not lend themselves to the purpose of evaluating the difference that Australian assistance through the country strategy is likely to make by 2015.

including establishing a partnership with UN Women for strategic and technical advice, and capacity building support to key Vietnam Government agencies in charge of gender equality.³²

The intent to address gender equality is clear in the country strategy. However, it has been difficult to translate this intent into action due to the absence of a supportive implementation framework; for example, a country program logic with gender integrated into it, objectives and targets related to gender equality, and clear accountabilities for ensuring gender equality is addressed in program implementation. Such a framework could drive the shift on gender equality that the country strategy originally envisaged.

Keeping the strategy current and relevant

There has been specific research commissioned by DFAT to inform programming within the country strategy period. Two examples are the Mekong Poverty Assessment and the scholarship alumni cluster study on gender equality, with the latter triggering the establishment of an alumni gender core group.³³ Additionally, in the area of climate change, Australia co-funded a study with the ADB to undertake a climate change risk and vulnerability assessment for Ca Mau and Kien Giang,³⁴ applying a value-chain approach to identify low-carbon opportunities in tea and rice production to support Vietnam's vision of reducing greenhouse gas emissions in the agriculture sector.³⁵

2.6 Conclusions – strength and relevance of the strategy

The country strategy was developed through a structured and contestable process which provided strategic direction, a clear sense of priorities (choices were made) and the basis for a largely coherent and strategic program. It has provided a clear framework and robust basis for the consideration of new programming directions as proposed and followed through. In its formative stage there was adequate and timely consultation with the Vietnam Government, whole-of-government partners and Australian NGOs.

The country strategy provides a clear intent for Australian aid in terms of its overall aims. The objectives and initiatives are aligned with the three strategic priority areas in Vietnam's SEDP 2011-2015. The evaluation found that the country strategy is less precise in terms of communicating its expected program outcomes in terms of the discrete and measurable results areas where the country program is expecting to contribute to Vietnam's development priorities through sector-level engagement.

Coherence of the strategy with Australian aid policy

At the time the country strategy was developed Australia's aid policy focused on poverty reduction, achievement of the MDGs, and committed its aid investment to countries with which Australia had long-standing relations and whose geographic and economic position were of importance to Australia.

The bulk of Australian assistance goes to Asia and the Pacific. In 2013-14, 86 per cent of country-specific aid was committed to the two regions.³⁶ This reflects the long standing commitment of the Australian government to see aid as an integral part of its wider foreign policy engagement; the role that as a developed nation Australia looks to play in a developing region (its neighbourhood) and as a part of a commitment to poverty. This sets the Australian aid program apart from European donors.

Much of Australia's aid goes to LMICs,* including the top two recipients of Australia's bilateral aid: Indonesia and Papua New Guinea. Australia does not have a formal policy on countries graduating from its development cooperation programs; this is decided based on specific country circumstances. As of November 2013, the Australian Government's aid priorities are focused upon promoting economic growth and reducing poverty (through effective targeting of aid) while focusing on projects that protect Australia's broader interests in the Indo-Pacific region.³⁷

Australia has been described as committed to targeting 'poor people rather than poor countries'^{38,†} and its funding arrangements are distinct in this regard from other bilateral donors that focus largely on lower-income countries. The continuation of bilateral aid to Vietnam as an LMIC is consistent with this target but there is a lack of focus in the country strategy on poverty reduction for vulnerable areas and groups.

The evaluation finds that, as of 2013, the country strategy has been and remains in step with the evolving policy priorities of the Australian Government. The emphasis on the positive role that Vietnam can play in the Mekong subregion and wider ASEAN forums including on private-sector development and governance is an important aspect of this policy coherence.

The country strategy outlines approaches to aid delivery that accord with international aid effectiveness principles. This builds on the strong history of Australian assistance in Vietnam and its emphasis on the importance of ownership on the part of the development partner, close alignment to Vietnam's priorities and policies, and increasing emphasis on implementing activities through Vietnam Government systems.

The inclusion and then subsequent excision of a strategic objective on the extensive work of ACIAR on technical and agri-business research in Vietnam in the country strategy indicates an apparent uncertainty on whether the country strategy is to represent a whole of Australian government for Vietnam, or a more narrowly defined AusAID/DFAT one.

Recommendation 1

Consistent with DFAT's review of guidance on Performance Assessment Frameworks (PAFs) and their role in Aid Investment Plans (AIPs) and Aid Program Performance Reports (APPRs), the DFAT Vietnam program should review the way it captures and reflects on outcome-level data for all sectors of engagement to ensure data is used to guide future programming.

Recommendation 2

In the next AIP, DFAT Vietnam program should include a framework for implementing gender equality measures. This should include clear accountabilities for ensuring gender equality is addressed in program implementation; objectives and targets related to gender equality that are linked to Vietnam Government norms and indicators; and systems for measuring progress towards gender targets.

* The top recipients of Australia's aid are Indonesia, Papua New Guinea, Afghanistan, Solomon Islands, Vietnam, Philippines, Bangladesh, East Timor, Pakistan, Cambodia, Burma and Vanuatu (Australia CAPF, 2011).

† Australia gave 37.7 per cent of its total ODA to LMICs in 2011-12 according to OECD DAC Statistics 2013. Its largest overall aid recipients, Indonesia and Papua New Guinea, are considered LMI economies. Among the other top ten recipients of aid, the Solomon Islands, Vietnam, the Philippines, Pakistan, and Vanuatu are also considered LMICs. Afghanistan, Bangladesh, Burma, Cambodia are considered lower income economies with a GNI per capita of less than \$1045.

3 Country strategy implementation and management

3.1 Introduction

This section of the report examines the institutional arrangements for implementation and management of the country strategy at Post, Desk and at the wider department level, including an assessment of whether the Australia's country program team were provided with appropriate guidance, support and advice, for the period 2010-13. This chapter also examines DFAT's relationships with the Vietnam Government, other development partners and coordination with Australian whole-of-government partners in implementation of the country strategy.

3.2 Effective partnerships

Successful implementation of the country strategy relies on effective modalities and relationships with the Vietnam Government and other development partners.

Partnership with multilateral agencies

The country strategy sets out the intent of *'targeted use of multilateral partners to deliver our aid program, particularly where they have greater capacity to deliver results for poor people'*.³⁹ This has been taken forward mainly through the Australian (World) Bank Partnership and co-financing of transport infrastructure projects with both the World Bank and the ADB. Between 2010 and 2013, DFAT's Vietnam country program disbursed \$158.3 million (41.6 per cent) of its funds through multilateral institutions (Table 6).

Table 6 Disbursement Profile Country Program *

Nature	Total expenditure (\$million) 2010-11 to 2012-13	%
Vietnam Government	100.9	26.5
Multilateral organisations (including international organisations)	158.3	41.6
Academic and/or research institutions	75.9	19.9
Other (e.g. NGO)	26.7	7.1
Commercial suppliers	18.8	4.9

The Australian (World) Bank Partnership covers a broad set of mutual interests relating to poverty reduction and economic management; financial and private-sector development; sustainable

* Data extracted from Aidworks.

development; and public private partnership (PPP). Partnering on analytical work has helped DFAT staff to engage in important areas of policy debate (e.g. land law).

Key informants from both the World Bank and DFAT said that the partnership is allowing each partner's expertise to be used appropriately⁴⁰ and to mutual advantage, including through sector working groups, the Aid Effectiveness Forum and joint review missions. One difficulty identified was that DFAT has, at times, struggled to understand the World Bank's procurement and financial management systems.

DFAT also adopted a selective approach to engagement and was not able to respond to all World Bank requests for involvement, although substantive contributions were made on critical issues. This approach was recognised as appropriate given that DFAT has relatively few staff. In co-financing with multilaterals it has proved challenging to find ways of effectively harmonising M&E of the associated projects and programmes (often large in size and scale), in ways that make use of both DFAT and partner M&E policies and practices.

Use of partner government systems

The use of partner government systems in DFAT is not a default position, but rather a judgement based on a comprehensive and context-sensitive assessment of the risks and benefits. Where use of partner government systems is an option, rigorous analysis and assessment of those systems is indispensable. This usually involves both an assessment of national systems (strategic level assessment of risks and benefits) and subsequent, relevant detailed sector assessments.⁴¹

The country strategy commits to *'provide more assistance through Vietnam Government systems where we assess these are robust'*.⁴² At the time of this evaluation, the program is disbursing 26.5 per cent (\$100.9 million) of its funds through the Vietnam Government (Table 6). Australian support to the Rural Water Supply and Sanitation National Target Program (RWSS NTP) goes to the central government and the provinces for building capacity within their public financial management systems. Support is also provided for strengthening M&E systems within the RWSS NTP.

The Climate Change and Coastal Ecosystems Program, implemented by Deutsche Gesellschaft für International Zusammenarbeit (GIZ), and co-financed by Australia and the German Federal Ministry for Economic Cooperation and Development (BMZ),* is a case where Australian support could be better integrated into the Vietnamese system. While the Vietnam Government deals with both partners through GIZ rather than engaging each donor agency separately, the arrangement uses GIZ financial systems, rather than Vietnam Government systems. The quality at entry report for this project⁴³ flags the need to justify this modality. Interviews conducted and observations made in Kien Giang province suggest that the direct implementation delivery method and the use of GIZ systems are in danger of undermining provincial ownership of the initiative. This is at a time when it is recognised in the earlier Joint Project review that whilst *'the project remains highly relevant.... The necessary policy and institutional framework conditions as well as the financial resources for up-scaling are very limited'*.⁴⁴ It is felt that the project should try to identify ways to shift from direct implementation and move, incrementally, towards working through Vietnam Government systems,

* Arrangement on delegated co-operation between Deutsche Gesellschaft für International Zusammenarbeit (GIZ) GmbH and AusAID regarding Climate Change and Coastal Ecosystems Program was signed in June 2011 (AusAID Agreement 58920). This arrangement needs to be understood within the wider partnership formalized in an MOU (signed in February 2007) between AusAID and the German Federal Ministry for Economic Cooperation and Development on a Partnership on Development Assistance. The latter explicitly refers to the principles of the Paris Declaration on Aid Effectiveness of March 2005.

especially at the provincial level. Such an approach could greatly enhance Vietnam Government ownership and promote scale-up of climate change initiatives.

3.3 Coordination with other Australian government departments

The country strategy states the importance and strategic intent of continuing ‘to work with Australian Government bodies’ – that is, whole-of-government partners, among others, in the delivery of development assistance to Vietnam.

ODA delivered by other government departments has made up a small part of Australia’s overall investment in Vietnam. Vietnam’s largest investments from other departments in recent years have come from ACIAR, the Department of Education, Employment and Workplace Relations (now the Department of Education and the Department of Employment), and to a much lesser extent the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (now the Department of Industry and Science).⁴⁵

There has been an important linkage established between the Australian Competition and Consumer Commission and the Vietnam Competition Agency through the Australian co-financed Beyond WTO program and Australian-supported regional programs. Other linkages – in some cases long-standing associations – between Australian Government institutions and Vietnamese institutions have been recipients of small allocations of funding through the Public Sector Linkages Program (now the Global Partnership for Development Funding). The linkage reviewed by the evaluation, between the Federal Court of Australia and the Vietnam Supreme Court on a Judicial Capacity-Building program, showed how effective this type of support can be, although the duration of the funding (typically 12–24 months) is limiting. However, the linkages between the country program team and these regional and global channels of funding are typically not well developed; the relationships between Vietnam and other Australian Government departments tend not to be widely known to staff at Post and Vietnam Government counterparts. As a result opportunities for influence within the Vietnamese system through such channels may be missed.

The linkage between the Australia Department of Education and the country program team is through the Hanoi-based representative of the department. As DFAT moves its focus from the running of a scholarship program to a more sectoral view on human resource development, the contact and dialogue is expected to increase. There is ongoing interest from both DFAT and ACIAR in coordinating more closely on the climate change adaptation program.

3.4 Corporate management – human resources

The effective operation of an aid program depends largely on recruiting and developing staff with the necessary capabilities and capacity, combined with clear leadership and management.

At the time of this evaluation the in-country program team was led and managed by a well-established senior team. This includes a counsellor who is supported by a minister-counsellor for the Mekong region, both of whom have extensive understanding and experience of operating in Vietnam. This understanding and experience has facilitated informed and decisive decision-making and contributed to effective leadership and management practice. This leadership and management capability is complemented by Australia- and overseas-based staff, with four Australia-based and 22 overseas-based staff located at the Hanoi Post in 2013. In addition to this staff group three Canberra based staff have been providing direct support to the country program operation.

It was highlighted by the senior staff at Post that overseas-based staff, many of whom are of long-standing service (only one overseas-based staff member having resigned since 2010) provide a good understanding of Vietnam's political economy to inform programming.

The Hanoi Post attaches priority to building the capacity of overseas-based staff, including in monitoring and evaluation and corporate management. Implementation of the corporate workforce plan and detailed capacity assessment⁴⁶ has allowed the Post to improve its human resource systems and processes including performance reporting; regional and national learning and development opportunities; and individualised career development and pathway planning.⁴⁷

This broader corporate workforce plan has also been translated into a Mekong workforce plan, where thematic knowledge gaps were identified (through capacity assessment workshops and surveys, linked to the strategy and verified by the senior team); learning and development opportunities developed (such as regional training programmes); and good practice and knowledge formally and informally exchanged (for example, through the Corporate Division Network and informal working groups).⁴⁸

The implementation of corporate DFAT policy at Post has been enhanced through the corporate policy network in the Mekong – a network of DFAT employees who are working together to improve consistency and commonality across the region.

Canberra has provided advisory support to the country program team on an as-needed basis during implementation of the country strategy. This has been valued by Post. Complementary use has been made of local advisory support. For example in the sector of economic integration a group of experienced and well respected local advisers provide on-call support to the Beyond WTO project.

An area where advisory support has been less well developed is in governance programming. Post and Desk report good working relationships with staff in the Governance and Fragility Branch in Canberra, but there has been relatively limited direct engagement with the Canberra-based governance principal and senior sector specialists, although the design of the Vietnam Anti-Corruption Program included involvement from the Anti-corruption Team in Canberra and the Law and Justice Section have recently become more engaged in the Human Rights Technical Cooperation Program. The regional Governance and Fragility Specialist (based in Bangkok) started in the Mekong and Regional hub in October 2013 and is working to develop closer relationships with program staff in Hanoi and Canberra.

The above information on human resources was current when the evaluation field work was conducted in 2013. Staffing levels and human resources policies and practices may have evolved since then.

3.5 Program risk management

Four major risks were identified in the country strategy as potentially preventing or inhibiting the delivery of the country strategy's objectives. These were *'anticipating and responding to the effectiveness of the Vietnam reform process'*; that Australia would be *'unable to meet the challenges of implementing a larger and changing aid program in Vietnam'*; that *'implementation of environmental and social safeguards on major infrastructure activities do not comply with Australian obligations'*; and that *'there is increased incidence of corruption'*.⁴⁹

The ongoing identification and mitigation of risk is managed through an active risk register, which is reviewed on a quarterly basis by the program management team with a clear escalation process to minister-counsellor as required. The risk register documents potential risks against the achievement of strategic objectives, presents existing controls and identifies additional proposed risk treatments

if the risk rating is rated as not acceptable. Key individuals are identified with an implementation date or period detailed.

One example of Post's active management and mitigation of risk can be seen in DFAT's engagement with other development partners through co-financing arrangements. At the design stage of infrastructure projects, it was envisaged that DFAT would be effectively 'hands off' with co-financing arrangements. In reality, DFAT's risk management demanded a more active role and the result was a more hands-on approach which increased the engagement and interaction with the partner government. This has also demonstrated that there is a potential wider benefit in DFAT's more direct engagement in that the hard infrastructure project can become an entry point to build institutional capacity and to proactively realise the development benefits of social and environmental safeguards. The project becomes a development opportunity, not just a loan.

3.6 Conclusions – effectiveness of implementation and management

The evaluation found that effective relationships have been forged and actively managed with other development partners (especially the World Bank) in implementing the country strategy.

Working with and through Vietnam Government systems is an important and visible element within the country strategy in many (but not all) of the sectoral areas of engagement. It is relatively undeveloped within human resource development activities and in the partnership with BMZ for the work on the Climate Change and Coastal Ecosystems Program. The country program should assess whether working through Vietnam Government systems is in line with DFAT's policy requirements and decide whether this remains DFAT's preferred approach in Vietnam for all or some sectors of engagement. The country program team has a solid knowledge and understanding of government systems and the challenges therein. However, with the shift in direction under the country strategy towards less direct provincial engagement, the depth of understanding and learning around the complexities of the Vietnamese operating system at a provincial level has been weakened.⁵⁰ DFAT should consider this in shaping strategic options for the post 2015 era.*

Aside from support to strengthen RWSS NTP monitoring, there has been some engagement to strengthen the Vietnam Government's monitoring systems. Building on VAMESP, there has been funding to the Ministry of Planning and Investment (MPI) (to 2014) to support their work on Vietnam's ODA M&E system and piloting work on developing an M&E system for broader public investment.

Other Australian government departments have a relatively small involvement in implementation of the country strategy, and there is limited, but proportionate, coordination between other government departments and the country program team. There are important opportunities in the areas of climate change adaptation, agricultural research, and education to increase coordination and actively look for added value from the other government departments. There is limited visibility within country program monitoring to Australian assistance in Vietnam provided through regional and global programming.

Corporate guidance, support and advice have been provided in a proportionate and timely manner by Australia's program team during the development and implementation of the country strategy. Risk management processes for the country strategy are robust; overall, the right risks have been

* ODE published the evaluation "Working in decentralised service systems: Challenges and choices for the Australian aid program" in January 2015.

identified and have been well managed. As noted above, systems to gather outcome level performance information have been limited. Despite this lack of good information, country program managers have identified and implemented appropriate management responses to a range of challenges.

The evaluation found that the country program is being implemented consistently with the objectives in the country strategy. It has maintained a clear distinction between the programming of new strategic direction, the legacy of programs reflective of an earlier strategic direction, and initiatives that may promote possible new avenues or potential shifts in emphasis beyond 2015.

4 Results and achievements of Australia's aid to Vietnam 2010-13

4.1 Introduction

The main results and achievements of the initiatives active in the country program for the period 2010-2013 are presented below, clustered under the three pillars and related strategic objectives of the country strategy. For each pillar a context is provided in terms of the wider setting of Vietnam Government policy aims, investment levels and strategies and the positioning of Australian assistance within the donor landscape. A brief review of achievements in selected other areas of Australian engagement (outside the three pillars) running through the strategy period is also provided. This includes both legacy and cross-cutting areas of support such as anti-corruption work, ethnic minority poverty reduction and human rights.

The results are drawn from DFAT's self-assessment reports including QAIs and APPRs, Vietnam Government policy and programming documentation, and other evaluative material including DFAT program mid-term reviews and completion reports, supported by key informant interviews.

4.2 Program results and achievements

Pillar one – Human resource development

Vietnam Government policy aims, investment levels and strategies

The scale of the education and training required in Vietnam to meet its growth targets* is substantial. The Socio Economic Development Plan 2011–15 (SEDP) identifies human resource development (HRD) as one of three priority 'breakthrough' areas to achieve Vietnam's development goals.

The Vietnam Manpower Development Master Plan⁵¹ focuses on increased university and college education and training, including targets for the number of trained people by education and training levels, sector and geographic region. The plan aims to strengthen HRD quality systems and policies; improve the capacity and efficiency of management; reform training curricula; and increase teacher wages.⁵² The plan recognises the need for ODA grants and loans and private investments to finance the program.

Central ministries are expected to produce their own human resource plans in line with the national plan and specific sectoral needs. The Vietnam Government Project 911, with an expected investment of US\$700 million, aims to award 20 000 PhD scholarships across the country between

* The Social and Economic Development Plan (2011) sets economic growth targets for gross domestic product, trade deficit, energy use, public debts and consumer price index. These correspond with the wider national objectives of stabilising the macro economy and expediting economic restructuring.

2010 and 2020. It also aims to have women as 40 per cent and 20 per cent of Master and PhD holders, up from the 2013 level of 30 per cent and 17 per cent respectively.

The Vietnam Government has become more open to the development of linkages with international universities. Australia was the first country to be given a license to operate a foreign university in Vietnam; RMIT University has campuses in both Ho Chi Minh City and Hanoi and is providing, through a privately funded in-country scholarships program, a replicable Australian education experience in Vietnam at what is estimated by RMIT to be at a cost significantly less than the Australian based scholarships. There are now 438 joint training programs in Vietnam (including 164 Masters, 12 PhD). However, Australia (with 20 institution linkages) has fewer linkages than United States, France or the United Kingdom.

There is a renewed emphasis on developing Technical and Vocational Education and Training (TVET). The government's Vocational Training Development Strategy 2011–20 has ambitious goals including access to vocational training across Vietnam. Whilst Australia's model of TVET (including its demand-driven, competency-based and industry linkages approach) is well regarded by the Ministry of Labour Invalids and Social Affairs as a prospective model for Vietnam⁵³ it is the German model which is being more actively pursued by the Vietnam Government.

Australian assistance and the donor landscape

The strategic objective for HRD within the country strategy is broad: *'improving the quality of Vietnam's human resources'*. Within this, there is a commitment to a scholarship program – the Australia Awards Scholarships (AAS)*. Scholarships are focused on the three core strategy areas and target enhanced leadership, knowledge and technical skills, and gender equality. The strategy also commits to building closer partnerships between Vietnamese and Australian public and private institutions. Australia has provided scholarships to Vietnam since 1975 and, in 2013, is one of the largest external scholarship providers in Vietnam, particularly for postgraduate study. Australia is a popular destination for self-funded students.†

DFAT delivers its support to HRD in Vietnam through a range of modalities and channels all of which lie outside Vietnam Government systems. The country program team began drafting a delivery strategy for HRD in 2013 to reflect a strategic frame to Australian support, seeking synergy between investments and focusing Australian priorities for programming and policy engagement. This is designed to give meaning to the country strategy intent of providing targeted support to assist the Vietnam Government implement reforms, thereby helping the Government achieve its HRD goals.

Scholarships

The AAS is broadly aligned with the HRD objective of the Vietnam Government for postgraduate training. However, it has its own criteria for awarding scholarships and its objectives are linked with country program priorities. 30 per cent of AAS are reserved for government agencies.‡

* The AAS includes the Australian Development Scholarships (ADS) and the Australian Leadership Awards (ALAS). Both of these brands were retired in 2013.

† The B-WTO funded report: NCIEC (2013), *The Viet Nam International Linkages Index*, p. 43 notes that 'by 2012, Viet Nam had over 100,000 students overseas in 49 countries and territories, about 90% of which by means of self-funding. Australia ranked first in this list with 25,000 students, followed by the USA (14,888 students) and China (12,000).'

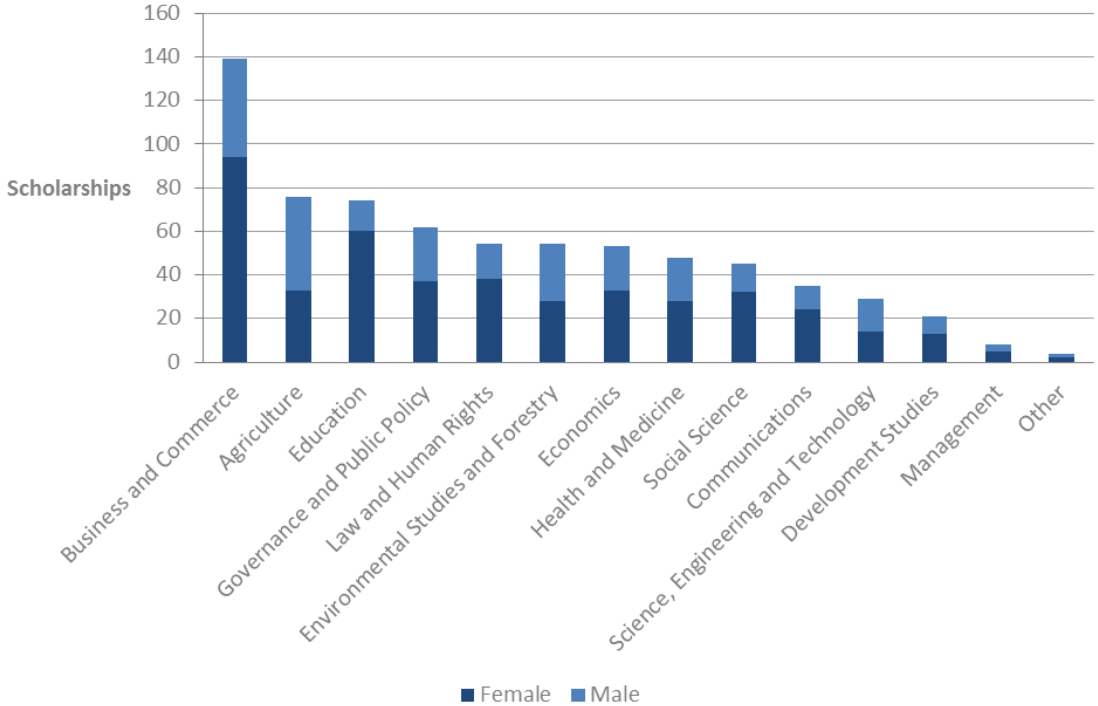
‡ Prior to 2014, 40 per cent of AAS/ADS were reserved for government agencies. This was reduced to 30 per cent in 2014 because of the limited pool of government applicants.

In 2010, AAS introduced 'special conditions' for the selection of disadvantaged applicants, including disabled, ethnic minority and rural disadvantaged candidates. It established targets for women's inclusion in the program (a minimum of 50% of awards made) which have been exceeded (Table 7). An Equity of Access fund for targeted groups was introduced in 2013. The fields of study where scholarships were awarded from 2008–13 are shown in Figure 6.

Table 7 Scholarship Level of Study, 2008-2011 (Intake Years)*

Level of study	Female	Male	Total
Undergraduate	1	0	1
Graduate diploma	0	1	1
Master's degree	194	101	295
PhD	2	1	3
Total	197	103	300

Figure 6 Scholarship field of study, 2008-2013†



Source: Australian Scholarships data

A robust M&E system to measure the achievements and results of the AAS is in place. An Australian Scholarship Alumni in Vietnam association has been established⁵⁴, and an alumni database has been developed with 3500 alumni from 1977 onwards. An analysis of the alumni group found about 24 per cent to be in senior positions. However, while scholarships are seen as a positive developmental experience for young staff in government agencies, staff close to leadership positions

* Source: Australian scholarships data.

† Source: Australian scholarships data.

fear losing promotion opportunities if they go abroad for study. In a tracer survey of recently returned alumni, most alumni claimed to have linkages with their former Australian institutions or Australian partners. The survey provided examples of how alumni have used their linkages with Australia to help to improve their organisation's performance.

Institutional links

Through the Global Partnerships for Development (GPD) initiative seven capacity-building projects involving funded links between Vietnamese and Australian public sector organisations were started in 2011 and a further five added in 2012. Relatively small amounts of funding as provided through the GPD and its predecessor scheme can assist in establishing institutional linkages; activity between organisations nurtures the association and can build momentum leading to a longer term relationship.

External international research project partnerships continue to be brokered and supported by ACIAR's work in Vietnam.

Volunteering

The Australian Volunteers for International Development Program (AVID), while a global program and not funded by the Vietnam country program, is also considered to be part of the Australian engagement in the HRD sector. In 2013 around 64 volunteers commenced their programs, with 21 AVID and 26 Australian Youth Ambassadors for Development (AYAD)* managed by Austraining† and 17 volunteers managed by Australia Volunteers International. There were a total of 134 AVID volunteers active in Vietnam in 2012–13. Roles include skills and knowledge transfer.

The main current volunteer assignments⁵⁵ do not entirely match the country program priorities: governance – 35%, climate change – 21%, health – 16%, other (e.g. economic integration, agricultural research) – 24%. A recent ODE evaluation of the Australian volunteer program recommended stronger links be made between the bilateral program and the volunteer placements and for Posts to become more active in determining numbers of volunteers allocated to their country and in their placements.

Overall assessment of results

Related PAF 2015 strategy objective indicators/ targets

- 1380 scholarships and 300 fellowships delivered
- Increased number and strength of institutional links between public sector institutions
- Increased contribution of scholarship alumni and institutional links to meeting strategy objectives

The scholarship program (the major spending area under the HRD pillar) has been effectively run, is valued and has strengthened the wider relationship between Australia and Vietnam. The AAS has continued to look for ways to strengthen its impact within the organisations from which the awardees are drawn. In 2012 there was a shortfall of applications and successful candidates in relation to the target of providing 40% of AAS awards to government agency candidates. The country program is on track to meet its 2015 target of 1380 long-term postgraduate scholarships awarded (with 748

* The AYAD brand was retired in 2014.

† Since renamed Scope Global.

awards made in 2010-13). Around 60% of scholarships have been to women, exceeding the target. Two people with disabilities received awards in 2012-13.

In addition to the postgraduate training awards, over 300 short-term fellowship awards (training and work attachments in Australia) have been awarded in 2010-13 and will exceed the 2015 target. 15-20 Australian Leadership Award Scholarships (ALAS) have been awarded each year.

The results achieved to 2013, considered against the country strategy indicators/ targets (see Box above), suggest that the Pillar objective of assisting in an improvement of the quality of Vietnam's human resources will be achieved.

Pillar two – Economic integration

Vietnam's integration into the global economic community has been one of the most remarkable successes of the economic reform program. Vietnam has transformed from a mostly closed economy in the 1980s, to one of the most open (in terms of trade and FDI-to-GDP ratios) of the larger Asian economies. Greater economic integration has delivered considerable benefits to Vietnam with increased exports, private capital inflows, competition, and reduced bottlenecks to investment, generating increased employment and incomes.*

Enhancing economic integration is one of the three core areas of the country strategy. The strategy notes that *'In economic integration we will support Vietnam's continued economic development through investments in infrastructure to improve food security and open markets for millions of Vietnamese in rural and urban areas. Our support to economic reform will ensure Vietnam maximises the employment and poverty reduction benefits of ongoing global economic integration'*.⁵⁶

The strategy includes a focus on supporting regulatory and institutional reforms to foster international competitiveness, addressing the risks and challenges of an economy in transition, and building institutional capacity in policy analysis.⁵⁷

Economic integration – policy, legal and institutional

Vietnam Government policy aims, investment levels and strategies

The Vietnam Government strategy for realising the benefits of economic integration focuses on developing market institutions (including improving the regulatory environment for business), and proactively supporting the development of linkages with the rural economy. Sustained improvements in macroeconomic stability and economic restructuring to improve competitiveness are also seen as critical in maximising the benefits of integration.⁵⁸

Australian assistance and the donor landscape

Australia's work on the policy, legal and institutional aspects of Vietnam's economic integration is concentrated through two main funding channels: Phase II of the Beyond WTO Program (a commitment of \$12.3 million over 2009-13) and the Australian Bank Partnership (ABP), a commitment of \$43 million (2012-16).

* See Vietnam Government (2013) Report to WTO Trade Policy Review http://www.wto.org/english/tratop_e/tpr_e/g287_e.pdf, and the WTO (2013) Trade Policy Review http://www.wto.org/english/tratop_e/tpr_e/s287_e.pdf, and DFAT (2014) Vietnam Beyond WTO Phase II Program Completion Report. For a B-WTO video presentation of the issues (with English subtitles) see <http://library.b-wto.Government of Vietnam.vn/documents/view/2702>

The B-WTO initiative was designed to help economic integration reform by providing technical assistance and capacity-building for individuals and institutions. While the progress of the program was slow burning⁵⁹ it has, over time, helped to mobilise a group of senior, well respected and influential national experts in politics, economics and trade as a senior advisory group. This group has provided a conduit of influence for the program. The initiative has achieved a close link to the national economic reform agenda and B-WTO supported studies have been brought to the attention of senior leaders and the public through the mass media.⁶⁰ The program also included work at the provincial level in support of the implementation of key economic reforms.

The Australian Bank Partnership was established to support a wide range of interventions, including economic integration. The fund contributes to rural sanitation and transport initiatives as well as improved economic management and banking and financial sector reform and analytical work to inform a US\$750 million project on economic management led by the World Bank.⁶¹

Overall assessment of results

Related PAF 2015 strategy objective indicators/ targets

- Evidence based policy approaches enhance opportunities and address challenges associated with economic integration
- Adverse social and environmental impacts are managed effectively

Australian funded initiatives are delivering well against the strategy objective of ‘Delivering better policy to support economic integration’. Substantive studies on the impact of integration on agriculture, rural-urban migration, food security and other economic issues have helped shape government policy and strategies. Key outputs and some of the immediate effects from this work are:

- › Policy and research papers that have improved the evidence base for shaping and supporting the implementation of key reforms (e.g. competition policy, land law, state enterprise regulation, price law, rural-urban migration support policies). The work on the land law increased attention on strengthening land-use rights and transparency to reduce inequities and corruption
- › Competition studies completed in 10 key industries highlighted major regulatory constraints and recommended reforms. Information was used by the competition agency in planning and implementing competition policy
- › Capacity building of individuals engaged in formulating and implementing reforms.

Economic integration – transport infrastructure

Vietnam government policy aims, investment levels and strategies

Connectivity through improved transport infrastructure remains a priority for the Vietnamese Government. Increasing economic activity both within Vietnam as well as across the border in targeted regions is seen as a means to help narrow the development gap between regions. Improved connectivity is to be achieved by building capacities of key implementing institutions, developing new models for infrastructure financing, investing in infrastructure, and reducing national and regional bottlenecks to the cross-border movement of goods and people.

Australian assistance and the donor landscape

Australia’s engagement in the sector under the country strategy focuses on building capacity within the key institutions leading the reform of transport infrastructure and financing, and making direct investments in Vietnam’s major transport corridors with a geographic focus on the Mekong Delta. In 2009 Australia reported that it was investing \$101.3 million in transport infrastructure across the

GMS⁶² working through co-financing agreements* with the ADB and the World Bank 'to connect the rural poor in the Mekong Delta (the fastest growing region in Vietnam and a major source of food production and agricultural output) to new markets'. Strategic infrastructure investments include:⁶³

The Mekong Transport Infrastructure Development Project which aims to improve access to markets by business, farmers and the poor by alleviating key physical and institutional bottlenecks along the Mekong Delta main transport corridor. Australia has committed \$48 million (2007-13) to co-finance component C which focusses on improvements of rural and feeder road infrastructure in support of a total World Bank investment project of US\$208 million.

The upgrading of the Southern Coastal transport corridor, which is the main road cargo route between Ho Chi Minh City and Bangkok (via Cambodia). Australia is providing \$45.1 million (2007-16) as part of the upgrade in addition to ADB investment of US\$227 million.

The Cao Lanh Bridge, which is a key link between Ho Chi Minh City and the Delta and through to Thailand. Australia is providing \$160 million (2011-17) for design, construction supervision and civil works as part of a much wider investment by the ADB and the Korean Investment Bank under the Central Mekong Region Connectivity Project.

Overall assessment of results

Related PAF 2015 strategy objective indicators/ targets

- Total km of road and bridge works connecting Mekong communities to markets
- Higher traffic volume, lower operating costs and travel time on targeted transport corridors

Through direct investments in large construction projects, as well as technical assistance and support to capacity-building and finance models, the strategy is delivering on its objective to develop better transport infrastructure. Key outputs and some immediate effects from this work are:

- › Improved approaches to the impact assessment of infrastructure projects. This includes a greater focus on identifying and managing the social and environmental impacts, particularly for adversely affected households, as well as understanding changes to traffic and transport patterns
- › The emergence of a PPP financing model as a result of the work of DFAT (through the Australian Bank Partnership) and others working alongside the World Bank
- › Cao Lanh Bridge detailed design completed. Key complexities in infrastructure development of climate change, road safety and social impacts included in Cao Lanh bridge design
- › Targets exceeded for civil works for Southern Coastal Corridor
- › The identification and treatment of a significant technical issue related to soft soils in the Southern Corridor. The road design was modified accordingly
- › Contribution to construction of rural roads in Mekong Delta (total of 415 km in 2007-13). Small scale infrastructure upgrading at commune level in selected areas supported by Australia, including roads covered through regional program support.

* In 1992 the ADB launched the GMS Program aimed at mobilising resources (focused on infrastructure) to upgrade nine transport corridors acknowledged as the arteries of trade in the subregion, five of which included Vietnam. Subsequent to this, the World Bank introduced a GMS program implemented in close consultation with the ADB. A mid-term review of the GMS Strategic Framework 2002–12 found that while good progress had been made in 'hardware' aspects of inter-regional cooperation on economic integration, additional effort is required on the 'software' in areas such as private sector participation, labour migration, and communicable disease surveillance.

The results achieved to 2013, considered against the country strategy indicators/targets (see Boxes above), suggest that the Pillar objective of assisting in better transport infrastructure and policy to support economic integration will be largely achieved.

Pillar three – Environmental sustainability

Environmental sustainability – rural water supply and sanitation

Vietnamese Government policy aims, investment levels and strategies

As part of its long-standing efforts to improve rural water and sanitation,⁶⁴ guided by the Vietnam Development Goals, the Vietnamese Government developed the Rural Water Supply and Sanitation Strategy (RWSS) 2000-20. This resulted in a significant growth in RWSS facilities over its first 10 years.^{65,66}

The flagship program for the Vietnamese Government is the RWSS National Target Program (NTP). This entered its third phase in 2012 having provided clean water to 7.8 million rural poor and access for nearly 2.2 million rural households to hygienic latrines in its second phase. In addition to private access to water and sanitation, the NTP focuses on access in public places including schools, clinics and market places. Donors are expected to fund nearly 30 per cent of the VND 27 600 billion (approx. \$1.5 billion) budget for this program.⁶⁷

Rural access to clean water has seen an increase from 36 per cent to 82 per cent between 1999 and 2013,^{68,69} still under the 85 per cent target set for 2015. Access to hygienic sanitation increased from 52 per cent in 2010 to 60 per cent in 2013, still some way under the 70 per cent SEDP target.^{70,71} Despite progress, more needs to be done to target the most disadvantaged districts where water-borne diseases have a significant effect on health and continue to affect education and economic growth.⁷² Key areas for continuing improvement* are achieving a greater focus within the NTP on sanitation and hygiene, improving coordination between relevant government agencies at national and provincial level, enhancing the quality of construction and sustainability of infrastructure, improving the planning and reporting of the NTP, and being more strategic around how to address the wider set of issues affecting the availability, efficient use and quality of water.

Australian assistance and the donor landscape

Australia is a major donor in RWSS in Vietnam† both through its financial assistance and through its active participation in the Rural Water and Sanitation (Watsan) Partnership group.‡ Australia is one of three donors providing targeted budget support to the Vietnamese Government to RWSS NTP Phase 3 (\$65 million⁷³), as well as providing off-budget technical assistance and direct investments in facilities for NTP implementation.⁷⁴

Outside the direct NTP support, Australia supported the piloting of an output-based sanitation approach program (\$1.6 million; 2010-11) working with the Ministry of Health, the Women's Union

* A recent joint review carried out between DFAT and DANIDA explains the strengths and weaknesses of NTP3.

† Australian involvement started with small scale community infrastructure involvement in poor rural areas in Tra My Province in the 1990s. It has included local initiatives funded through the Vietnam–Australia NGO Cooperation Agreement in the 2000s and since 2003 has provided support in different forms at a national level.

‡ Membership includes three other donors: Netherlands, DANIDA, and DFID, although the latter donors are phasing out their support to this sector as they change the nature of their engagement across Vietnam.

and an INGO in selected provinces. DFAT, through a Australian Bank Partnership contribution (\$8 million; 2012 start), is also supporting the new Programme for Results which is a US\$200 million World Bank investment aiming to profit from and generate learning of value to the NTP3.

Overall assessment of results

Related PAF 2015 strategy objective indicators/ targets

- 85% rural water access target
- 70% rural sanitation access target

Australia is a valued long-term partner in RWSS and is providing strategic management and technical assistance to the NTP. Key outputs and some immediate effects from this work are:

- › Policy dialogue and technical assistance prominent in modification and support to the roll out of the national programme to all provinces, and the comprehensive M&E framework for the RWSS sector developed under NTP2.
- › Assistance to the Ministry of Agriculture and Rural Development (MARD) to improve program supervision and inspection for NTP3.
- › Support provided on investment sustainability elements of the NTP.
- › Four water-quality-testing laboratories established.

Environmental sustainability – climate change: policy, institutional and financial arrangements

Vietnamese Government policy aims, investment levels and strategies

Responding to the effects of climate change is a priority for the Vietnamese Government. Vietnam's 2011 national strategy on climate change⁷⁵ reflects the wide-ranging human and environmental impact of climate change and the commitment of the government to prevent and mitigate the effects of climate change by enhancing food security, and improving disaster forecasting.⁷⁶

The SEDP 2011–15 articulates the need to actively and effectively work with the international community to establish frameworks and institutional arrangements that can determine priority areas and projects to provide more accurate forecasting and better mitigation for natural disasters.⁷⁷ Linked to this, 64 provinces have developed their own climate change plans.

The Vietnamese Government is developing a climate change policy matrix with other line ministries. There is no dedicated climate change agency at provincial and district level. Challenges to addressing climate change effectively include the involvement of multiple agencies, weak links between central and provincial governments, and weak planning capacity at the provincial level.⁷⁸

Australian assistance and the donor landscape

Australia started the development of a distinct climate change portfolio for Vietnam in 2010 after extensive consultation with stakeholders and careful consideration of the context and Australia's prior experience with DRR in Vietnam. With a focus on DRR, Australia pledged \$13 million for climate change and the first DFAT climate change delivery strategy was produced and endorsed by the Australian government in 2011 and finalised in 2012. It has two strategic outcomes: building community resilience and climate adaptation, and promoting low carbon growth.

The climate change portfolio of initiatives is supported by a strong Australian whole-of-government engagement. The strategy is being delivered jointly with the Department for Environment with joint budget management responsibility.

Environmental sustainability – disaster risk reduction (climate change adaptation)

Vietnamese Government policy aims, investment levels and strategies

Vietnam is highly vulnerable to rising sea levels and a range of natural disasters. Because of this the Vietnamese Government has increased its focus on integrating climate change adaptation and disaster risk reduction into broader policy frameworks.^{79,80} Disaster mitigation is included in the SEDP with a focus on consolidating the system of sea dykes, river dykes, pumping stations, salinity prevention works, flood-gates, natural disaster shelters, and storm shelters for ships and boats to mitigate the consequences of natural disasters. The Vietnamese Government is investing US\$450 million in a national community-based disaster risk management (CBDRM) program covering 6000 communes.

Australian assistance and the donor landscape

Australian assistance to the Vietnamese Government for DRR aims to ensure that vulnerable communities are more resilient, with more sustainable livelihoods, to climate change and climate-related disasters.⁸¹ There are three main strands to the engagement:

- › Climate Change and Coastal Ecosystems Program implemented by GIZ, with DFAT (initial \$23 million commitment: 2011-14) and BMZ co-financing the project activities. This programmatic approach to integrated coastal management covers five Mekong Delta provinces and the national level, expanding on initial support provided by BMZ and DFAT to three of the provinces.
- › Support to NGOs through community-based climate change action grants (\$15m commitment: 2012-14).
- › Funding commitment of \$9.2 million (2011-16) to support community-based disaster risk management. One initiative with UNDP and one initiative with ADB.

Many of the initiatives in community-based climate change action remain at a pilot phase. Challenges exist as real changes due to climate change programs takes considerable time; a longer-term programmatic approach is needed as well as a longer term partnership between DFAT and NGOs. Additionally, M&E on advocacy is relatively new to most NGOs and requires support. A joint advocacy plan and results matrix has been developed in the work with NGOs, setting out responsibilities among participating agencies. Additionally, the transaction costs for DFAT are relatively high in this stage and the 30-month project cycles are relatively short to achieve targeted outcome and impact level changes.⁸²

Overall assessment of results

Related PAF 2015 strategy objective indicators/ targets

- 750,000 people assisted to build their resilience to climate change and weather-based disasters
- Increase in the incidence and quality of sea dykes and mangrove belts in the southwest Mekong Delta

Key outputs and some immediate effects from this work are:

- › Good practice models (participatory planning under the CBDRM approach) documented and published by the Disaster Management Centre for distribution at national provincial level and to mass organisations.
- › Effective demonstrations of new technologies including protective fences to improve survival and growth of mangrove areas.
- › Research and demonstration on growing of salt-tolerant crops by vulnerable communities.
- › Integrated disaster risk management plans adopted in 12 provinces.

Environmental sustainability – clean technologies (climate change mitigation)

Vietnamese Government policy aims, investment levels and strategies

Climate change mitigation (including expanding clean technologies) is a smaller but important part of Vietnam's climate change work. Improved efficiency and increased use of renewable energy in the power sector are pivotal elements of the Vietnamese Government's climate and socioeconomic development objectives. Private sector investment will be important in the development, deployment and transfer of emerging climate and clean energy technologies in Vietnam.⁸³ Vietnam launched its first Green Growth Strategy in September 2012 with a particular focus on the energy sector.

Australian assistance and the donor landscape

Australia's climate change mitigation program aims to promote low carbon growth and to identify appropriate mitigation options.⁸⁴ The approach is to help build the capacity of power corporations to apply clean technologies, introduce low carbon options and promote efficient energy use. The strategy also aims to reduce agricultural sector emissions using a value-chain approach to identify low carbon opportunities in tea and rice production.

DFAT has joined other donors to provide general budget support to promote a comprehensive multi-sectoral climate change response (\$8 million: initial tranche 2012). DFAT is also engaged in an energy efficiency partnership with the World Bank, providing a technical assistance element. Initial partnership commitments are to an electricity distribution project (under the wider partnership fund of \$7.6 million: 2012-16) which is focused on building capacity on power sector reform and tariff regulation for improved energy efficiency, and an energy efficiency standards and labelling initiative (\$2.8 million: 2012-14). Two community-based climate change action grants have been made to INGOs to support climate change mitigation. Research including into climate change projection is also part of the assistance portfolio and will be used to inform Vietnam's climate change and sea level rise scenarios. Australia is also supporting the establishment of a climate innovation centre in Vietnam which aims to cultivate innovative technologies.

Overall assessment of results

Related PAF 2015 strategy objective indicators/ targets

- Mitigation target met (emission reduction through improved energy efficiency, adoption of clean technologies and agricultural production)

Australia has relevant experience to share in energy efficiency and climate change mitigation. The country program portfolio aligned with the broad strategy objective of '*advancing climate change mitigation*' is still forming and only relatively recently have funding commitments been made.

Based on the above assessment, it is likely the Pillar objective of increasing rural access to clean water hygienic sanitation will be largely achieved by 2015. Given data limitations in 2013 when field

enquiry for the evaluation was completed, it is too early to assess the extent to which Australia's objectives in climate change will be achieved.

4.3 Other Australian engagements

The achievements from some aspects of 'other Australian engagements' within the Country Strategy period provide visibility to the nature of the wider work of the country program team.

Agriculture – Improved productivity and enhanced incomes of smallholders

Agriculture still accounts for some 70 per cent of employment, but constitutes only 17 per cent of GDP, despite Vietnam being a global player in several commodities.* With the important role that agriculture has to national income and employment, the Vietnamese Government continues through its policies and strategies to seek improvements in the efficiency and diversification of agricultural production. This includes the application of research and technology to expand agricultural, forestry, and fishery activities in a way that is suitable to production conditions in different areas and is driven by efforts to reduce poverty. The Vietnamese Government is committed to continuing investment in agricultural products, locally advantageous products, and products that can substitute for imported ones, as well as rapidly developing supporting industry.†

Australian aid has a long standing engagement in agricultural and rural development in Vietnam. At the centre of this has been the work of ACIAR with a centrally funded program managed from Hanoi, focused on support to technical and agribusiness research to enhance smallholder incomes from selected areas of high-value agriculture, aquaculture and forestry.

More broadly the ACIAR work strengthens the linkages between Australian and Vietnamese public research bodies. By playing a brokering role it indirectly contributes to the strengthening of capabilities within the research system in Vietnam. This is an area of engagement that has continuity with earlier Australian support. The Collaboration for Agriculture and Rural Development Program (CARD) which finished in 2010 strengthened human and institutional capacity across public/private stakeholders to develop and apply research findings,‡ including a focus on institutional strengthening and capacity building for the Ministry of Agriculture and Rural Development.§

Health systems and HIV

In 2013 Vietnam invested 6.8% of its total GDP on health services, which represents a steady increase from health expenditure over the 1993-2011 period.** The recent Vietnamese Government strategy for the health sector signalled dramatic reform with measures that have the potential to transform the Vietnamese health system in both service delivery and financing.†† Reforms are centred on a push toward universal health insurance coverage, with the state budget earmarking certain funds to provide medical service to the poor, children under 6 years old and beneficiaries of

* DFAT (2013) Vietnam country brief: Vietnam is the world's second largest coffee producer and second largest rice exporter.

† Government of Vietnam (2011). Report on assessment of 5-year socio-economic development 2006-2010 and 5-year socio-economic development plan 2011-2015.

‡ See Box 1 in 2010 APPR for some examples of CARD projects which brought about benefits to smallholder farmers, thus enabling them to act differently.

§ DFAT (2011). Independent Completion Report of the Collaboration for Agriculture and Rural Development in Vietnam (Authors: John Fargher, Peter Bazeley and Ngo Doan Dam).

** World Bank (2014) Health expenditure (% of total GDP).

†† World Bank (2007) Vietnam Development Report, Aiming High.

social welfare via medical insurance services.* The SEDP has set a national target of eight doctors and 23 hospital beds for every 10,000 people.†

Despite progress in some areas and great efforts by the Vietnamese Government, Vietnam is lagging on progress toward MDG 6 whereby the HIV prevalence rate continues to rise. AusAID was the head of the working group on HIV/AIDS from 2009-2012 and was the main sponsor of the Clinton Health Access Initiative (CHAI) in Vietnam which began in 2002 and continues to be recognised as a strong program. There was also continuing support to the HIV/AIDS Asia Regional Program (HAARP) which involved Vietnam.

In 2010 it was decided that Australia should continue to support health systems in Vietnam, even though the health sector sits outside the three country strategy pillars. DFAT co-funds (with the ADB) a \$12m Health Human Resources Sector Development Program. This, together with the work of CHAI, has continued to reflect an approach centred on system wide change. There have been some impressive results in terms of the wider effects of Australian assistance including an increase in the number of children receiving HIV treatment in Vietnam from 245 in mid-2006 to 3536 in May 2012.‡

Anti-corruption work

The Vietnamese Government is committed to fighting corruption and wastage in order to encourage investment in Vietnam and ensure sustainable development. Vietnam ranks 112 out of 182 countries in Transparency International's Corruption Perception Index, improving slightly in recent years.§ Lack of transparency, state-control over the market, and reform of the state's role has contributed to levels of corruption in Vietnam.** During the early years of Doi Moi, Sweden played an important role in helping to initiate dialogue about anti-corruption alongside support to the Vietnamese Government's Public Administration Reform program. This set a precedent for including anti-corruption in wider discussions of public financial management and legal reform.

The Vietnamese Government continues to work toward increased effectiveness and efficiency of State management with a focus on fighting corruption at all levels. In addition to participating in international anti-corruption efforts, national legislation has come into effect and anti-corruption efforts have been mainstreamed into agency processes.

Australia has committed \$2.8 million for a three year program (2011-2014) to provide policy and operational training for high level officials of the Communist Party Inspectorate (Vietnam's highest level anti-corruption body), the Office of National Steering Committee on Anti-Corruption and the Government Inspectorate. This built on two earlier short training programs (2008 & 2009) for high level officials in the Communist Party Inspectorate. Australia is the only western donor that has a cooperation program with these key institutions.

The 2012 APPR refers to the view held within the Party Inspectorate that the decision they took to restructure Vietnam's anti-corruption institutional structure was attributable to expert advice provided under the Training Program.†† The APPR notes that whilst there were clearly political and institutional drivers behind this restructure the fact that the Program was able to influence the

* World Bank (2007) Vietnam Development Report, Aiming High.

† Government of Vietnam (2011) Social and Economic Development Plan for 2011-2020.

‡ DFAT (2012) Vietnam Annual Program Performance report.

§ Transparency International (2013) Corruption by Country Vietnam Data.

** Joint Donor Report (2011) Vietnam Development Report 2012 'Market Economy for a Middle-Income Vietnam'.

†† Training Program had reached 139 senior officials by March 2013.

nature of the restructure is significant. Key informant interviews undertaken during the evaluation reinforced this point.

Australia has also remained an active partner in the biannual donor/government anti-corruption dialogue mechanism. This included in 2010 sharing experience and tools from DFAT's work in helping address corruption in the education sector in countries like Indonesia and the Philippines which alongside other donor experience proved to be a timely input to the Vietnamese Government developing an anti-corruption strategy in the education sector. In 2012 Australia was able to draw on its work with the Communist Party Inspectorate to provide insight during provincial level discussions on coordination mechanisms between Vietnamese Government and Party anti-corruption institutions and their implications for anti-corruption efforts at the local level.

The achievements of the Australian aid program in this sensitive area are seen as testimony to the maturity and depth of the bilateral relationship between Australia and Vietnam.

Ethnic minority poverty reduction

Vietnam has made tremendous strides in reducing national poverty. It aims to continue its economic growth, become a middle income industrial economy and continue to reduce poverty rates. However, there remains a huge disparity between national poverty levels and the rate of poverty affecting ethnic minorities and the rural poor. In light of this, the Vietnamese Government has committed to continue capital investment for disadvantaged, mountainous, highland and ethnic minority areas as well as natural disaster- and flood-prone provinces.* National strategy emphasises the need to prioritise the ethnic poor through policy that contributes to training and resources for these groups.

As detailed earlier in section 1 the levels of poverty among Vietnam's ethnic minority groups remain a tremendous challenge. While development outcomes in health and WASH have improved for the majority of Vietnamese, gains in those rural areas dominated by ethnic minorities have been significantly slower. Between 1998 and 2006 the gap in terms of consumption levels and other indices of development between the ethnic minority and the ethnic majority population widened.

The disengagement of Australia from the provision of budget support to Program 135-11 for reducing poverty amongst ethnic minorities was based on a view that other donors were coming forward to support the next phase of the program scheduled to start in 2011. In 2010 – the last year of Australian support – Program 135 provided support for 5,122 poorest communes and villages in Vietnam. This included over 12,646 small-scale infrastructure projects to improve access to services for remote communities through the construction of roads, schools, health clinics, irrigation, electricity and water supply schemes.

The Implementation Support Program (ISP) for P135 in Quang Ngai province ran through to 2011 to allow time for the provincial government to consolidate its ethnic poverty reduction approach and to transition to the next phase of Vietnamese Government support. Whilst exiting from direct support in this area Australia undertook to continue to advocate for stronger Vietnamese Government attention to the perennial challenge of the planning and implementation of allocated resources for the operations and maintenance of infrastructure assets established under the national poverty programs of Government.

* Government of Vietnam (2011) SEDP.

Human rights

Vietnam is party to a number of international human rights instruments and national legislative implementation instruments.* Nonetheless, Vietnam still faces challenges in terms of legal and political accountability in a one-party state. Challenges remain in civil and political rights, particularly the freedom of expression, assembly, and information.†

Australia has an active and deliberate approach to human rights in Vietnam, supported by formal human rights talks that have been carried out since 2002. The Vietnamese Government and Australian Government introduced technical cooperation on human rights in 2006, administered by the Australian Human Rights Commission. Areas of attention have included freedom of expression, freedom of association, and freedom of information in Vietnam. In the talks in 2013 in Canberra, improvements in relation to legal reforms and gender equality were encouraged.‡

The contribution made by an earlier phase of Australia's technical cooperation through the practical process of learning and sharing experience with key human rights bodies in Vietnam on human rights treaty obligations was recorded by an Independent Review in 2010. Building on this a new phase of the Technical Cooperation Program was designed in 2011 with a stronger focus on outcomes in focus areas of systemic issues of policy and legal reform and also at grass roots level on practical skills for advocacy and delivery of legal services. Whilst the related training and other capacity building activities undertaken by the program are relatively contained – approximately 320 Vietnamese participants in the 9 months from program start – the reach of the work is more extensive due to what is reported as effective dissemination and related follow up activities by Vietnamese partner agencies.

4.4 Overall conclusions on country program results

This evaluation found that there are a number of funded initiatives that are clearly performing well against stated objectives, as gauged by progress against related PAF annual milestones. Good examples include support to the RWSS National Target Program Phase 3 and the Southern Coastal corridor infrastructure support. This view is supported by the QAI self-assessment process which, for the February 2013 round, assessed 86% of all funded initiatives as being satisfactory or better. The confidence in these ratings is tempered by the rating for the Vietnam country program QAIs of the respective project M&E systems, with only 28 per cent receiving the highest rating of 'excellent'.

The QAI exercise also requires a moderation process which is used to balance the self-assessment aspect. The Vietnam program QAI moderation process⁸⁵ (conducted in January 2013) resulted in a downgrading of overall QAI ratings in 27 per cent of cases and, upgrading in 5 per cent of cases. While overall the conduct of the QAI process was commended, the moderation exercise flagged the concern that the initiative objectives were not always measurable. The exercise noted that greater consideration is required in setting the end of initiative targets, including intermediate objectives and/or indicators where progress against end of program objectives is difficult to measure. It was also noted that more attention in terms of tracking progress was needed to frame and focus on Australia's specific objectives in co-financing with multilaterals.

* OHCHR (2013) Vietnam Ratification Status. These include the Convention Against Torture, International Covenant on Civil and Political Rights, International Convention on Social and Cultural Rights, Convention on the Rights of the Child, the Convention on the Elimination of All forms of Racial Discrimination, and the Convention on the Rights of Persons with Disabilities.

† HRW (2013) World Report 2013 Vietnam.

‡ DFAT Vietnam Country Brief (2013).

The experience of the Beyond WTO initiative in assessing results illustrates the disconnect that can occur between a project scoring poorly, in terms of its overall delivery on outputs and other aspects of its operating processes (less than satisfactory performance in 2011, 2012, 2013), whilst making what this evaluation sees as a highly valued contribution at an outcome level. This is reinforced by the B-WTO Project Completion Report which concluded that the project provided an important example of *'well-designed support to help reform advocates improve the evidence base for reform [which is] cost-effective'*.⁸⁶

No detailed assessment has been made on the likelihood that actual and anticipated results will be resilient to risks beyond the program period. However, it is evident that a number of initiatives within the country program are well positioned in terms of the strategies and institutional arrangements of the Vietnamese Government and this suggests that there is a reasonable case to expect the results from this work to be sustained beyond the period. Overall the Vietnam program is well positioned moving forward to build on its success in a variety of sectors. It will need to make clear strategic choices about which areas it continues to support.

5 Moving forward – conclusions and recommendations

5.1 The contribution of the country strategy

This evaluation is aiming to inform future country strategy development and execution. This requires an assessment perspective that provides an outcomes level view on the contribution that the country strategy is making to a development change led by the Vietnamese Government. It must be noted that development change in most settings is likely to be the result of multiple factors. Aid is only one of these factors and, given the relatively small value of bilateral aid to Vietnam, it is likely the contribution of the donor community to development change in Vietnam is also small.

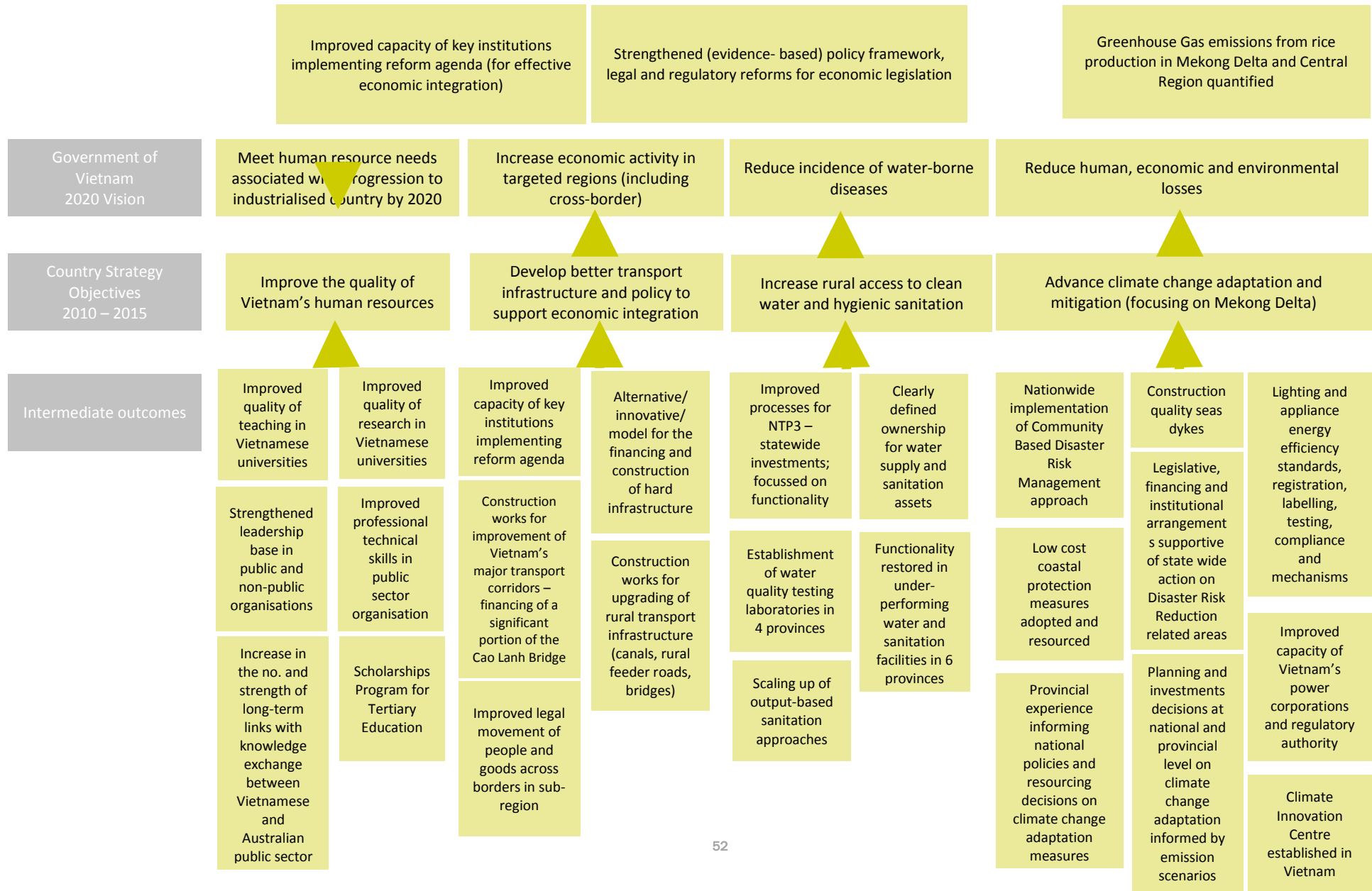
In the absence of a program logic statement for the Vietnam country strategy 2010-2015 the evaluation team developed one, providing an outcome level view against which contribution of the different elements of the country strategy could be considered. This was constructed taking the intent from the 2010-15 country strategy document in relation to the specific areas of change and reform within the Vietnamese system in which the country strategy investment is engaging and expecting to make a difference. Guided by the corresponding detailed aims and time-bound sectoral strategies of Vietnamese Government a set of intended outcomes for these areas of Australian engagement were identified. Figure 7 (overleaf) indicates the resulting set of intermediate outcomes which are covered by the 2010-15 country strategy period.

The program logic does two things: it displays the relationship between DFAT's country strategy and the context in which it operates (specifically the Vietnamese Government's development vision); and it highlights the intermediate outcomes that bridge the gap between activity-level achievements and program level outcomes. Judgements can be made on whether country strategy outcomes are on track to be achieved by assessing progress towards intermediate outcomes. In the future, if data is collected based on the intermediate outcomes this would facilitate easier analysis of Australia's contribution to development in Vietnam.*

In the following section each country strategy pillar is examined to identify how and where it is set to contribute to Vietnam's development; to reflect on DFAT's experiences in 2010-13; and to outline future challenges that Vietnam faces in the sector. This provides the basis for conclusions on what Australia should consider when shaping assistance to Vietnam beyond 2015.

* This assessment would distinguish between whether the success of the Australian investment and policy engagement represents: (i) a trigger to start the causal chain; (ii) is vital to sustaining the causal pathway; (iii) plays a more modest supporting role; or (iv) is enhancing a change process already under way so that better or timelier results are achieved. This frame can help address a potential criticism of contribution analysis that it allows for contribution to be claimed with little appreciation of the scale and significance of the contribution.

Figure 7 Overview of the intermediate outcomes (2010-13) of the country strategy



Human resource development results from an outcome perspective

Broadly aligned with the HRD objective of the Vietnamese Government for postgraduate training the AAS is making a direct (rather than a systemic) contribution to the government's strategy to achieve a significant increase in the number of Vietnamese holding masters and PhD degrees.

Vietnam is also actively strengthening its leadership base in both public and non-public organisations. With the pace of change in Vietnam new and entrenched challenges are placing ever increasing demands on leaders. Australia, through the ALAS, is providing targeted leadership awards for individuals. To 2013 there has been limited follow through on the continuing development of leadership capabilities of such individuals in an organisational setting.

The Government of Vietnam is making major investments in tertiary scholarships as a means to improve professional and technical skills in public sector organisations. The AAS, fellowship awards and volunteer placements are all directly supporting the upgrading of professional and technical skills. This generally takes an individual rather than an organisation or system perspective. Nevertheless there is some evidence of the impact of scholarships at an organisational level. The 2012 impact study of the State Bank of Vietnam and the Ministry of Planning and Investment shows, based on alumni self-reporting, a contribution to an improvement in organisational performance. This has been corroborated by a State Bank report of performance improvement and alumni contributions. Weak HRD systems at a provincial level remain an area of concern.

A continuing increase in the number and strength of long term links with knowledge exchange between Vietnamese and Australian institutions is seen as one of a number of possible entry points to improving skills levels in public bodies in Vietnam. In 2010, a stocktake found over 40 Australia funded linkages (past and present) between Vietnamese and Australian public sector organisations and over 60 linkages between Vietnamese and Australian education institutions.

The Vietnamese Government has demonstrated its commitment to raising standards in academic institutions (for example, by revoking the licenses of sub-standard institutions). However, there has been limited targeting of AAS awards to academic institutions. Resources for publically funded research in Vietnam remain constrained and Vietnamese research institutions are struggling to retain talent. In this context, ACIAR's long standing relationship with many research organisations is particularly valued by the Vietnamese Government.

In terms of pursuing the strategy objective of '*Improving the quality of Vietnam's human resources*', to 2013 Australia has not provided any direct support to the strengthening of the Vietnamese Government HRD system. Consequently we feel that Australia's support to HRD sector has been over-reliant on scholarships. We recognise that DFAT is doing further work to broaden its approach to the sector. This work should focus on identifying strategic options for support to HRD beyond 2015, rather than just tweaking the current approach.

Economic integration – policy, legal and institutional results

Economic integration policy is a politically contentious and challenging area of reform guided by the Vietnam Government Action Plan on Integration. Australia's contribution is focused on the outcome area of a strengthened evidence base that informs the policy framework, legal and regulatory reforms for economic integration. Australia has provided several analytical impact assessments and related studies that have helped to guide ongoing reform processes (e.g. revised Land Law which was approved by the National Assembly in 2013 and will take effect from July 2014). Australian support is credited with contributing directly to the policy dialogue and associated decision making processes and to changing mind-sets among decision makers and the broader community. Facilitating access to international expertise and the broadening of

public consultations, understanding and support for the reform process⁸⁷ have been important elements in this assistance. It is recognised that many of these successes would have been realised even without B-WTO (inevitable given that B-WTO supported high government priorities). Australian assistance to the outcome of improved capacity of key institutions implementing the reform agenda for effective economic integration has been relatively small.

Overall, relative to the scale of investment, Australian assistance through a combination of appropriately resourced and positioned technical assistance, senior expertise and good quality analytical work is making a valued contribution to reform processes for economic integration. There is potential to develop further from this foothold. The potential economic (employment and incomes) benefits from reforms (if implemented successfully) are very large relative to investments.

Economic integration – transport infrastructure

Improved capacity of institutions leading the reform agenda associated with effective transport infrastructure is an active area of change in Vietnam. Key institutions are demonstrating an increasing capacity to be receptive to the ideas, knowledge and the nature of the discussion being actively generated through Australian engagement (in collaboration with MDBs) especially on aspects of civil works design and supervision. For example there is some movement within the Ministry of Transport on the incorporation of climate resilience into centrally funded transport infrastructure support.

Alternative and innovative model solutions to finance and construct hard infrastructure is a critical area of concern for the Vietnamese Government given the significant gap between available public finance and the scale of plans for new infrastructure. The PPP department established within the Ministry of Transport is providing a stable and dedicated counterpart for external support in this area. The Expressway transaction was expected to go to market late 2013. This provides a real example intended to establish a working regulatory and legal framework for PPP and facilitate international investor confidence in a Vietnam PPP model. Australia through its partnership with the World Bank has been one of a number of contributors to this development.

The Cao Lanh Bridge is one of a number of major and strategic infrastructure projects in Vietnam (focused on its major transport corridors) all of which have long lead times and where the speed of decision making under joint financing agreements is generally dictated by the speed of the slowest partner. The financing by Australia of a significant portion of the Bridge civil works costs – consistent with the wishes of the Vietnamese Government and building on the earlier success of the wholly Australian funded My Thuan bridge project – may have had the effect of accelerating the start of this new major project. The associated Australian financing for design, supervision and complementary actions (e.g. HIV awareness) is facilitative and of wider value in the Vietnamese system.

The impacts of economic integration also rely on the upgrading of rural transport infrastructure (canals, rural feeder roads, bridges). Australia has provided assistance in this area both on a large scale through collaboration with the MDBs and on a smaller more localised commune scale. Whilst there is evidence of localised immediate benefits arising from such interventions there is uncertainty over how investment strategies by provinces are oriented or resourced to make the necessary adjustments to upgrade and sustain connectivity of rural areas with the strategic highway system and thereby embed new and/or improved transport infrastructure structures within a sustainable future.

The improved legal movement of people and goods across borders in the subregion is an important goal for the region. Australia through its regional program has continued to support

this. No evidence was gathered by the evaluation on whether change in this area is in step with the expectations of GMS investment on strategic road corridors.

In terms of the country strategy strategic objective of *'better transport infrastructure and policy to support economic integration'* there are elements of the Australian assistance, including strong links to the Ministry of Transport, which continue to be well positioned to make an effective contribution to the sector. The work on PPP is breaking new ground, and the work on factoring climate change concerns into infrastructure design for strategic highways is also significant.

Australian funding may have accelerated the start of the Cao Lanh Bridge project, but given the significant proportion this grant represents of the overall country funding, this could be at a cost to a wider or more intensive catalytic engagement by Australia in the transport infrastructure sector. Such opportunities would have included the opportunity to engage more deeply on the challenges faced by provincial authorities in improving and sustaining transport infrastructure provision in rural areas.

Environmental sustainability – rural water supply and sanitation results

Within the NTP3 on RWSS there is change, with an increasing focus on aspects of functionality rather than the earlier narrow focus on increasing coverage. This may prove to be of a transformational nature. Donor support to the NTP, whilst small (5%), is recognised as having made an important contribution to the sustainability of investments and to the issue of water quality (e.g. MARD Water Quality plan). Australian assistance (of increasing significance as other donors exit the sector) continues to be an important element of this external support to RWSS and is rooted in an understanding of provincial budgetary and planning systems.

The strengthening of monitoring, evaluation and audit practice within the NTP has provided a basis for informed analysis within the Vietnamese system on RWSS. It is now essential that implementation and budget allocations (in line with the reformed planning and budget process for the NTP which led to the development of a medium-term expenditure framework for NTP for all provinces) are responsive to priorities identified in the analysis of the M&E data.*

The relatively poor performance of remote poor provinces within the NTP remains a major and persistent concern. New thinking is required especially to address sanitation. Australia as a valued long-term partner, operating in what is a relatively well-established and defined sector should be well placed to contribute.

Environmental sustainability – climate change adaptation including disaster risk reduction

This is a critical area for Vietnam and one where Australia has useful experience in Vietnam on which to build. The country strategy (and allied delivery strategy on climate change) sets out a wide-ranging and ambitious intent to contribute to change on advancing climate change adaptation (focusing on Mekong Delta). It is too early to assess or comment on progress on outcomes as most of the investments, at the time of the evaluation, are at an early or mobilisation stage.

* A recent review mission concluded: "A comprehensive M&E system was introduced in NTP2 to provide consistent reporting and timely information on the RWSS sector. The indicator set was revised and simplified for NTP3. The Joint Assistance Review is satisfied the indicator set is adequate. To better achieve NTP3 objectives, it is essential that implementation and budget allocations are responsive to priorities identified in the analysis of M&E data".
http://www.rwssp.org.vn/images/JAR_2013_AM_v8final.pdf

Australian assistance is helping to build the capacity of MARD's Disaster Management Centre to implement the National CBDRM program. This support draws on earlier Australian experience in Vietnam that has helped to bring the community aspect of DRR and DRM to the forefront. Vietnam is awaiting the launch of a national platform to facilitate stakeholder consultation for DRR and climate change adaptation. At a provincial level the wider and longer-term investment strategies of provinces on DRM remain unclear.

Environmental sustainability – clean technologies (climate change mitigation) results

This is a relatively new area in which Australia has relevant experience to share. Most of the investments, at the time of the evaluation, were at an early or mobilisation stage. It is therefore too early to assess from a contribution perspective.

5.2 Considerations influencing the country program

Changing development assistance landscape

Development assistance to Vietnam has plateaued in absolute levels, and has declined substantially in terms of its share of development investment. In addition, Vietnam's development assistance needs have changed, and will continue to change, as its level of socioeconomic development continues to improve. With the number of development partners declining, the Vietnamese Government is likely to (and should) play an increasingly proactive role in coordinating and directing development assistance including attracting alternative sources of development financing. Governance remains an important priority across all sectors; progress in this area will be critical to improving equitable outcomes and ensuring that development assistance is being used effectively.

Aid effectiveness

To enhance aid effectiveness, country strategy, program and project level monitoring and evaluation should include a balance of output and outcome indicators that are linked to objectively verifiable national (or subnational) development targets. Where possible, national strategies, plans, institutional structures and delivery mechanisms should be incorporated and used. Quality reporting, such as the QAI reports, should be shared with counterpart institutions to improve learning and ensure greater mutual accountability. More effective program delivery can be achieved by drawing on the growing Australian alumni in Vietnam and facilitating capacity-building through sustained cooperation between Vietnamese and Australian institutions. Country strategies should also recognise the potential need for flexibility in program designs, especially programs supporting reform as effects may emerge relatively quickly and unexpectedly (e.g. B-WTO support for the land law).

5.3 Looking forward – building prosperity and targeting poverty

Vietnam has made remarkable progress in recent years in reducing poverty and improving living standards. Vietnam continues to have sound opportunities for sustained socioeconomic development and improvements in living standards due to:

- › Relatively young and ambitious population with good levels of basic literacy and numeracy skills; increasing numbers of Vietnamese students are returning from university education in more economically developed countries

- › Close proximity and economic linkages with rapidly growing, higher-income countries, including increasing integration with regional production networks, providing economic and technical opportunities for rapid ‘catching-up’ and increased incomes
- › Sustained commitment to regional and international economic cooperation, including commitments to the World Trade Organization, the ASEAN Economic Community, and bilateral economic agreements; negotiations are ongoing for other economic cooperation agreements, including with the European Union, Regional Comprehensive Economic Partnership and Trans-Pacific Partnership
- › Relatively strong and equitable system of public service delivery (even if accountability mechanisms need to improve); an increasingly proactive media and growing use of information technology (including social media) is helping to increase transparency
- › National commitment to improving public sector performance and accountability, and to restructuring and improving the competitiveness of the national economy
- › Growing urbanisation providing economies of scale and potential for economic clusters that will provide new economic opportunities
- › Recent improvements in macroeconomic stability

Vietnamese challenges

However, as with most middle-income countries,⁸⁸ important challenges remain. The rationale for continuing Australian ODA to Vietnam is to help address these challenges. Growth in employment and incomes has slowed in recent years. Policy, regulatory and infrastructure impediments, and skills shortages are constraining private investment and competitiveness. Recently graduated as an LMIC, Vietnam needs to accelerate economic growth and avoid falling into the middle-income trap.*

Poverty remains a challenge in Vietnam, especially among ethnic minority groups, and in the more isolated rural areas. Vietnam is still struggling to deal with important social (HIV/AIDS) and environmental (air and water quality, sanitation and waste management, and climate change impacts) issues. In addition, the pace of rural-urban migration has increased over the last decade, and is likely to continue to accelerate for the next decade. If not managed well, this could generate adverse social and environmental impacts.

A further challenge is the weakness in public investment planning and accountability. Moving from resource-driven growth, dependent on cheap labour and capital, to growth based on high productivity and innovation will require increased and more effective investments in infrastructure and education, and greater transparency and accountability.

Vietnamese priorities

The final shape of the Vietnam’s next aid investment plan will depend on approved national priorities articulated in the Socio Economic Development Plan (SEDP) 2015-20. The evaluation found that, as of 2013, there are already some apparent priority challenges. These are:

* The middle-income trap can result when productivity growth slows so that if wages increase, competitiveness declines. This leaves countries unable to compete with advanced economies in high-skill innovation, or with low-income, low-wage economies in the cheap production of manufactured goods (ADB Working Paper Series, May 2013, ‘The Middle-Income Trap: Issues for the Association Southeast Asian Nations’: Working Paper 42).

- › Promoting equitable growth in investment, employment and incomes to help reduce poverty; increased private investment, the development of a more competitive economy, and economic integration are likely to be crucial in this regard.
- › Facilitating an acceleration of rural–urban transition (and urbanisation) to maximise economic benefits, while also addressing potential adverse social and environmental impacts in both rural and urban areas.
- › Addressing rapidly growing socioeconomic demand for skills and infrastructure with limited government and ODA resources.
- › Addressing environmental issues, including resource management, climate change, sanitation, waste management, and air and water quality.
- › Ensuring equitable access to quality public services in all parts of the country.

5.4 Overall conclusions and recommendations

Vietnam has made significant and impressive progress on tackling poverty and Australian assistance has played a valued role in this. In the medium term, aid will continue to be a core element of the relationship between the governments of Vietnam and Australia, in line with the vision and commitments of the Comprehensive Partnership Agreement and recognising the very important part aid will play as part of a strengthening bilateral relationship.⁸⁹ The aid program has facilitated good access to the Vietnamese Government and has helped build trust, providing opportunities for regular contact at senior levels.

A series of questions emerge when thinking ahead on the shaping of the Australian aid program in Vietnam:

- › What should define the precise shape and character of a continuing aid program?
- › What will be the appetite for risk?
- › How should delivery of such a program be organised?
- › How can an aid component sit alongside and leverage from the overarching political, economic, trade and security relationship?

Looking ahead it is generally recognised that the focus of development partners will be on building capacity in the Vietnamese system through the provision of knowledge and ideas. There will also be a shift in emphasis from ‘pro-poor growth’ to ‘inclusive growth’. Development partners should encourage the Vietnamese Government of Vietnam to adopt an approach which draws on all sections of society as active participants and contributors to the development of the country.

It is recognised that increased public and private investment in rural areas is essential to ensuring more inclusive growth.⁹⁰ Importantly this will help to ensure that those who have escaped poverty are not pulled back as a result of economic, health and climatic shocks. Closely related to this will be the importance of effective decentralisation; critical in terms of improving accountability and sustainability, and for allowing sub-national policy and institutional innovation in providing public services and facilitating business investment.

Issues for consideration

Beyond 2015, the evaluation suggests that DFAT considers several fundamental issues in the shaping for its next aid investment plan:

- › *Focusing on supporting change to improve the lives of the poorest and the hardest to reach:* While Australia's move towards the challenges associated with Vietnam as an LMIC (economic growth, human resource development) has benefits, the evaluation considered that the involvement of Australian aid at the provincial level (and the valued learning this generates) has diminished. Vietnam is likely to remain an LMIC for some time, with continuing pockets of poverty. Australian grant assistance—working through the Vietnamese system, building on the strength of learning and relationships, and leveraging linkages with the wider political, economic and trade relationship—has the potential to help tackle extreme poverty.
- › *Being open to innovative thinking on what an aid program for Vietnam could look like and how it could be managed:* As a significant regional and committed long-term partner to Vietnam, Australia is in a position to offer innovative thinking in shaping an aid investment program. Experience shows that bilateral donors can often add value through a more flexible and agile intervention approach when faced with complex and multifaceted problems. Australia should consider a program tightly focused on a limited number of outcomes with the number and type of initiatives being dictated by need within a sectoral setting and with country program management arrangement adapted as required to fit.
- › *Understanding the challenge of working collaboratively in the Vietnamese system:* Australian assistance has had a long-standing engagement in Quang Ngai and An Giang provinces and has been exposed to how the Vietnamese Government system operates through relationships between the central, provincial, district and commune levels of government administration. Many of the development challenges now facing Vietnam require effective collaborative working relationships both vertically between different levels of government and horizontally across different sector agencies. It is suggested that DFAT commissions a joint study with Vietnamese counterparts on the experience of Quang Ngai and An Giang provinces, to identify the lessons learned about delivering change working in and across different levels of government and about the entry points for effective external support in this area.
- › *Strengthening private-sector engagement:* The role of the private sector in development did not figure strongly in the shaping of the 2010-15 country strategy. As Vietnam moves forward, the private sector will play an increasingly important role in driving development across all areas of society and the economy. For future AIPs, it is suggested that the country team considers each outcome to identify where it is possible and desirable to have stronger and more visible private-sector engagement. The evaluation team suggests this form of mainstreaming approach is considered to be a stronger alternative than developing a new stand-alone pillar on private-sector development.
- › *Strengthening the regional aspect:* Ten years ago the regional perspective on Vietnam was dominated by the GMS and the economic connections between Vietnam and its immediate neighbours of Lao PDR, Cambodia, China and Thailand. Today, the regional perspective is focused on Vietnam's role in ASEAN – both Vietnam influencing ASEAN and being influenced by ASEAN as the regional body deepens and extends its areas of effective engagement. The increasing importance of regional production networks for the Vietnamese economy is one manifestation of these developments. This needs to be reflected in a shift in the orientation of the country program with the effective integration of bilateral, regional and global programs of Australian support.
- › *More active portfolio management:* At the time of the evaluation there was no clear program logic developed for the Vietnam program. The new AIP should be constructed around a series of theories of change showing the positioning of Australian assistance and the critical links between activities, outputs and program outcomes. The resultant PAF would provide the basis for tracking contribution within the strategy timeframe. The country program team

should refine the M&E approach to the country strategy* by reviewing and resetting the PAF indicators for the impact and strategic objective level. This would highlight and focus the monitoring effort on those aspects that are considered to be most reflective of the context in which the direction of the next strategy is moving.

Style and types of potential support

An increasingly important style of operation for Australian assistance will be a 'brokering role'; bringing different actors, capabilities and resources together around specific agendas within the Vietnamese operating system.

Looking beyond 2015 a program approach could involve:

- › Assisting Vietnam to play a more engaged and influential role on regional issues and as a positive force on development issues (south-south cooperation) in the ASEAN region.
- › Targeting the systemic aspect of quality service provision for the poor and marginalised and through this and allied social protection measures supporting efforts to bring them into the development mainstream.
- › Combining the above with distinct and complementary aspects of building prosperity (working on aspects of economic development) and on scientific cooperation.
- › Pushing innovation (as well as risk) in the aid program to one more akin of Australia playing the role of a 'reliable and critical friend', continuing the progression that is moving beyond a traditional donor-recipient relationship, building upon a rich understanding of the workings of a particular sector and the strength of the relationships already developed.
- › Actively drawing out lessons learned from the 'aid' program to the bigger political and trading relationship that reflects an integrated department approach.†

Recommendation 3

DFAT Vietnam program should clearly articulate how Australia's aid will promote inclusive economic growth in ways that reach the most poor and vulnerable and suggest pathways to lift people out of poverty.

Recommendation 4

DFAT Vietnam program should consider the opportunities for effective private-sector engagement in the aid program that leverages off learning from previous aid programs, leveraging public resources to mobilise additional private financing (e.g. public-private partnerships), improving the business-enabling environment, and addressing priority institutional constraints to business growth.

* In 2011 work was started on a set of country strategy monitoring tables which aimed (through an associated data collection system) to track against relevant indicators the extent of progress against strategic objectives and Vietnam development goals. This could have supported tracking of the wider effects of the country program aligned to the intent of the country strategy to contribute to a wider change within the operating system.

† For example, the positioning and value of current Australian engagement with the VCP Training Facility and the work with central agencies on Beyond WTO, whilst important in their own right, can also add value to the broader trade led engagement and regional dialogue of the political relationship.

5.5 Lessons of wider interest to DFAT in the region

The evaluation of the Vietnam country strategy suggests three broad lessons that are relevant to DFAT's work in other MICs in the region.

- › The quality of the ideas and the ability for knowledge transfer that DFAT brings is critical. Partner governments in MICs drive the development agenda and in general have the skills and aptitudes to take advantage of external inputs of this nature
- › The targeting of neglected pockets within the transition of a MIC out of poverty is a valued role for external assistance. DFAT can exploit safe spaces within the partner government system to pilot and to inform on challenging aspects of inclusive growth and social protection
- › The wider relationship between Australia and partner governments can be strengthened through actions within the aid program that visibly demonstrate the commitment to get behind a priority development agenda (such as softening large infrastructure investments with grant finance) and which in doing so open up channels to work with new donors in the region.

Appendix 1 Summary of methods

Method	Data source	Credibility of data source
<i>Document analysis</i>	Internal and publically available documents including regional, country and sector strategies and guidelines; project design documents; journal articles; online sources; quality at implementation reports; annual program performance reports; reports from major ODA and multilateral institutions in Vietnam; Vietnam Government documents; DFAT scholarship tracer studies and alumni data; other evaluations and reviews	<i>Good</i> Access to internal DFAT documents relevant to the Vietnam country program since 2008
<i>Key stakeholder interviews</i>	Total of 70 interviews conducted including current and former DFAT staff and managers in Canberra and Vietnam (28); DFAT Canberra (4); whole-of-government partners (5); Vietnam Government (22); and others including scholarships alumni and civil society representatives who were likely to possess information and insights useful to the evaluation (See Appendix 2 for list of people interviewed)	<i>Good</i> Interviewed the majority of senior DFAT staff involved in country strategy development and implementation Interviewed key whole-of-government counterparts including current and former ambassadors, Office of National Assessments, Australian Centre for International Agricultural Research and key Vietnam Government interlocutors at ministerial level (including the Ministry of Planning and Investment), and departmental level
<i>Focus provinces</i>	Enquiry into Australian assistance in Quang Ngai province in the central region and An Giang province in the Mekong Delta	<i>Good</i> Focus group, interviews and formally recorded discussions with senior provincial representatives Access to limited documentation, provincial poverty reduction and development plans

Appendix 2 People interviewed

Department of Foreign Affairs and Trade

Name	Position	Visit
Andy Isbister	First Secretary, Economic Integration and Infrastructure	August/September 2013, Canberra
Allaster Cox	First Assistant Secretary, South-East Asia Division. Former Australian Ambassador 2009-2012, Vietnam	August/September 2013, Canberra
Arnold Jorge	Senior Sector Specialist, Private Sector and Trade Sustainable Economic Development Branch	August/September 2013, Canberra
Craig Kentwell	Director, Mekong Section	August/September 2013, Canberra
David Slattery	Principal Adviser, Aid Effectiveness, Office of Development Effectiveness (ODE)	August/September 2013, Canberra
Debbie Bowman	Director, Evaluation and Communication Section, ODE	August/September 2013, Canberra
Dereck Rookan-Smith	Assistant Director General, ODE	August/September 2013, Canberra
Duong Hong Loan	Executive Manager, Rural Water Supply and Sanitation, Health	August/September 2013, Canberra
Gerard Oakes	Executive Officer, Vietnam, Myanmar and Laos Section	August/September 2013, Canberra October 2013, Vietnam January 2014, Canberra
Hugh Borrowman	Vietnam Ambassador	August/September 2013, Canberra
Jay Sangani	Director, Economics Advisory Group	August/September 2013, Canberra
Jessica Hoverman	Director, Multilateral Effectiveness and Assessment Section	August/September 2013, Canberra
Kate Duff	Assistant Secretary, South-East Asia Bilateral Branch – South East Asia Division	August/September 2013, Canberra
Kathryn Elliott	First Secretary, Climate Change	August/September 2013, Canberra
Marcus Howard	Senior Sectoral (Infrastructure) Specialist—Water Policy and Sector Division	August/September 2013, Canberra
Mark Barrett	Infrastructure Adviser	August/September 2013, Canberra
Mark Palu	Counsellor, Head of Vietnam Program	August/September 2013, Canberra
Mark Palu	Counsellor, Head of Vietnam Program	October 2013, Vietnam
Michael Wilson	Minister-Counsellor, Mekong and Regional	August/September 2013, Canberra
Nathan Dal Bon	Assistant Director General, Economics Branch	August/September 2013, Canberra
Nguyen Thanh Thu	Senior Program Manager, P&Q	October 2013, Vietnam
Nguyen Thu Hang	Senior Program Manager, Human Resource Development	August/September 2013, Canberra
Nguyen Thu Phuong	Executive Manager, Aid Effectiveness, Performance and Quality	August/September 2013, Canberra
Nick Cumpston	Director, Indonesia Section	August/September 2013, Canberra
Racheline Jackson	Vietnam Aid Program Manager	August/September 2013, Canberra
Rebecca Elias	Senior Program Officer	August/September 2013, Canberra
Richard Moore	First Assistant Director General, Program Effectiveness and Performance Division	August/September 2013, Canberra
Roderick Brazier	First Assistant Director General, East Asia Division	August/September 2013, Canberra

Ruth Stewart	Director, Vietnam, Myanmar and Laos Section	October 2013, Vietnam January 2014, Canberra
Simon Ernst	Director, Performance Policy and Systems Section, Program Strategy and Results Branch	August/September 2013, Canberra
Simone Corrigan	Second Secretary, Human Resource Development	August/September 2013, Canberra
Tony Blythe	Evaluation Manager, ODE)	August/September 2013, Canberra
Wendy Conway Lamb	First Secretary, Climate Change and Disaster Risk Reduction	October 2013, Vietnam

Vietnamese Government

Name	Position	Visit
Dr Cao Viet Sinh	Vice Minister, Planning and Investment Ministry of Planning and Investment	August/September 2013, Canberra
Cao Manh Cuong	Deputy Director General Foreign Economic Relations Department (FERD), Government Chair, Aid Effectiveness Forum & Director, VAMESP	October 2013, Vietnam
Dao Thi Thuy Huong	Member Council's Member and Manager of Investment and Procurement – Management Department, Ministry of Transport	October 2013, Vietnam
Dinh Thi Loan	Vice Chairwoman, Quang Ngai PPC	October 2013, Vietnam
Dr Ho Quang Minh	Former Director General, FERD	October 2013, Vietnam
Dr Nguyen Van Hao	Director, Research Centre for Aquaculture no.1	October 2013, Vietnam
Dr Quach Thi Ngoc Minh	Desk Officer, Australia and New Zealand, Division of International Education, Vietnam International Education Department	October 2013, Vietnam
Dr Tran Hong Ha	Vice Minister, Ministry of Natural Resources and Environment (MONRE)	October 2013, Vietnam
Duong Tuan Minh	General Director, Cuu Long CIPM	October 2013, Vietnam
Hoang Van Thang	Vice Minister, Ministry of Agriculture and Rural Development	October 2013, Vietnam
Huynh The Nang	Vice chairman, An Giang Provincial People's Committee	October 2013, Vietnam
Lam Hoang Sa	Standing Vice Chairman, Kien Giang PPC	October 2013, Vietnam
Luong Thanh Hai	Director, Centre for Rural Water Supply and Sanitation (PCERWASS)	October 2013, Vietnam
Cau Manh Cuong	Deputy Director General, FERD	October 2013, Vietnam
Duong Duc Ung	Former Deputy General, Aid Effectiveness Adviser, Ministry of Planning and Investment, FERD	October 2013, Vietnam
Ngo Trong Lau	Director, Centre for Rural Water Supply and Sanitation	October 2013, Vietnam
Nguyen Thanh Hang	Deputy General Director, Department of Planning and Investment, Ministry of Transport	October 2013, Vietnam
Pham Binh An	Director, WTO Centre Ho Chi Minh City	October 2013, Vietnam
Pham Van Tan	Deputy Director General, Ministry of Natural Resources & Environment of Vietnam	October 2013, Vietnam
Tran Van Thi	Vice General Director, Ministry of Transport	October 2013, Vietnam

Whole-of-government partners

Name	Position	Visit
Christopher (Kit) Collier	Senior Analyst, SE Asia Branch, Office of National Assessments	August/September 2013, Canberra
Dr Nguyen Van Bo	President, VAAS and ACIAR Policy Advisory Committee	October 2013, Vietnam
Gamini Keerthisinghe	Principal Regional Coordinator, Mekong & China Research Program Manager – Soil Management and Crop Nutrition, Australian Centre for International Agricultural Research	August/September 2013, Canberra
Geoff Morris	ACIAR Country Manager Vietnam, Australian Centre for International Agricultural Research	August/September 2013, Canberra
Stewart Pittaway	Former Chief Technical Adviser, Quang Ngai Implementation Support Program	October 2013, Vietnam

Other

Name	Position	Visit
Alumni Climate Change Partners	Oxfam, CARE, SCF, ARC, Environmental Defence Fund	October 2013, Vietnam
Anjali Acharya	Environment Cluster Leader, World Bank	October 2013, Vietnam
Chris Giaras	Principal, Business Development, Royal Melbourne Institute of Technology (RMIT)	October 2013, Vietnam
Dr. Andreas Schneider	Deputy Country Director, GIZ	October 2013, Vietnam
Dr. Christian Henckes	Director, GIZ, Frankfurt	October 2013, Vietnam
Dr. Juergen Hess	Program Director, Natural Resources Program, GIZ	October 2013, Vietnam
Dr. Matthew Sukumaran	Executive Director, Operations and Planning, RMIT	October 2013, Vietnam
Dr. Rodney Gillett	Director, English Language Programs, RMIT	October 2013, Vietnam
Jennifer Sara	Sustainable Development Department, World Bank	October 2013, Vietnam
Jim Carpy	Head of Office, Department for International Development	October 2013, Vietnam
John Crook	Head of RMIT Vietnam, Hanoi RMIT	October 2013, Vietnam
Keiko Sato	Portfolio Manager, Director of Programs Projects, World Bank	October 2013, Vietnam
Lis Rosenholm	Deputy Head of Mission, Danish Embassy	October 2013, Vietnam
Kim Quy	Senior Program Manager, Danish Embassy	October 2013, Vietnam
Mattia Miani	Enterprise and Executive Education Manager, RMIT	October 2013, Vietnam
Moi Tin Chew	Acting Head of Centre of Technology, RMIT	October 2013, Vietnam
Dang Ngo	Country Director and Ben Kamarck, Deputy Country Director, Clinton Access Health Initiative	October 2013, Vietnam
Nguyen Thi Ngoc Minh	Economic Adviser, Prosperity Team Leader, Department for International Development	October 2013, Vietnam
Paul Vally	Infrastructure Specialist, World Bank	October 2013, Vietnam
Raymond Mallon	Senior Technical Adviser, Beyond WTO Program	October 2013, Vietnam
Victoria Kwakwa	Country Director, World Bank	October 2013, Vietnam

Glossary

AAS	Australia Awards Scholarships
ADS	Australian Development Scholarships
ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AIP	Aid Investment Plan
ALAS	Australian Leadership Awards
ANAO	Australian National Audit Office
APPR	Aid program performance report (known as annual program performance reports prior to 2014)
ASEAN	Association of Southeast Asian Nations
AVID	Australian Volunteers for International Development
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade
DRM	disaster risk management
DRR	disaster risk reduction
GDP	gross domestic product
GMS	Greater Mekong Subregion
GNI	gross national income
HRD	human resources development
LMIC	lower-middle-income country
MARD	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goals
MPI	Ministry of Planning and Investment
NTP	National Target Program
NGO	non-government organisation
NOVA	NGO Vietnam Australia Programme
ODA	official development assistance
ODE	Office of Development Effectiveness
OECD	Organisation of Economic Co-operation and Development

PAF	Performance Assessment Framework
PPP	Public Private Partnership
QAI	quality at implementation
RUDEP	Quang Ngai Rural Development Program
RWSS	Rural Water Supply and Sanitation
SEDP	Social Economic Development Plan
VAMESP	Vietnam Australian Monitoring and Evaluation Strengthening Project
WB	World Bank
WTO	World Trade Organization

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