

**DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**

**Evaluation Report EV673**

**COUNTRY PROGRAMME REVIEW  
COUNTRY STUDY: VIETNAM  
FINAL REPORT**

**By**

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## PREFACE

This evaluation was carried out by a team of Evaluation Dept (EvD) staff and independent consultants as part of a rolling programme of Country Programme Evaluations (CPEs). The programme of studies is intended to ensure compliance with DFID's corporate accountability as well as contributing to wider lesson learning across the organisation and informing the development of future strategy at country and regional level. The team was led by Jeremy Clarke from EvD and was supported by Peter Landymore, Julian Gayfer (PARC) and Cecilia Luttrell (ODI). The process was managed by Kerstin Hinds, Iain Murray, Lynn Quinn and Karen Kiernan of EvD's country programme team.

The study focused on DFID's programme during the period 2000-2006 and was carried out over the period October – December 2006. The structure of the evaluation is based on the CPE programme but was undertaken with fewer person weeks and limited (one week) period in country. It was carried out at the request of DFID Vietnam in order to draw out key lessons that could be fed into the preparation of the next CAP. However, the report covers much of the same ground as the standard CPE but has been modified to give more attention to the priorities of the country office. Chapter 9 of the report covers these specific issues and proposals.

In accordance with EvD policy, considerable emphasis was placed on involving the country office staff during the process and on communicating findings. Staff were also invited to complete their own assessment of progress against CAP objectives prior to the evaluation field visit. We recognise their valuable contributions and insights in finalising the report. This does not mean that the country office necessarily agrees with all the findings presented. The views expressed are those of the independent consultants and the office's 'management response' can be found in the Evaluation Summary linked to this main report.

The success of this evaluation is due to the efforts of many people. EvD would like to acknowledge the contribution made by the evaluation team itself, recognising that covering the country programme in such a limited way presented particular methodological and logistical challenges that the team rose to admirably. The level of engagement of DFIDV staff was excellent, as was the engagement from development partners in Vietnam. Many thanks to those involved.

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The team was greatly assisted by the Head of Office and all the staff of DFIDV and by Iain Murray and Lynn Quinn of EvD. However, full responsibility for the text of this report rests with the authors. In common with all evaluation reports commissioned by EvD, the views contained in this report do not necessarily represent those of the Department for International Development (DFID) or of the people consulted.



## ACRONYMS AND ABBREVIATIONS

APDP	Annual Performance and Development Plan
APPR	Annual Portfolio Performance Review
APR	Annual Progress Report (Annual Performance Review)
AsDB	Asian Development Bank
BE	British Embassy
BS	Budget Support
CAP	Country Assistance Plan
CAR	Capability Accountability and Responsiveness
CASCERP	Capacity Building for Central Region Poverty Reduction
CEBA	Committee for Economic and Budgetary Affairs
CIDA	Canada International Development Agency
CPV	Communist Party of Vietnam
CDD	Community driven Development
CG	Consultative Group
CPE	Country Programme Evaluation
CRLIP	Central Region Livelihoods Improvement Programme
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DDP	Directors' Delivery Plan
DFID	Department for International Development
DOC	Drivers of change
DP	Development Partner
DPA	Development Partnership Agreement
DFIDV	DFID Vietnam
EC	European Community
EU	European Union
EvD	Evaluation Department (DFID)
FDI	Foreign Direct Investment
FSQL	Fundamental School Quality Standards
GBS	General Budget Support
GDP	Gross Domestic Product
GNI	Gross National Income
GOV	Government of Vietnam
GTZ	Gesellschaft für Technische Zusammenarbeit (Germany)
HCS	Hanoi Core Statement
HIP	High Intensity Partnership
HRD	Human Resource Department
IDU	Intravenous Drug Users
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
ISP	Institutional Strategy Paper
JBIC	Japanese Bank for International Cooperation
JICA	Japanese International Cooperation Agency
LIP	Low Intensity Partnership
LMDG	Like Minded Donor Group
MDBS	Multi-Donor Budget Support
MDG	Millennium Development Goals
MDTF	Multi Donor Trust Fund

## **Acronyms and Abbreviations**

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MOU	Memorandum of Understanding
MIC	Middle Income Country
MOH	Ministry of Health
MPI	Ministry of Planning and Investment
MTEF	Medium Term Expenditure Framework
MTR	Medium Term Review
NGO	Non Governmental Organisation
NMRPRP	Northern Mountains Region Poverty Reduction Project
NTP	National Targeted Programmes
OPR	Output to Purpose Review
PAF	Performance Assessment Framework
PAPAP	Poverty Analysis and Poverty Advice Support Programme
PAR	Public Administration reform
PCR	Project Completion Report
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PEDC	Primary Education for Disadvantaged Children Project
PGAE	Partnership Group for Aid Effectiveness
PIMS	Project Information Marker system
PMU	Project Management Unit
PPA	Participatory Poverty Analysis
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSA / SDA	Public Service Agreement / Service Delivery Agreement
PSR	Public Sector Reform
PTDP	Primary Teacher Development Project
PFMRP	Public Finance Management Reform Programme
SAIC	Staff Appointed in Country
SBS	Sector Budget Support
SIDA	Swedish International Development Agency
SOE	State Owned Enterprise
SPI	Strategic Partnership Initiative
SWAP	Sector Wide Approach
TA	Technical assistance
TABMIS	Treasury and Budget Information System
TC	Technical Cooperation
TBS	Targeted Budget Support
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations International Childrens Fund
UPE	Universal Primary Education
WB	World Bank
WHO	World Health Organisation
WTO	World Trade Organisation



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## EXECUTIVE SUMMARY

S1 The UK aid programme in Vietnam has grown strongly over the period of the evaluation, and has successfully developed, and then adapted, a model for working in a rapidly growing non aid dependent country. It is a good example of how a relatively modest bilateral programme can grow in influence over time; and play a role in facilitating delivery of Government of Vietnam (GOV) development policy, piloting improved methods for reducing poverty and enhancing the effectiveness of development assistance.

S2 The approach of “working with others through Government” has positioned DFIDV well to engage further on policy dialogue and institutional reform. However in developing this approach DFIDV had to reduce its involvement in co-financing projects some of which had run into difficulties because of over-complex designs and unrealistic assumptions made by the office about the capability of development partners. There are important lessons to be learned from the experience and from the limited achievement of these projects for DFID as a whole.

S3 The country strategy has been strongly and consistently aligned with national policy, and has produced many positive results, though unevenly across the Country Strategy Plan (CSP) and Country Assistance Plan (CAP) objectives. Addressing the needs of excluded regions and groups has been central to the strategy and DFID has also sought to make a contribution to improving Governance and assisting the economic and social transition. In the CAP the analysis and approach to Governance was narrow and opportunities were missed on issues like corruption. At the time the CAP was prepared this was not considered an issue in Vietnam and the policy discourse did not include strategies to address corruption<sup>1</sup>. A harmonisation theme ran through the CAP and an additional objective was added subsequently. Country strategy has not always been followed through consistently into programming or the choice of sectors.

S4 In a fast-growing economy, the main contribution that relatively small grant aid can make to the poverty reduction goals of the Government of Vietnam is by improving the quality and the implementation of the GOV policies and institutions that have greatest impact on poverty reduction, target poorer groups and encourage their participation and inclusion in Vietnam’s economic and social transformation. This has been, and should remain, one of the main strategic objectives of the country strategy. The evaluation suggests that innovative joint projects with major donors evolving towards targeted budget support (TBS) and sector support have shown the best potential to deliver this. The Poverty Reduction Support Credit (PRSC) was developed by the World Bank (WB) as a budget support (BS) instrument linked to the introduction of new policy and systems. The PRSC has also had an important influence by underpinning the introduction of the national poverty reduction programme or Comprehensive Poverty Reduction and Growth Strategy (CPRGS) but the evidence is more mixed in relation to specific policies targeting the poorest groups. The PRSC has also had wider “signalling” effects by improving international perceptions and encouraging foreign investors.

S5 The overall performance of the country programme has been mostly good with significant results being achieved against the objectives set for aid effectiveness and addressing social exclusion. There has also been achievement in improving the use of public resources, but in the areas of social and economic transformation and rural livelihoods programme (particularly the area based rural development approaches) performance has been more mixed. On the evidence available<sup>2</sup>, the quality of the

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<sup>1</sup> There had been some general public protests in 1997 but this did not lead to a policy debate or any dialogue with donors and there was no entry point for discussion with government.

<sup>2</sup> The evidence is based on ratings given to individual projects and programmes using DFID’s system of annual reviews and project completion reports.

programme portfolio has, on the whole, been good and is improving; though there have been some examples of weak performance. As far as can be judged the performance of the portfolio is in line with the rest of DFID.

S6 DFIDV adopted a well-balanced mix of aid instruments which has enabled an engagement both in Government-wide systemic and in sectoral issues; but could have formulated a clearer vision of their purposes and of the contribution being made by DFID and its development partners' aid. The main PRSC instrument has been effective in raising issues up the policy agenda; adding momentum to systemic policy change; enabling some improvement in poverty reducing public services; and in improving implementation in some areas. The PRSC has also had difficulties in addressing sectors that are by their nature complex and fragmented such as governance and public administration reform.<sup>3</sup> Targeted Budget Support (TBS) in education and the poverty targeted programme P135 have also promoted policy and institutional reform in the programmes and public services concerned as well as supporting improvements in Public Financial Management (PFM). DFIDV assessed fiduciary risks in all cases and tightened controls following a major scandal in the Ministry of Transport. Important challenges remain to incorporate governance and anti corruption issues into the PRSC and to develop sector programmes.

S7 The evaluation suggests that in countries like Vietnam, where the government is delivering rapid growth and improving access to key services by the poor, the least cost aid delivery mechanism is likely to be general budget support. This option can be used to concentrate DFID funding even more rigorously if the constraints on administration costs are severe. But the evidence from DFIDV interventions in education and roads, and to an extent with P135, suggests that TBS and sector support can generate higher value added through innovation in policy and institutional reform. This option does, however, require proportionately more staff time. It is a key management judgement whether in Vietnam to bear these costs in the light of the better results this form of aid has produced in the Vietnam context (see section 4), or to reduce staff resources and switch them to less well-managed countries where the use of budget support is less likely to be possible due to fiduciary risks or to be an affective aid mechanism.

S8 There has been continuity in working through other donors and there was a significant increase in emphasis on harmonisation and budget support in 2003. This was in line with corporate policy and has developed into a strong partnership with GOV. The evaluation found evidence of innovation and leadership by DFIDV in the donor community. DFIDV has backed GOV's commitment to the aid effectiveness agenda and there has been real progress with harmonisation through improved procedures, new multi donor aid modalities, and financing mechanisms that, whilst slow to set up, have reduced transaction costs for GOV. The adoption of the Hanoi Core Statement (HCS) on aid effectiveness was a major step forward but progress with implementing the aid effectiveness programme has necessarily been slow to build understanding across government (including line ministries) and donors and now needs to be accelerated if national targets are to be achieved. The evaluation suggests that the targets in the HCS were deliberately set at a challenging level and it is unsurprising that the pace of change has varied. There is also a need to be realistic about what can be achieved and the extent of these challenges is well understood by DFIDV.

S9 Partnerships have been vigorously pursued primarily to improve aid effectiveness. DFIDV-supported innovations, notably on United Nations (UN) reform, have been picked up by DFID at corporate level and have influenced the wider UN reform effort. But the strategic objectives of DFIDV partnerships have not always been clear enough. Real progress has been achieved relative to the starting

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<sup>3</sup> General Budget Support Evaluation : Vietnam case study (Mokoro consultants).

point of some of the partners but there is a long way to go. Partnerships with the World Bank are strong but more progress is needed for example, on Project Management Units (PMUs). The partnership with the Asian Development Bank (AsDB) has enhanced the poverty focus and links to the CPRGS of that donor, but has not yielded significant results in terms of transforming AsDB programmes or procedures. DFIDV has helped shift the perspective of the Japanese on the PRSC and to create commitment to a common position on aid effectiveness.

S10 DFIDV has invested in CAP programme monitoring at outcome level. There have however been gaps in the quality of complementary project monitoring and information. There is some evidence of over grading of some projects and of weaknesses in project design, especially regarding monitorable measures of project achievement and impact. As the number of projects and the level of staff engagement on them decline, there is also a danger that staff lose touch with challenges of service delivery at lower levels of Government. The very limited progress nationally on monitoring the CPRGS (and now the Socio Economic Development Plan - SEDP) and assessing the impact on the poor and excluded compounds this.

S11 Governance is recognised to be one of the key challenges. DFIDV initially adopted a narrow focus on economic governance and accountability linked to the PRSC and this has driven reforms in these areas. But as staff capacity has expanded they have worked with other donors to develop a broader perspective and response on state–citizen relationships and on corruption. These aspects would have benefited from earlier analytical work if resources had allowed but is now firmly embedded in the Development Partnership Agreement (DPA) and is an emerging priority for future budget support.

S12 DFIDV's level of ambition has been high, and at times this has stretched staff resources and the corporate postings system has made it difficult to adapt the skills mix quickly enough. Staff resources may have been over concentrated on new programme development at the expense of project monitoring and lesson learning . Staff time is allocated unevenly across the programme objectives and some areas of the CAP may be less well covered than they ought to be. Regional office expertise has been used somewhat intermittently.

S13 DFIDV has developed a vision for the future based on evolving toward a more mature partnership between UK and Vietnam and eventual graduation with a more prominent role for the multilaterals. This is still relevant and the strategic partnership with the United Nations Development Programme (UNDP) has positioned DFIDV to move toward this goal.

## **Key Lessons Arising from the Vietnam Evaluation**

- Country strategies need to provide a firm basis for selecting areas and sectors for engagement whilst allowing enough room for a flexible response when new opportunities arise. In Vietnam the country office has managed to achieve this.
- Delivering an effective country strategy requires careful alignment of corporate and country level policy and coordination of country and HQ teams -for example on delivering corporate priorities for reform of the multilateral or regional institutions or on HIV and Aids. The Vietnam experience illustrates that this is not always easy to achieve and requires careful joint planning and communication between HQ and the country office.
- It can be difficult for country programmes to respond to multiple HQ priorities. DFIDV focussed on aid effectiveness but struggled to respond to the HIV and Aids agenda until more staff resources were available.

- Relying on lead donors has associated risks and negative consequences if they prove unable or unwilling to confront the policy issues or to deliver the programme. This has been a factor in DFIDV's support to HIV and Aids.
- There is a trade off between running a lean programme and aspiring to engage in policy influencing and a range of corporate policy priorities including aid effectiveness. Influencing by DFIDV has required a strong in country presence and a critical mass of advisory staff. It will continue to do so.
- The "Vietnam model" of co financing was successful where the conditions were right but "working through others" has had high transaction costs in several cases. The experience suggests that co financing and silent partnerships can require a lot of maintenance and engagement, especially when things go wrong. Careful appraisal of partner capability and the risks involved is needed; as well as clarity on both sides as to the level of management resources that each partner can provide.
- In a rapidly growing non-aid dependent country it is harder to distinguish the precise contribution being made by DFID. There is a need to specify as clearly as possible in CAP indicators and in the goal/purpose of programmes, both the areas of policy and institutional reform DFID is seeking to support and how DFID and other donor resources will make a difference.
- Provision of Technical Cooperation (TC) and expertise has been very successful where it is focussed on a policy area of high priority for GOV and donors. Embedding a specialised analytical unit within the WB is a good model to build on but with a view to evolving toward alternative arrangements providing more ownership by Vietnamese institutions.
- Vietnam illustrates the difficulty of implementing a lead donor arrangement and sharing donor technical expertise. The WB has embraced this role effectively but there are fears this may crowd out others. Nevertheless, efforts should continue especially for pooling expertise, ideally under the control of a recognised lead donor. More could have been done in some sectors to organise an agreed division of labour between donors.
- There have been real achievements with harmonisation but it is easier to talk about than deliver and change can be difficult to bring about. The process and multiple structures can sap donor energy and a big investment of staff time is required. Clearer priorities, objectives and plans for implementation are essential. A focussed approach, picking off the areas where there are positive incentives for reform, moving ahead with those who are willing, and pushing for independent monitoring of results, seems to offer the best prospects.
- Multiple pressures make it difficult for country programmes to give enough attention to monitoring and evaluation of their development assistance programmes or those of partner governments. But this needs higher priority and without more effort, DFID cannot be sure that its resources are being optimally deployed for poverty reduction or that the impact on excluded groups is positive.
- Early attention to planning a graduation strategy is important in a rapidly growing country like Vietnam. This is suggested by DFID experience elsewhere and the evidence from the evaluation that DFIDV have done so, and have framed their partnerships with other donors accordingly.

S14 The evaluation suggests that the DFIDSEA and then DFIDV exhibited the following **strengths**:

- A clear vision on how DFID could contribute to Vietnamese development with a strong focus on addressing poverty amongst marginalised people and social inclusion. This helped define a clear role for DFID.
- Capacity to integrate corporate priorities within the country context and country programme priorities.
- Leadership and investment in partnerships and consensus building in the donor community at critical points when action was required to make progress on harmonisation.
- A strong and capable advisory and programme team, suitably balanced between UK and Staff Appointed in Country (SAIC) staff, which is respected and valued by GOV and the wider donor community
- A willingness to innovate and take risks and to pioneer new approaches which have acted as a catalyst to other donors and help change the approach to development assistance in Vietnam.
- A strong working relationship with the British Embassy (BE) particularly on Governance, human rights and trade ; and with the European Union (EU).
- High flexibility and responsiveness to the needs and priorities of the partner country.

S15 There were also a number of **weaknesses** identified :

- DFIDV relied too much on other donors to improve its initially limited knowledge of corruption, could have monitored their work more closely and made more use of Drivers of Change (DOC) analysis in developing and implementing the 2004 CAP.
- The division of responsibilities of advisory staff between DFIDV and senior regional advisory in DFIDSEA has not always been clear. Competing demands on their time and DFIDVs preference for self reliance may have constrained their engagement on the programme.
- The degree of ambition in DFIDVs programme and weaknesses in corporate HR systems stretched staff resources, resulting at times in some advisers being used for crisis management of projects rather than policy analysis and dialogue. This was due to the lengthier than planned time-frames between some staff appointments.
- Unrealistic assumptions were made about the capability of some partners and risks were not fully assessed. When problems emerged, DFIDVs attention and effort was focussed on other priorities so that resources were stretched to provide more support.
- Performance management systems have improved but apart from some exceptions such as the Multi Donor Trust Fund (MDTF) or HIV and Aids, the performance indicators for programmes are of variable quality and there was limited attention to reviewing and

improving the project portfolio. DFIDV have given more attention to this since mid 2006.

- Project design and monitoring and evaluation (M+E) arrangements have been deficient in a few cases.
- More could have been done to identify the specific contribution that DFID has made to development progress in Vietnam and to develop a communications strategy that would get an evidence based message out effectively. This is especially true of the PRSC.

## **Recommendations**

S16 The evaluators make the following recommendations:

### *DFIDV to :*

- (i) give more attention to corruption issues in the next CAP and consider introducing anti-corruption programmes into all main sectoral and TBS interventions;
- (ii) re-examine future planned interventions in the area of social and economic transition and consider ways to address the questions raised about past performance by the evaluation in the design of future interventions, in particular over sustainability and the need to avoid a “stand alone” approach (see paras 4.83 and 4.101 of main report);
- (iii) further enhance CAP monitoring efforts by systematically setting indicators and targets that distinguish between outputs and outcomes and that can identify the contribution being made to GOV policies and actions by DFID through the PRSC;
- (iv) give more attention during design to the monitoring and evaluation aspects of future projects and strengthen quality assurance to ensure there are suitable and monitorable measures of impact in the project framework.

### *DFIDHQ to :*

- (i) clarify the division of responsibilities and labour between regional advisory and in country staff of the overseas offices in East Asia and elsewhere where this may be an issue. EMAAD and SAsD to consider and follow up action required;
- (ii) find ways to avoid gaps or delays in posting of key staff to overseas offices. The planned review of the cluster system may be an opportunity to address this issue. Human Resources Department (HRD) to consider and follow up action required;
- (iii) consider producing a note on the lessons and experience so far from harmonisation efforts in Vietnam and elsewhere (Policy and Research Department).



## **1. INTRODUCTION**

1.1 This report is a review of DFID's country programme in Vietnam. It was carried out at the request of DFID Vietnam on a light touch basis in order to draw out key lessons that could be fed into the preparation of the next CAP. The main analysis deals with the period from 2002 to 2006, but events prior to that period are also taken into account in order to understand the context and factors influencing DFID's approach.

1.2 The structure of the evaluation is based on the earlier Country Programme Evaluations (CPEs) but has been undertaken with fewer person weeks and a limited (one week) period in country. Inevitably the lighter touch approach is a compromise between more rigorous and full evaluation and a more qualitative and perception based report. The conclusions in the report need to be seen in this context. It is a more demand driven and client centric approach and although it covers much of the same ground as the standard CPE, the report has been modified to give more attention to the priorities of the country office as set out in the additional terms of reference (tors) annexed to the report. At DFIDV's request the orientation of the work is also more forward looking and a special chapter has been developed to identify issues and proposals for DFIDV to consider as the next CAP is prepared.

1.3 We have designated the work as a country programme review and although it will be published by EvD it will not be part of the regular cycle of CPEs. Evidence was collected from three sources: reviews of file correspondence and programme documents from DFID; interviews with past and present DFID staff; and interviews with officials in government, with partners in other development agencies and from representatives of NGOs and civil society organisations.



## **2. POLITICAL, SOCIAL AND ECONOMIC COUNTRY CONTEXT**

### **A. Vietnam in 2001**

2.1 Vietnam had emerged from its deep crisis in the 1980s, and grew vigorously through the 1990s. The real economy doubled in size during the decade. At its end, Vietnam was affected by the East Asian crisis, notably by sharp setbacks to foreign investment and export growth, but nevertheless maintained its growth above 5% in 1998-9. Vietnam remained a low-income developing country (2001 income p.c. \$410 – WB Atlas), though also a large one (population c. 82m), with comparatively little dependence on external development aid.

2.2 Despite progressive reforms since the end of the 1980s, Vietnam also remained a relatively closed country: politically, its Communist government allows no other parties, while economically, its ratio of trade to Gross National Income (GNI) was relatively low and it was not a member of the World Trade Organisation (WTO). Government operates at 3 local levels: provinces, districts and communes. There are now 64 provincial-level units, implementing a programme of progressive decentralisation.

2.3 By 2001, Vietnam had already seen good results from the policy changes of the previous decade. Growth of national income had averaged 6% over the preceding 4 years. The incidence of income poverty had fallen rapidly from 58% in 1993 to 37% in 1998, and probably 33% by 2000.<sup>4</sup> The pattern of poverty reduction had however been uneven, with some rural areas –especially those inhabited by ethnic minorities - falling behind others, and even further behind the urban centres. The World Bank undertook a Public Expenditure Review in 2000, and in 2001 an Interim Poverty Reduction Strategy Paper (IPRSP) was prepared, led by the Ministry of Planning and Investment (MPI). By 2002, a full PRSP, entitled the Comprehensive Poverty Reduction and Growth Strategy, was drawn up by the Government.

2.4 The main strengths<sup>5</sup> of the CPRGS were seen as:

- A robust and comprehensive analysis of poverty, based on substantial donor-funded analytical work;
- Articulation of a growth-based strategy for poverty reduction, with policy actions identified for structural reforms and for key sectors, as well as a sound macro-economic framework;
- A commitment to improving governance;
- Identification of outcome targets, corresponding with the Millennium Development Goals (MDGs);
- An attempt to prioritise public actions, and to assess their resource implications.

The weaknesses were perceived as:

- Lack of a strong co-ordination unit to drive implementation;

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<sup>4</sup> See Table 2 of Program Document for the Fifth Poverty Reduction Support Operation World Bank, May 2006.

<sup>5</sup> Draws on the assessment in: Country Assistance Strategy for Vietnam, World Bank 2002.

- Weakness of arrangements for including stakeholders in implementation, monitoring and evaluation, notably through poor access to data (including budget implementation figures);
- Need for stronger detail on timings and costs of policy actions;
- Weak prioritisation of sectoral programmes and a need for these to be set within the foreseeable resource constraints, via a Medium Term Expenditure Framework (MTEF);
- Lack of alignment of the outcome targets with resource allocation decisions at the central and provincial levels;
- More work needed to assess fully the impact of the policy reforms on poverty and the adequacy of safety nets for the vulnerable.

## **Progress in 2002-6<sup>6</sup>**

2.5 Growth accelerated from 6.8 % to an impressive 8.4% in 2005 with continued good macroeconomic management and the economy proved resilient despite external shocks including SARS and avian influenza. Over the period, growth has averaged 7.5% and Gross Domestic Product (GDP) has risen by 44%. Per capita income reached US\$ 620 and the proportion of poor which stood at 58% in 1993, had fallen to 29% in 2002 and even further to around 19.5 % in 2004. Later data are not available, but it is likely that the pace of poverty reduction has been maintained in broad terms, given the rate of economic growth. Vietnam has thus already met the income poverty MDG.

2.6 This growth has been driven by exports - which in 2005 grew by 22% - and by Foreign Domestic Investment (FDI) (which in 2005 rose by 50% to \$6.3bn), as well as a high overall investment rate (39% of GDP). During this period Vietnam has negotiated entry in the WTO: accession terms completed their process of internal political approval in November 2006, and formal entry to WTO is likely to take place in early 2007. Within the period Vietnam has enjoyed a positive terms of trade 'shock' with major price increases for two of its major exports, oil and coffee. Exports of clothing and footwear have also risen very strongly, more than offsetting the falls in world prices for these goods in more competitive markets following the expiry of the Multifibre Agreement. Over the 2002-5 period, exports have more than doubled.

2.7 Government revenues have grown even faster, having risen from 21.6% of GDP to an estimated 25% in 2006. While running modest deficits, GOV has thus been able to increase real spending rapidly, by about 50% over the period. GOV spending in 2006 will total about \$16 billion.

## **Beyond 2006**

2.8 If current rates of growth are maintained – and, if the normal effects of opening to trade on the exchange rate raise the dollar value of Vietnam's output, even faster – the GNI of Vietnam will exceed the International Development Association (IDA) threshold by 2010, and Vietnam will graduate out of the class of Low-income Countries (LICs). However, assuming that at least 15% of the population remain below the \$1 threshold, there will still be some 12-15 m Vietnamese living in extreme poverty: the equivalent of Zambia's and Malawi's poor combined. There will remain a case for continued flows

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<sup>6</sup>Data in this section are drawn from : World Bank Country Assistance Strategy for Vietnam and the Program Document for a fifth Poverty Reduction Support Credit.

of grant or near-grant aid to Vietnam as a low middle-income country (LMIC) with a large number of very poor people. Aid flows from some major donors (e.g. Japan, Germany) are unlikely to be radically affected by this change of status; but others eg the WB, AsDB and the UK, certainly will.

## **Political Governance and Anti Corruption Efforts**

2.9 Vietnam is a one party state ruled by the Communist Party of Vietnam (CPV) led by a politburo. The state is generally regarded as authoritarian but with a high degree of legitimacy originally arising from the nationalist war for independence but more recently founded on the growing economic prosperity. The Doi Moi (renovation) reforms since 1986 have achieved much in term of economic transition but the social and political evolution has been much slower.

2.10 The primary concern of the party is to maintain political stability and to perpetuate itself and so the development of alternative political movements is not tolerated. Government has responded positively to community led concerns and periodic social unrest through the Grassroots Democracy Decree, land reform and investment in sensitive regions. Periodically, there have been cases of imprisonment and re-education which have attracted attention from commentators concerned about human rights. There is a positive trajectory of change in the observance of human rights in the key areas of freedom of expression, religious freedoms, the death penalty and access to justice.

2.11 Corruption is endemic in Vietnam although recent business surveys attached relatively low importance to it. There is thought to be corruption in State Owned Enterprises (SOEs) and public investment projects. Police investigations and press reports reveal serious problems in these areas.

2.12 The growth of corruption is a major political concern because of its potential to undermine the legitimacy of the state and there have been some well publicised cases where strong action has been taken. The culture of decision making by consensus in the public service has meant that the policy making process is opaque and the bureaucracy can be slow to change and reform structures and systems. GOV is showing an increased willingness to tackle both corruption and inefficient bureaucracy.

2.13 Civil society takes a different form to the western model but there are grassroots organisations and there is increasing debate in the Government and Party controlled newspapers about social issues and development challenges. There are plans to strengthen the capacity of elected bodies (ie the National Assembly and Peoples' Councils) and to further delineate roles in already highly decentralised state.

## **Development assistance**

2.14 In 2001, aid flows were just 4.5% of national income, and 12% of public spending (down from 18% in the previous year). Nevertheless, a multitude of donors operated in Vietnam: in 2003, 25 bilateral, 19 multilaterals and some 500 NGOs. However, over 90% of aid came from 10 donors, of which in 2001 the largest were Japan, the World Bank (IDA) and AsDB. Japan was the dominant force, with (in 2001) 29% of total aid to Vietnam; although, with the relative decline in Japan's ODA, this was well below the shares of 40% and 53% seen in 1999 and 2000. The UK's programme at that time was the 10th largest, after the WB, AsDB, Japan, France, Denmark, Australia, the European Community (EC), the Netherlands and Germany.

2.15 As the table below shows, for Development Assistance Committee (DAC) bilaterals aid flows have risen steeply. All aid to Vietnam, which totalled \$1,277m in 2002, had risen by 2004 (latest available year) to \$1,830m, an increase of 43% in 2 years. GNI rose from \$430 p.c. to \$550 p.c. in the same period, i.e. by 28% and 10 aid agencies are responsible for 96% of these flows, with 3 (IDA, Japan and

AsDB) alone responsible for almost three quarters of aid (73%). Vietnam's dependence on aid has been declining rapidly. Levels of aid as a proportion of GOVs overall budget has fallen from around 18% in 2001 to around 10 % in 2006. At the same time levels of FDI have soared in 2006 to around \$8 billion and remittances from abroad are about half this level.

**Table 1: Net ODA flows to Vietnam : Bilateral Donors**

Million (current prices)	2002	2003	2004	Totals
<b>Total</b>	<b>693.26</b>	<b>905.92</b>	<b>1074.12</b>	<b>2673.30</b>
Japan	374.74	484.24	615.33	1474.31
France	77.8	99.01	106.78	283.59
Denmark	48.39	69.80	59.40	177.59
Germany	41.67	61.65	41.67	144.49
United Kingdom	26.47	34.59	67.67	128.73
Australia	35.07	40.00	48.35	123.42
Netherlands	30.07	38.76	52.32	121.15
United States	14.65	33.73	30.49	78.87
Sweden	24.40	20.91	26.82	72.13
Canada	20.00	23.23	25.29	68.52

Source: OECD-DAC International Development Statistics on line: Database on annual aggregates. Destination of Official Development Assistance and Official Aid - Disbursements (Table 2a).

## DFID

2.16 At the start of the evaluation period the UK aid programme to Vietnam was still relatively small at only £16m amounting to only 4% of the total DFID bilateral programme in Asia. However the programme has been steadily scaled up on the basis of Vietnam's good poverty reduction performance and continuing large numbers of poor. By 2005 spending had grown to £55m, an increase of over 300% since 2001/02, and it is anticipated to continue at least at this level.

2.17 The programme has also absorbed an increasing proportion of DFID support to Asia, rising from 4% to 7% of the total (which has itself doubled in value since 2000/1). The majority of this support has taken the form of financial assistance and whilst at the beginning of the period this was predominantly project funding at the end of the period budget support had grown to nearly half the programme.

**Table 2: DFID Bilateral Aid to Vietnam and all Asia (£ million)**

Country/ Programmes	All Asia	Of which Vietnam	Vietnam/Asia %
2001/02	397.4	15.8	4%
2002/03	450.7	18.5	4%
2003/04	538.4	23.2	4%
2004/05	639.2	40.4	6%
2005/06	751.9	55.0	7%
<b>Total 2000-2005</b>	<b>3069.0</b>	<b>152.9</b>	<b>5%</b>

**Source:** DFID Departmental Report 2006. Annex 1, Table 4.

2.18 Vietnam is making good progress against most of the MDGs but there are still large numbers affected by poverty. As table 3 indicates the country has already achieved the MDG for income poverty and is making progress in tackling malnutrition (though numbers are still high). Enrolment in primary education is above 90% for boys and girls and gender equality is improving although a significant gender imbalance remains for some ethnic minority groups. Performance on maternal mortality needs to improve and Vietnam is off track in relation to HIV and Aids and in the provision of sanitation where 70% of the population are without access.

**Table 3: Progress towards Millennium Development Goals**

MDG	Vietnam Progress to 2005
1. <b>Eradicate extreme poverty and hunger</b>	<ul style="list-style-type: none"> <li>Proportion of population below the International Poverty Line: 58% in 1993 to 19.5% in 2004. <b>On track.</b></li> </ul>
2. <b>Achieve universal primary education</b>	<ul style="list-style-type: none"> <li>Net enrolment in primary education: boys 97.1%, girls 91.5%, both 94.3% 2001. <b>On track.</b></li> </ul>
3. <b>Promote gender equality and empower women</b>	<ul style="list-style-type: none"> <li>Ratio of girls to boys in primary education: 0.93 2001, 0.93 2004. <b>On track.</b></li> <li>Proportion of seats held by women in national parliament: 26% 2000, 27.3% 2006. <b>Off track.</b></li> </ul>
4. <b>Reduce child mortality</b>	<ul style="list-style-type: none"> <li>Under 5 mortality rate per 1000 live births: 30 in 2000, 23 in 2004. <b>On track.</b></li> <li>Infant mortality rate (0-1 year) per 100 live births: 23 in 2000, 17 in 2004. <b>On track.</b></li> </ul>
5. <b>Improve maternal health</b>	<ul style="list-style-type: none"> <li>Maternal mortality ratio per 100,000 live births: 130 2000; 85 in 2004. <b>On track.</b></li> <li>Proportion of births attended by skilled health personnel: 85% 2002; 90% in 2004. <b>On track.</b></li> </ul>
6. <b>Combat HIV/AIDS, malaria and other diseases</b>	<ul style="list-style-type: none"> <li>HIV prevalence: Proportion of population living with HIV and Aids 0.5%. <b>Off track.</b></li> </ul>
7. <b>Ensure environmental sustainability</b>	<ul style="list-style-type: none"> <li>Proportion of the population using improved drinking water: 58% with access and 42% without. <b>On track.</b></li> <li>Proportion of population using improved sanitation facilities 30% with access and 70% without. <b>Off track.</b></li> </ul>

**Source:** Data from UNDP MDG report 2005, UN Stats Division 2005 and see also data at UN site for MDG Indicators: Country Database 2006. UN data also draws on Achieving the MDGs, Government of Vietnam, August 2005.





### 3. PROGRAMME STRATEGY AND CONTENT

3.1 This section examines the evolution of country strategy in Vietnam and seeks to assess its relevance and degree of alignment with country needs and DFID policy. The period under review saw two strategy periods set out in the 1998 Country Strategy Paper and the 2004 Country Assistance Plan. The objectives of these two strategies are summarised in Table 4 below.

**Table 4: Strategy evolution Vietnam CSP 1998-2002 and CAP 2004-06**

Dates	Strategy	Purpose	Main features
1998-2002	CSP 1998	Promote and support the GOV policies that both accelerate economic reform and ensure effective and responsive provision of public services and investment	<p><b>Objective 1:</b> More effective collaboration between GOV and donors</p> <p><b>Objective 2:</b> Greater understanding of poverty</p> <p><b>Objective 3:</b> Improved Capacity of Government to implement reform</p> <p><b>Objective 4:</b> Improved Income Opportunities for the Poor</p>
2004-2006	CAP 2004	To support GOV implement their strategy for economic growth and reducing poverty	<p><b>Four key objectives:</b></p> <p>Initially:</p> <p><b>Objective 1:</b> To promote the efficient, effective and equitable use of public financial resource</p> <p><b>Objective 2:</b> To strengthen the Governments efforts to achieve socially inclusive development and accountability to citizens</p> <p><b>Objective 3:</b> To support the economic and social transition</p> <p>A fourth objective was added later and incorporated into the reporting process. The CAP was not formally amended.</p> <p><b>Objective 4:</b> To improve the effectiveness of aid in Vietnam <i>through</i> broadening and deepening relationships with the main donors to further harmonisation.</p>

3.2 The **1998** Vietnam CSP was initially formulated and led by DFIDSEA from Bangkok. The guiding document was the 1998-2002 Country Strategy Paper which was prepared at a time when Vietnam was benefiting from rapid economic growth and declining poverty levels following the Doi Moi reforms. Although economic development was gathering pace there were emerging concerns about inequality and social exclusion. Donor assistance was still limited to a small number of donors using a mostly project based approach. The level of dialogue about development issues was limited and the donor community operated in a very traditional way with little collaborative working and minimal coordination through UNDP. The budget was a state secret until 1999 so there was very little room at

that point for a discussion on the GOV budget or resource use in the public sector.

3.3 The analysis in the CSP set out the rationale for a growing DFID programme that would assist Vietnam to sustain rapid progress in poverty reduction and to address inequality and social exclusion. Vietnam was seen as a partner committed to poverty reduction and it was felt that DFIDs and other donors could enhance the poverty focus and the effectiveness of development assistance which was rising rapidly.

3.4 The CSP envisaged a major shift in approach with a move away from small stand alone bilateral projects to a more programme based approach and to working with and through other donors and NGOs. Partnerships and co-financing were to be at the heart of the approach with DFID influencing the design and execution of large loan programmes by multilaterals but using them to manage delivery. The “Vietnam model” of “working with others”, as this became known, was seen as a way to deliver aid efficiently with low overheads.<sup>7</sup>

3.5 There was also a strong focus on more effective donor coordination with GOV as this was considered rudimentary and on the exploration of sector approaches and budget support. A country support office was opened in 1998 to take the programme forward and UK aid was planned to rise from £4m to £14m.

3.6 The **2004 CAP** was prepared in a very different environment, The World Bank had launched the first PRSC and had created an opportunity to develop a policy dialogue with Vietnam. The CPRGS had been published by GOV and much groundwork had been done on harmonisation issues. Set against this there were still areas where GOV retained sensitivities for example the existence of corruption was not widely acknowledged or accepted as an issue for discussion with the donors.

3.7 The second period of the evaluation is covered by the Country Assistance Plan for 2004-6 which was published in early 2004 following a decision to defer the process until the arrival of the new Head of office. There was a significant degree of continuity but the CAP extended the existing “working with others” approach to emphasise the importance of doing so through Government systems and gave an even stronger emphasis to budget support which was expected to grow as a proportion of spending and to the aid effectiveness agenda around harmonisation and alignment<sup>8</sup>. Programme resources were planned to grow from £24m to £60m by 2005/6 and a mix of aid instruments were to be used. A new devolved office DFIDV was set up to deliver the programme. This has become known as the “Vietnam plus model”.

3.8 The CAP identified areas where DFIDV could add value based on areas of capability and expertise. DFIDV planned an in depth involvement in the Education and Transport sectors and a continued strong focus on cross cutting issues. The underlying analysis of the CAP showed that DFIDV had developed a more sophisticated understanding of exclusion and the nature of poverty amongst geographically isolated groups. The focus was on improving social service provision for these groups whilst also helping to support GOV's efforts to open up the economy and maintain social and political stability. The CAP also recognised the importance of governance and the need to improve the quality of public spending and services.

3.9 The 2002-4 CAP had three main objectives which derived from the CPRGS framework. DFIDV used the CAP to set out its intentions in broad terms rather than to provide a detailed programming

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<sup>7</sup> Vietnam Country Strategy Paper 1998.

<sup>8</sup> Interview with ex DFIDV staff.

document. Key areas included efforts to improve public financial management and accountability; support to improve infrastructure and services targeted to the poor and ethnic minorities; and efforts to promote effective responses to the effects of economic and social transition including loss of employment and social safety nets.

3.10 Both the CAP and the CSP before it, provides a clear framework and conceptual basis for the development of the DFID bilateral programme and for its delivery. Addressing social exclusion has been a continuous theme and whereas the CSP saw the programme focussing on remote regions and deprived groups, the CAP deepened the emphasis on national policy, budgets and institutional reform. In practice there was a natural evolution as the country programme team took the opportunity to engage in policy dialogue through the PRSC and at project level in the period 2001-3. There was also a movement toward programme approaches and more attention to harmonisation.

## **Relevance**

3.11 The 1998 CSP was not particularly closely aligned with GOV's strategic priorities and there is no explicit link to the objectives of the Vietnamese Socio-economic Development Plan. Notwithstanding this, GOV approval of individual projects provides some assurance in this respect. Moreover, the CSP recognised that following the first White Paper there was an opportunity for DFID to align donor and GOV strategic interests around poverty reduction. DFIDSEA correctly perceived the need to generate more analysis and evidence around which such a dialogue could develop.

3.12 As DFIDSEA and the programme support office progressed with implementing the CSP a dialogue did indeed develop between GOV and the donors that led to the production of an interim poverty reduction strategy paper. GOV eventually took full ownership of this analysis and acknowledged the need to bring poverty reduction to the centre of its strategic thinking. During 2003 Vietnam developed and then published the Comprehensive Poverty Reduction and Growth Strategy which it regarded as a strategic framework to guide decisions on public spending and development assistance. Programming of GOV funds was still however driven by the Socio Economic Development Plan

3.13 The 2004-6 CAP was specifically linked to the analysis in the CPRGS and the strategic objectives in both documents were broadly aligned and consistent. However there is also a question of alignment with the SEDP. The CAP recognised this potential misalignment and that Government and donor resources might not be well coordinated. Given that the relationship between the CPRGS and the SEDP was so unclear it is surprising that more attention was not given to this in the CAP. This tension was eventually resolved in 2006 when GOV declared that the next SEDP 2006-10 was to be regarded as the successor poverty reduction and growth strategy.

3.14 The comprehensive nature of the CPRGS made it relatively easy to align DFIDV's programmes to the aims and priorities of the CPRGS. However the extent of this varied. In some cases alignment was very clear, for example, donor funding for targeted national programmes (NTPs) was actively sought by GOV in 2002 and DFIDV support was a very high priority. In other cases, such as rural transport or infrastructure, strategic priorities did not completely coincide. GOV seemed to give a much greater emphasis to large scale infrastructure such as highways whilst donors gave priority to rural roads.

## **Consistency With DFID Corporate Policy**

3.15 DFID's successive White Papers have been used as guiding framework for the CSP and the 2004-6 CAP. The poverty focus of the first White Paper formed the rationale for the CSP and was the basis of

many of the interventions. The subsequent CAP picked up the corporate emphasis on globalisation in the second White Paper by proposing a strategic engagement around the WTO accession process. Similarly the governance theme in the latest White Paper has guided the preparatory analysis for the forthcoming CAP 2007-10.

3.16 Over the evaluation period DFID corporate policy has also emphasised the importance of HIV and Aids and the need to do more on water and sanitation. The 1998 CSP identified water and sanitation as a possible area of engagement and this led to some support provided through United Nations International Childrens Fund (UNICEF). However this was not followed through into the 2004-6 CAP and is only now being revisited as a possible area for DFID support. Conversely, it was not until the CSP review in March 2000 that HIV and Aids was identified by DFID Ministers as an additional area for possible support and this was subsequently included in the 2004-6 CAP.

3.17 As with other country programmes, the Vietnam country programme faced a challenge in responding to corporate priorities and matching this to country needs, DFID capacity on the ground and the capabilities and interests of other donors. Given the pressure to focus on fewer sectors and to reduce project numbers, plus the limitations on advisory capacity, it was understandable that DFIDSEA chose to limit its engagement in water and sanitation. However there is no evidence that this decision was taken on the basis of a systematic assessment of what other donors could deliver in practice.

3.18 DFID corporate policy on aid effectiveness took shape over the evaluation period. Initially in 2002-4 there was a strong emphasis on working jointly with other donors to reduce transaction costs through “silent or delegated partnerships”. There was also a push toward closer working with non traditional partners such as the AsDB and Japanese to encourage a stronger poverty focus and increased commitment to working within national poverty reduction strategies. This emphasis was strongly reflected in the CAP 2004-06.

3.19 The CAP was committed to build on existing co financing with the World Bank and AsDB and to work towards a common agenda with Japan. Harmonisation was later added as an objective in its own right. DFIDV agreed this new objective with Asia Division and developed a work programme. The aid effectiveness objective included performance indicators to align the World Bank, AsDB and Japan with GOVs 5 year plans and to promote reforms of the international institutions to improve their effectiveness.

## **Size and Shape of the Bilateral Programme**

3.20 The size and shape of the DFIDV portfolio has evolved considerably over the evaluation period although throughout a mix of aid instruments has been maintained. Between 2000 and 2003 the number of co financed projects and programmes increased rapidly from 3 to 15 and the overall project portfolio had expanded to 22 overall. Budget support had been provided through the PRSC since 2001 and by the end of 2005/6 had reached 36% of the programme.

3.21 At the time of the evaluation there were 45 budget lines in Performance Reporting and Information System for Management (PRISM) although these included secondments, completed projects and some that had been subsumed into a core funding programme with UNDP. Total active project numbers are around 21 which suggest that the overall size of the portfolio has been maintained in broad terms despite earlier portfolio cleaning efforts which did yield some results including the planned early exit from a problematic project with the AsDB (Central Region Livelihoods Improvement Project-CRLIP).

3.22 In terms of financial resources the broad sectoral use of funds was as shown in the table below. This table is supplied by DFIDV and apart from two significant discrepancies, this data<sup>9</sup> reconciles with that held in HQ. DFID regards the data as an accurate picture of spend by sector that can be used for the report. The economic sector predominated because that included support for the PRSC, trade investment and rural roads. In the 2005/06 this category also included support for P135 and debt relief. Education has been the other main area of focus and spend on governance has absorbed a relatively small proportion of the country programme in the last two years.

**Table 5: Vietnam Country Programme Spend By Sector**

	02/03 £m	03/04 £m	04/05 £m	05/06 £m
Economic (GBS, trade and investment) etc	12.41	12.66	29.51	37.06
<i>Of which transport/combs.</i>	4.43	3.35	6.23	6.21
Education	1.27	5.50	1.67	8.63
Health	0.0027	0.775	2.062	1.887
Governance	0.028	0.838	0.950	1.77
<b>Total</b>	<b>18.165</b>	<b>23.123</b>	<b>40.422</b>	<b>55.557</b>

Source: DFIDV

3.23 It is not easy to translate the financial resource use into the specific objectives in the CAP. However it seems clear that the majority of the financial resources were allocated to objectives 2 and 3 in the 2004-6 CAP. Staffing allocations also varied and were noticeably less for objectives 3 and 4 than for the other areas even though a tremendous amount of effort was ultimately required in these areas. Another important feature was the extent to which policy influencing and cross cutting work under objective 4 sometimes dominated the time of senior staff (including the head of the office) and advisers.

3.24 DFID also contributes resources to Vietnam via the multilateral organisations and the Asian Development Bank. An indicative level of annual resource flows attributable to the UK via the World Bank would be US \$53m (2005 estimate based on an a UK contribution of 13% to IDA); US \$25.5m from the Asian Development Bank (based on 2005 estimate and UK shareholdings and burden share); and US \$6.8 m from the EU (2005 based on the estimated UK contribution). It is noteworthy that the sum of these annual flows amount to around 80% of the bilateral programme. This underlines the importance of DFID influencing multilateral effectiveness and giving priority to this effort both at the country level and through its role as shareholders of the organisations in question.

## The Development Partnership Agreement

3.25 In 2006 DFIDV also signed the new Development Partnership Agreement which set out the mutual commitments of the Governments of Vietnam and the UK. This covered UK commitments on levels of aid and to harmonisation and aid effectiveness. GOV has committed to continue to implement poverty focussed policy and programmes; to improve public financial management; and to respect human rights.

<sup>9</sup>There is a discrepancy for 2005/6 where the DFIDV data excludes debt relief for Vietnam and in 2003/4 as a result of coding differences the DFIDV data show a higher total for the economic category.

3.26 The DPA was an important step forward in the partnership between the two countries and other bilaterals are considering following this approach. The experience is evaluated further in section 6.

## 4. PROGRAMME EFFECTIVENESS

4.1 The results of the programme are derived from the self assessments contained in project output to purpose or completion reports but as informed and modified by other reviews and triangulated interviews conducted during the evaluation. Reference to project scores in this chapter relate to DFID's project review performance assessment system.<sup>10</sup> Each main programme area is dealt with in turn and the chapter ends with an assessment of performance and of the country programme contribution to DFID's Public Service Agreement (PSA).

4.2 A significant amount of staff time has also been absorbed in influencing policy change and sometimes this has not been linked to specific programmes or projects. These aspects are picked up here under the various project/programme headings but are also covered in the sections on aid effectiveness and partnerships.

### General Budget Support and Policy Dialogue

4.3 DFIDV began using general budget support in 2001, as one of only 4 co-financiers (with Denmark, Netherlands and Sweden) of the World Bank's first PRSC. This was followed up by the 2nd PRSC in 2003, and the 2004-6 multi-year co-financing of PRSC 3 to 5; and further co-financing of the successor programme in 2007-10 is planned. Over the 2001/2-5/6 period, this General Budget Support (GBS) rose to some 50% of the Vietnam programme.

4.4 The World Bank prepared a first PRSC for Vietnam in April 2001. DFID's Asia Director approved a £14m co-financing contribution, over 2 years, in September 2001. The purpose of this was defined as "Support to pro-poor structural reforms in Vietnam". These were not detailed and (because DFID relied mainly on Bank documentation), there was no Logical Framework defining (for DFID) the Indicators of Achievement.

4.5 A contribution of £10m was approved for the PRSC 2 in June 2003, and was seen as underpinning the CPRGS. The funds rewarded the prior completion of a list of 23 policy actions. The purpose was defined as "support to pro-poor structural, social sector and governance reforms". Again, no Logical Framework was prepared, and no Indicators of achievement defined, other than completion of the listed actions.

4.6 The Secretary of State (SoS) approved a commitment of £60m over 3 years for PRSC 3-5 (2004-06) in May 2004. The purpose was again given as support to pro-poor economic, social and governance reforms. While the submission to the SoS attached a monitoring framework, this has not been used by DFIDV for Annual Review purposes, so there is still no framework of indicators of achievement for the DFID support. In fact the original submission aimed to rely on progress reporting carried out jointly with other donors and it was then decided to rely wholly on the analysis and monitoring carried out by the World Bank.

4.7 The PRSC became the main vehicle for donor harmonisation and for policy dialogue. However, DFIDV has had some difficulty in explaining how it has added value to the PRSC through its co-financing. There is no doubt from GOV and donor feedback during the evaluation that it has done so, for example in the areas of PFM and by enhancing the poverty focus of the CPRGS monitoring

<sup>10</sup> Five point scale used for PCRs and OPRs: 1 – project will achieve all objectives; 2 – likely to achieve most objectives; 3 – likely to achieve some objectives; 4 – likely to achieve few objectives; 5 – unlikely to achieve any objectives. DFID's PSA Value for Money Indicator is based on seeking an increased proportion of commitment allocated to projects scored 1 and 2.

framework. Moreover, without the PRSC instrument, DFID could not have scaled up its disbursements to Vietnam so quickly. But it could have made the case for the effectiveness of this aid much better if it had explicitly identified the impact of additional finance on the GOV budget, and tracked this, from an earlier stage<sup>11</sup>. The table below is a recent example of this kind of tracking based on identifying new policies and their costs to GOV and linking these with the additional resources provided under the PRSC. Similarly, a strong focus on tracking progress in PFM would have been useful in documenting the progress and impact of these major investments in the PRSC.

**Table 6: Links between PRSC funding and key reforms**

<b>Cost of key reforms (\$m)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>
SOCB Recapitalisation	307	292	101	0
Social Safety Net	2	34	83	95
Health Care Funds	0	29	45	86
Education Budget	0	0	197	348
<b>Total</b>	<b>309</b>	<b>355</b>	<b>426</b>	<b>529</b>
<b>RSC Contribution (%)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>
Cost of Key Reforms	48.5	34.3	28.9	37.8
Budget Deficit	29.7	15.4	19.4	26.6
Government Expenditure	1.8	1.2	1.1	1.6

**Source:** WBank Programme Document for PRSC 5 (35793-VN) May 2006

4.8 The PRSCs have been extremely simple to administer: even to excess. There was a low level of involvement of DFID’s senior regional economists, partly due to staff turnover.<sup>12</sup> However, valuable inputs have been provided through Poverty Analysis and Policy Advice Support Programme (PAPAP) resources and secondment, and through PFM, including by DFIDV Governance Advisers: these costs should be accounted for as part of the PRSC delivery mechanism.

4.9 Documentation has been extremely light. Too much reliance has been placed on macro-economic data. More attention could have been paid to assessing the change in overall levels of pro-poor public spending in the budget; to the direct effects of budget support in underpinning poverty-reducing public spending; and to describing the influence achieved on policy and on implementation efficiency based on the work of PAPAP and the PFMRP.

4.10 On the other hand, the PRSC has been extremely successful in developing a more comprehensive and cost-effective framework for the development dialogue between donors and government. Its linkage to a single annual review of development policies, articulated through the GOV’s own report and the donors’ Vietnam Development Report, working through Consultative Group (CG) meetings held locally at a fixed point in the year and in harmony with the budget cycle, comes very close to optimal practice. DFID has played an important role in showcasing the instrument and sensitising other donors to best practice in budget support.

<sup>11</sup> The relevant indicator is the change in real levels of spending by GoV on poverty-reducing programmes such as primary education and primary health care. Alternatively, the approach recently chosen by the WB for PRSC 5 – to identify those poverty-reducing policy actions that have significant, costed financial implications for public spending, and showing how these costs are shared between the GoV and participating donors – can be used.

<sup>12</sup> In addition to the difficulties of working from Bangkok, there has been a turnover of 4 staff in the DFID Senior Economist post within 5 years. This is due to exceptional circumstances, beyond their control, including a personal tragic event.



4.11 The PRSC has evolved into a strong framework for donor-government dialogue encompassing the main policy issues, both for growth-oriented economic transition policies and for inclusive growth and governance improvements, supporting both budgetary expansion for social priority spending and stronger public finance management. DFID has been the WB's main support in developing this as the main focus for donor alignment. It is likely that the tangible, quantifiable support of an increasing number of donors, led by the WB and DFID, has strengthened the political position of those in the GOV and CPV who have promoted reform.

4.12 DFID has helped significantly to showcase the GOV's performance in setting MDG-based development goals and integrating these into its main policy instruments. As a result, DFID has indirectly helped to increase GOV's global aid receipts through this 'demonstration effect'.

4.13 However DFID (in Bangkok and Hanoi) have over-emphasised alignment and donor co-ordination as a justification for using 40-50% of the country programme for this instrument. Specifically, they have argued that PRSC outcomes can be measured simply by rapid growth and poverty reduction; the continuation of rapid, and broadly distributed, income growth as evidenced by consistent GDP growth in the range 6-8%; and a swiftly declining proportion of people below the poverty line. This argument is insufficient, and DFIDV should be wary of claiming virtue by association. It is not enough to say that aid has been accompanied by success. DFIDV needs to show how its resources have contributed to that success.

4.14 PRSC resources have never exceeded 2% of the government budget, and this is not sufficient to underpin large changes in overall resource allocations. In every fiscal year, the autonomous growth in the GOV's budget from domestic revenues has comfortably exceeded the additional PRSC budget support. Nevertheless, DFIDV has underplayed the way general budget support has underwritten increases in poverty-reducing public spending including education and health; and in helping to meet the incremental costs of major new initiatives such as Education for All and the Health Fund for the Poor. These should have been more carefully examined, and given more prominence, in PRSCs 1 to 4.

4.15 DFIDV has made a major contribution in supporting a better evidence base and analytical support to GOV for its evolving poverty reduction strategy, notably through PAPAP; and has put a lot of effort and resources into pushing for implementation of PFM. Despite this, GOV has not given this area the attention it deserves, with the possible exception of monitoring arrangements around the public expenditure review programme. DFIDV needs to encourage GOV to give more prominence and weight to the efforts made through PFMRP to improve public financial planning and management. The programme would have benefited from more engagement with GOV in reviewing progress and managing delivery and a positive effort of explanation by DFIDV. Annual reviews have been too slim and succinct and there has not been adequate effort to communicate and explain the programmes and the results outside DFIDV.

4.16 There was scope to use DFIDV expertise more intensively in support of the PRSC: notably in the economic field, but also on the PFM and anti-corruption agenda. The optimal way of doing so, given the WB's tendency to be closed to other donor influences, is through in-country secondments or intensive collaboration through joint projects. Location of expertise in Bangkok has proved an obstacle, especially before 2003 but also, to an extent, since. Good quality evidence based analysis can also influence government and the WB directly.

4.17 The PRSC is also an example of a light WB touch. 'Zero Conditionality' has veered towards somewhat optimistic appraisals of the pace of policy change, and some underplaying of areas of weak progress, including on corruption. The PRSC has tracked and facilitated a GoV-determined policy

agenda and pace of implementation. The WB deals with the more difficult issues behind the scenes, and not through PRSC-related ‘triggers’ or performance measures. Influence over policy occurs through this process and gets reflected retrospectively in the PRSC targets once GOV has determined the framework. All in all, the PRSC is not – as it can be in other countries – the main driver of policy change at the macro-economic level.

4.18 Some 12 donors are now supporting the PRSC but in some cases scepticism about the impact of general budget support is growing. The evaluators share this concern because of the marginality of PRSC resources in relation to GOVs over all spending. Nevertheless, the justification for such aid, as underpinning the entire framework of policies and resource allocation, remains strong. It effectively supports the main areas of growth in public spending, including the NTPs and the education budget, and this needs to be shown more clearly and explicitly. PRSC resources have made a significant contribution towards meeting the public expenditure costs of new poverty-focused policies in health and education, as well as providing a safety net for surplus State employees in the transition process.

4.19 Targeted, as opposed to general, budget support is thus to be justified mainly as enabling a step change in the quality of policies and the effectiveness of implementation systemically across Government and at sector level. It does not merely channel resources through GOV systems, but is a concerted effort by government and donors to improve the efficiency and impact of these. The evidence from DFIDs work in road transport, education and to an extent also in P135 suggest that this modality has resulted in significant policy and institutional reform for example by increasing the resources budgeted for road maintenance or in approaches to improving school and educational quality. In P135 the focus has been on improving procurement and financial management. Moreover, TBS allows DFID to pioneer budgetary aid routes (by carrying out and sharing assessments of programme effectiveness and fiduciary risk) for other donors who are reluctant to use GBS (as has happened with both Education support and P-135).

### **Governance and anti corruption**

4.20 DFIDV addressed Governance through: PRSC commitments and targets; a portfolio of institutional strengthening programmes and projects; through the dialogue and finalisation of the Development Partnership Agreement which also addressed issues of financial management and human rights. There have also been aspects of sectoral Governance in the P135, Education and Transport programmes which have led to important institutional reforms. Sectoral programmes are covered elsewhere in this section and the DPA is addressed in section 6.

4.21 DFIDV has supported analytical work on governance and has financed projects and programmes of institutional strengthening. Over the evaluation period financial support was provided to enhance public financial management systems and to assist GOV to restructure SOE as part of a wider public sector reform effort. These are discussed in detail later in this section. This Governance related support was explicitly aimed at supporting delivery of PRSC targets in these areas and DFID can therefore reasonably be said to have made a contribution to their delivery. The PRSC addressed Economic Governance and included commitments related to transparency and accountability; public sector reform and anti corruption legislation. Linked to the PRSC GOV has introduced increased disclosure, enhanced accountability and better planning and execution of the budget. Public Sector Reform (PSR) has been slower especially SOE restructuring and the new anti corruption law focussed on declaration of assets by state employees and greater transparency and public disclosure in public procurement and construction.

4.22 Given the focus in the CAP on PFM the concentration of DFIDV on this aspect was appropriate and it was correctly anticipated that improvements in this area would help to reduce the

space for corruption (see discussion below). However there is potential for the PRSC to go much further in addressing Governance issues like anti corruption and state accountability to citizens; especially now that GOV is giving greater consideration to these areas. In 2006 DFIDV started ground-breaking work to exploit this potential, leading the development of the governance pillar of the policy matrix for the next cycle of PRSCs (PRSC 6-10).

4.23 DFID has been undertaking fiduciary risk assessments as part of the appraisal work for budget support and this has been used by other donors such as AusAid<sup>13</sup>. These provide an insight into an important aspect of governance and can also be used as a starting point for tackling corruption and diversion of public resources. The World Bank also did similar analysis in 2002 and 2004 which was broadly consistent. The overall level of risk has been assessed as medium though within that, the risk of corruption was deemed to be high. It was judged these were mitigated by the PFM reforms which also indicated a positive trajectory of change<sup>14</sup>. Further work on Education, undertaken for the planned TBS confirmed earlier studies that leakage from the budget was low, control of funds was sound and value for money high.

4.24 It was hoped that systemic improvements of the PFM system would mitigate the risks and additional measures were taken including the use of independent external audits for example in Education. DFIDV also decided to produce annual updates of their fiduciary risk assessment. However the PMU18 scandal<sup>15</sup> in the Ministry of Transport demonstrated the degree of vulnerability in a sector where donors including DFID were prominent. Following this, DFIDV increased its level of vigilance undertaking a financial health check of its systems and a review by internal audit. This did not identify any serious shortcomings.

4.25 Until recently, GOV sensitivities constrained the donor dialogue on anti corruption but this did not prevent work being undertaken within the Like Minded Donor Group (LMDG). In Nov 2005 GOV released the results of a Swedish funded survey of the extent of corruption. Sweden hoped this would provide a useful diagnosis and basis for dialogue. DFIDV supported this work but were disappointed with the pace and the limited dialogue that led up to its publication.

4.26 Hitherto DFIDV had provided only limited direct support for anti corruption work. In 2003 The office responded positively to a request by GOV to support a project to build the capacity of the MPI Inspectorate. This modest project provided useful training but had limited impact overall as indicated in the project completion report (PCR). More recently DFIDV has piloted the new Capability, Accountability and Responsiveness (CAR) framework for analysing governance which identified six priority challenges including reforming the legal sector, addressing corruption and enhanced accountability especially of public service providers to citizens. This will form the basis of a broader Governance programme in future. DFIDV and other donors are considering appropriate modalities including providing specialist expertise to the World Bank along the lines of earlier poverty analysis work.

## **Public Financial Management**

4.27 Support for public financial management has been a key component of DFIDVs effort in the area of Governance. The 1998 CSP had identified transparency and accountability as a development challenge; but was less clear about priorities (calling for general civil service and tax reforms). Following DFID entry into PRSC budget support in 2001, the later CAP set out a more specific diagnosis and proposals for PFM.

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<sup>13</sup> Project memorandum PRSC 3,4&5 2004-6 and Generic Fiduciary Risk Assessment DFID 2004.

<sup>14</sup> PRSC Submission Sept 2006.

<sup>15</sup> PMU 18 refers to the case of possible mis procurement on US \$2.6 m of roads contracts.

4.28 GOV launched a Public Administration Reform (PAR) Master plan 2001-10 in September 2001 with 7 components, including a PFM reform initiative. DFID's plans were aligned with these emerging priorities. However, the World Bank has been selective and focussed only on those areas where it believed that sufficient diagnostics and commitment to policy reform existed.

4.29 Over 2002-6 DFID support to PFM followed emerging policy guidance and was provided through three main instruments that were interlocking and mutually supporting:

- co-financing both of a World Bank PFM project and (with UNDP) of project support to strengthen the Office of National Assembly and the Committee for Economic and Budgetary Affairs (CEBA);
- contributions to a Multi Donor Trust Fund for the Financial Management Modernisation programme or MDTF (Dec. 2002) to support a wider range of PFM work directly with GOV;
- budget support through the PRSC, which has allowed DFID to be involved in policy implementation around PFM; and through targeted budget support where efforts have also been made to improve financial management systems.

4.30 The World Bank Public Financial Management Reform Project (PFMRP) (US \$72m with US \$10m from DFID) started in May 2003, and was developed to assist GOV to implement the PAR. DFIDV was approached by the WB to provide additional finance and specifically to help address the institutional aspects. The PFMRP concentrates on:

- (i) Strengthening Treasury and budget management;
- (ii) Strengthening state budget and investment planning;
- (iii) Strengthening management of public debt and SOE fiscal risks.

4.31 The associated MDTF is a more flexible instrument that provides a means to respond to a wider range of GOV priorities including supporting strategic studies across a range of PFM related activities. It was anticipated that GOV would own and manage the resource and the use of a multi donor fund would also reduce transaction costs in managing the aid.

4.32 The outputs of the MDTF (US \$8.46m overall) were specified in broad terms as improved systems and mechanisms for planning, managing and controlling public spending revenues, assets, debt and revenues. The activities supported were largely focussed on developing strategy and plans with limited support for pilots. DFID also supported the development of checks and balances institutions. In 2002 DFIDV and UNDP co financed small stand alone projects to build the capability of the Office of the National Assembly and the Economic and Budgetary Committee. These were subsequently supported within the core funding arrangement set up with UNDP.

4.33 The aim of this linked programme was to improve the efficient, effective and equitable use of public resources. The purpose was to help GOV develop modern and effective planning, budgeting and allocation processes including piloting of MTEF frameworks. In addition DFIDV wanted to assist GOV efforts to decentralise decision making to lower levels of Government to schools and communes and to enhance accountability to the National Assembly and Peoples Councils.

4.34 Overall, there has been significant progress by government despite a slow start; and the PFM reform programme is now broadly back on track. Nevertheless the programme is ambitious and is taking longer than originally envisaged. There is a considerable way to go before some of the changes required are fully institutionalised within GOV systems. At the outcome level it is too early to say that progress with PFM reforms has substantially improved use of public resources.

4.35 Since 2001 the PRSC has included a PFM component and has aimed to reward and support GOV efforts. Most of the targets for PFM have been reached, but after slippage; and the indicators were largely focussed on process and the introduction of new laws, rather than the delivery of identifiable improvements in performance or the achievement of major institutional reform. DFIDV has pressed the WB for a more output based assessment, but has made little headway

4.36 The PFM RP has been assessed through various WB reviews<sup>16</sup>. These suggest a slow start up followed by a picking up of the pace as the initial difficulties were overcome. GOV has improved the coordination of development plans and budgets, and adopted budgeting norms that have made capital and recurrent spending more coherent. GOV has also begun to adopt a medium term perspective through adoption of sectoral MTEF frameworks: but has yet to integrate these into the budgeting system itself. Current plans are to have the first full three year budgeting cycle in 2007, and to institutionalise this approach throughout the country in 2011. Similarly, 4 sectoral MTEF reviews have been undertaken as planned, but these are, so far, largely consultant-driven. MOF and line Ministries have yet to absorb this approach fully or to use it to frame budget and resource allocation decisions. Other innovations are annual publication of detailed and accurate budget data; and defining sustainable debt ratios. Greatly increased disclosure of central government funding (though not at commune level) has also been agreed.

4.37 The three main components have progressed as follows over the past two years:

- Strengthening Treasury and Budget Management: The project is providing a new accounting and information system (TABMIS). Procurement has been delayed by 9 months but is now under way.
- Strengthening State Budget and Investment Planning. An MTEF framework is in place and the approach has been piloted but there is limited capacity in GOV to sustain the process and utilise the results in budget planning. The Ministerial MTEFs need to be used to inform the actual budgeting process.
- Strengthening Management of Public Debt and SOE Fiscal Risk. Lack of leadership by GOV has meant the debt component has been the slowest component but a recent switch of responsibility within Treasury has improved matters. A debt management plan is under preparation.

4.38 The MDTF has financed some 24 activities and studies but it has suffered from a lack of strategic direction and the links between it and the World Bank programme could be clearer and communicated more effectively. There have been some benefits from this work but the mid term review was clear that the programme had failed to fulfil its potential.

4.39 There is a consensus that the National Assembly has become more active and effective in

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<sup>16</sup> See for example project appraisal document for PFM reform project World Bank April 2003 and subsequent monitoring reports.

scrutinising the national budget; and the national inspectorate has been granted greater autonomy and more resources in carrying out its work. The associated UNDP led (and DFID co financed) projects have had some positive impact through capacity building, training and procedural improvements.

4.40 CAP performance outcomes for the PFM programme have yet to be fully achieved. DFIDV annual assessments have however judged the programme largely on track to deliver expected improvements in GOV budgeting, financial management and planning systems. DFIDVs own assessment summary suggests that about half the indicators were on track whereas progress was much less clear in just under a third. This is consistent with the evaluators' judgement that initially at least progress on the World Bank PFMRP was slow. Disbursements have been slower than planned. To date the PFMRP has spent 54% of its \$6.6m budget; the MDTF, which had a very slow design process, 43% of its \$786,000. This amount includes phase 2 of MDTF which has yet to start.

4.41 DFIDV did not have in-house PFM expertise until 2004, until when the programme was managed – lightly – by the Bangkok-based senior economist (PFMRP) and by the new DFIDV Governance Adviser (MDTF). DFID expertise has brought added value to the Bank's approach: e.g. in advocating more careful change management so that new systems are genuinely adopted by GOV staff, rather than superimposed. In retrospect, the soft-targeting approach of the WB has not led to a clear framework for monitoring progress against clear milestones. Though DFIDV did raise this issue, it could perhaps have done so more persistently and strongly. The MDTF, on the other hand, has potential, but needs re-focusing around a strategy owned and led by GOV with more buy in from bilateral donors.

## **Education**

4.42 DFID has provided support for the education sector since 2002 beginning with co-financed projects and more recently has made commitments to co finance the GOVs Education for All initiative through the National Targeted Programme. This programme has been strongly aligned with GOV and DFID corporate priorities. It has also evolved over time in the light of knowledge and experience gained so that successive programmes have been built up on the achievements of the previous efforts.

4.43 DFIDVs strategy was sound. The aim was to focus initially on improving the quality of education for excluded groups by enhancing teacher skills, the quality of the curriculum and better performance management. A key element was support to multi-donor funded projects – to promote new policies and institutional reforms for more effective delivery of services for the poor. The two main projects were :

- Primary Teacher Development Project (PTDP) – co-funded (DFID £8m) with the World Bank, supporting upgrading teachers skills and better performance management.
- Primary Education for Disadvantaged Children Project (PEDC) – co-funded (DFID £26m) with World Bank, Canada International Development Agency (CIDA), Norway, AusAid, supporting the introduction of minimum standards for primary schools and a mechanism to target resources where need is greatest.

4.44 Earmarked budget support was subsequently approved to the Education NTP through a multi-donor contribution (DFID £21m over 3 years; co-funding partners are WB, EC, CIDA, Belgium, New Zealand, Spain) linked to GOVs own mechanism for targeting additional resources to improve access, participation and the quality of education for poor and disadvantaged children. This included a capacity building component to strengthen government financial management objectives including raising procurement and audit procedures to international standards and promoting decentralised

education planning and delivery mechanisms.

4.45 The support provided by DFDV has had positive results. The concept of fundamental school quality levels or FSQl was initially developed under the PEDC project and it provides a mechanism for more equitable resource allocation aimed at bringing schools in disadvantaged and remote areas up to minimum standards of service delivery. There have been improvements in teaching standards and more emphasis on output based monitoring,

4.46 PTDP has scored 2 in project reviews with most outputs likely to be achieved and is seen as a good example of how a well focused and innovative project, targeting only 10 of 64 provinces can positively impact on national education policy. PEDC has had a significant influence on policy and adoption of new standards but has faced a slow start with planned construction work and some constraints on progress at local level through lack of delegation.

4.47 Significant challenges remain in the sector. Surveys show that there are significant educational disparities among minority children who are learning less than those in other parts of the country (2004 survey of learning outcomes) as a result of a combination of lower quality teaching, poor facilities, shorter school days, long travel times and language issues. Improving quality, reaching the last group of children out of school and moving to a sector wide approach are priority challenges.

4.48 The sector programme is at an early stage, but GOV policy is pro poor and access has been improved by providing exemptions on school fees and charges (95% of ethnic minority primary pupils enjoy a complete exemption). But there are some areas of concern due to lack leadership by the Ministry of Education, the slow start up of the programme and the limited progress with institutional strengthening and capacity building which could constrain the take up of the approved FSQl approach. DFIDV has made a major contribution to the overall aims of the programme through helping GOV to develop policy and implement new approaches in teacher training and in decentralised planning and school management with a particular focus on bringing disadvantaged and remote areas up to a defined minimum standard and targeting resources on them.

## **HIV and Aids**

4.49 Tackling the spread of HIV and Aids has been a GOV priority since 2001/02. At that time it was recognised that whilst HIV and Aids rates were still low in the general population, they were rising rapidly in certain groups practising at risk behaviours. In 2002 DFID was the first donor to provide large scale support for HIV prevention targeted at high risk and marginalised groups focussing on harm reduction and condom promotion. It was therefore fully consistent with emerging GOV policy. During the evaluation period aid for HIV and Aids has risen sharply and despite initially slow progress, there are now multiple sources of funding and the pressure for a more harmonised approach is increasing.

4.50 The approach taken by DFID in Vietnam has also been consistent with the 2003/04 policy 'Taking Action' given the focus on prevention, working behind country led approaches (policy and institutional arrangements) and being explicit in dealing with vulnerable groups (e.g sex workers, Intravenous Drugs Users (IDUs)).

4.51 However there were difficulties in getting planned support off the ground. There were few entry points and no active donor programmes. Whilst the issue was beginning to be recognised by GoV in 2001, the nature of the discourse, and the extent to which this would extend to a willingness and/or ability to work with 'high risk behaviours' was constrained by attitudes around HIV and Aids as a "social evil".

4.52 The programme was co funded with Norway and proved difficult to negotiate and design. These problems were accentuated by DFID still operating from Bangkok and there was some 'blurring and grinding down' of the original concept in the finalisation stages. A co-management arrangement between the World Health Organisation (WHO) and the Ministry of Health (MOH) was set up. There were concerns at the outset over the capacity within MOH to manage such programmes which were borne out by later implementation and coordination difficulties that dogged the programme.

4.53 DFID relied on the Vietnam country office of WHO for implementation but this proved to be highly problematic as WHO is highly centralised and the local office did not have the capacity or delegation of authority locally deliver the programme effectively. Inflexibility in procurement requirements was also an issue. This posed a dilemma for DFIDV because they had wanted a delegated authority partnership but were ultimately forced to reengage and this had a high cost to the programme in staff time. DFIDV responded by increasing advisory capacity in Vietnam rather than relying on the Bangkok office. This has been critical in ensuring for managing the transfer of the project to the MOH.

4.54 The funding partnership was complicated. Norway was to be the silent partner with DFID taking on project management. The lesson learnt for DFID has been that the more money that DFID put into the programme the more responsibility for delivery it had to take, even though its own capacity was constrained. The assumptions made were generally realistic and the programme was appropriate but closer examination might have revealed the intensity of effort required to get things moving.

4.55 DFID support focussed on prevention for high risk groups (sex workers and IDUs) . In 2005 the DFID programme management responsibility was given to the MoH with provision of Technical assistance (TA) from WHO. This year the focus is on delivery through GOV management structures and systems, attention to M+E requirements for prevention and harm reduction at national and (critically) the provincial level, and harmonisation initiatives behind a coherent strategy that will engage GOV in broader policy design and implementation. This is coupled with attention towards a rapid and effective scale up of implementation focused on the provinces and high risk groups.

4.56 Data (aggregated and historical) on HIV and Aids prevention work has been and remains a problem area (e.g. difficulties in demonstrating effectiveness of preventing new cases). A critical gap remains in process level indicators at the province level. Available national data is also sparse but in 2003 there were 72,000 suffering from HIV and Aids and this was expected to triple by 2005 suggesting that the trend is adverse. Prevalence amongst adults was at 0.28% of the population in 2002. At the time of the evaluation DFIDV had engaged in dialogue on a new national M+E framework which will be implemented across all HIV programmes from 2007 but it was unclear whether action had been taken to address data gaps at the Provincial level.

4.57 It is not possible to judge the outcome of the programme because no baseline data is available against which progress can be measured and it is questionable whether the indicators were realistic. As a result GOV and Development Partners are effectively 'flying blind'. This is partly due to the lack of leadership and low capacity for M+E. Anecdotal assessments suggest that the programme is having important benefits through raising awareness of harm reduction programmes; adopting new ways of working with illegal groups; and building service delivery capacity. More reliable and systematic assessments will be available from the national M+E framework when it is up and running.

4.58 There have been some benefits from adoption of 'national and provincial policies, strategies and practices supportive of effective HIV prevention' but considerable institutional strengthening is still required to secure an effective multi-sectoral approach. Implementation has been weak in some



important areas vis a vis direct effect on marginalised groups (e.g. sex workers).

4.59 The HIV and Aids project has been reviewed once during the CAP period – scoring a 3 overall. This is considered generous given the lack of data. The Jan 2006 APR indicated the project had increased access to highly vulnerable groups (SW and IDUs) in 100 districts in the 21 project provinces; but admitted there was no data on availability of condom use by clients of sex workers or by IDUs so that reductions in harmful behaviour could not be assessed.

4.60 Overall the programme has potential to deliver but has been highly problematic and slow spending. Of the total commitment of £17.5m (2002-08) only £6.5m has been spent to date. There has been considerable slippage of about two years. The re-design of the programme by DFIDV has placed the MOH in control and this has improved project performance significantly.

4.61 DFIDHQ have confirmed that prior to 2004/5 bilateral spending was allocated to HIV and Aids at 100% of all projects with a relevant Project Implementation Marker (PIMS) and that DFIDV spending figures are consistent with that policy. The breakdown of spend report by MDG/PIMS report indicates a planned commitment of £88m since Jan 2004 to ‘combat HIV and Aids, malaria and other diseases’ (with actual expenditure to date of £55m). Approx 80% of this commitment is attributed to DFID contribution to the PRSC & PRBS, whose health related triggers actually focus on maternal health. The PRSC5 appraisal indicated that this delivered agreed action programmes on HIV and Aids and TB prevention as well as establishing Provincial level Health Care Funds for the poor.<sup>17</sup>

### **Poverty Analysis and Policy Advice support Programme (PAPAP)**

4.62 PAPAP has been in operation since 1998. The current phase, PAPAP III, runs from 2004 to the end of 2007 at a cost of £5.3 m. PAPAP has been rated as highly effective by most accounts and is judged to have significantly enhanced the World Bank and other institutions capacity in poverty analysis and policy engagement and have influenced a wide range of government, donor, research and NGO processes. It has been particularly strong on generation of evidence-based analysis.

4.63 PAPAP has had a clear positive impact by pushing the debate on new and emerging forms of poverty and social groups which have previously been excluded from planning. For example issues such as gender inequality, the poverty of ethnic minorities and migrants are all included in the analysis in the SEDP 2006-2010 and these are all issues that PAPAP has been working on. PAPAP has also influenced the inclusion of an M+E framework in SEDP and the heavier weighting of poorer provinces in budgetary allocations. The degree to which sector plans are more pro-poor is more debatable, and this is an area where PAPAP has had little interaction).

4.64 The biggest weakness of PAPAP has been the objective of the roll out of the CPRGS to the provinces and its impact on sub national systems. Although many provinces have been exposed to new methods there is no evidence of impact on planning and programme implementation.

4.65 Knowledge generation by PAPAP has been strong but the record of setting up systems for other institutions to generate capacity for data analysis has been more mixed. Perhaps the biggest value that PAPAP has brought to government institutions is having ensured the high quality of the Vietnam household survey data which allows meaningful poverty analysis by government institutions to take place.

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<sup>17</sup> See Programme Document for A Fifth Poverty Reduction Support Operation, May 2006.

4.66 DFID made a good judgment in 1999 to locate PAPAP within the WB and location remains an important feature of its success. One related point of debate is whether poverty specialists should in the future be located elsewhere. It is noted in the project submission that ideally, capacity would be provided to Vietnamese institutions rather than the WB. This debate continues.

4.67 DFID and the WB jointly developed the work plan for PAPAP and DFIDV played a role in prioritising themes, engaging with some of the key institutions and ensuring that the work was policy focussed. Nevertheless this should not be overstated. Looked at overall, the evaluation team assess that DFID's influence over PAPAP appears to be limited. PAPAP staff are on Bank contracts, PAPAP's main outputs fall within the WB's overall work programme and the staff answer primarily to the Bank. As a result, external audiences rarely distinguish PAPAP from other WB work. This could be seen as a successful example of harmonisation through co-financing. One area where DFID does appear to have influenced PAPAP's agenda however is by encouraging more analytical work on gender.

### **Rural Livelihoods**

4.68 DFIDV have tried both broader based approaches to tackling rural poverty (eg PL135) and area-based rural development programmes. The first has been more successful but performance of the second is much less impressive. During the period covered by the evaluation, DFID undertook three projects centred in upland Provinces with high concentrations of poverty: the Capacity Building for Central Region Poverty Reduction (CASCERP): the Central Region Livelihoods Improvement Project (CRLIP) and the Northern Mountains Poverty Reduction Project (NMPRP). These projects, with the subsequent P-135 TBS programme, constituted the most direct expression of the country strategy's central aim of poverty reduction. Over 2001/2 to 2005/6 they spent £15.4m or 10% of total DFID country spending (excluding P-135).

4.69 The early life of NMPRP was marred by problems of disbursement and a backlog of sub-projects. The project was initially rated 'unsatisfactory' by the World Bank but by 2004 the unsatisfactory rating of the World Bank was removed and there has been a steep improvement in the disbursement rate. The recent delivery improvement is attributed to:

- The relocation of the World Bank task manager from Washington to Hanoi;
- Eventual familiarity by project partners with procurement procedures;
- The 'rooting' of the community-driven development (CDD) activities;
- The effects of capacity building.

4.70 Significant DFID staff time was also devoted to the project. However, there are well-founded concerns about the degree to which the lessons can be transferred or mainstreamed elsewhere. But, to some degree, the NMPRP has provided experience for debates on community based planning and decentralisation, and has had an influence on the discussions on redesigning P135.

4.71 The latest DFID Output to Purpose (OPR) suggests that the project is likely to achieve most of its objectives; but the dearth of M+E data makes assessment against OVIs, and thus the soundness of this judgement, difficult. The continued lack of a monitoring system and monitoring base line remains a serious deficiency. For example the OPR does note that 'considerable infrastructure has been built' but this can provide no reassurance on poverty impact.

4.72 The CASCERP project provided TA to serve as a pilot for the bigger CRLIP project funded through the AsDB. The PCR in January 2006 gave the project a Score of 4 implying very limited achievement. Overall the project has failed to convince local government about the suitability of the models produced and the learning network was said not to be viable. Government ownership of this project was clearly very weak. The design was extremely complex, and not obviously an area of management expertise for the AsDB. Nevertheless DFIDV provided little management input although the risks were stated as high from the outset. A very overoptimistic view was taken of the prospects by AsDB and even as late as 2005 it was said that "experience to date suggests that some of the service delivery models have been successful and that useful lessons can be drawn". In the end though, DFIDV concluded the opposite: that there were no positive lessons to be learned from this project for the design of CRLIP.

4.73 CRLIP was given a score of 3 in its most recent annual review but the report provides no evidence for progress against indicators at the purpose level partly because no project performance monitoring system existed. From the outset, DFIDV intended to 'limit our involvement to implementation reviews and to stimulating and facilitating lesson-learning between rural development initiatives' (Letter from SEADD, 2001). At a later stage CRLIP was assigned Low Intensity Partnership (LIP) status, resulting in very minimal time allocation from DFID staff and the Project Officers no longer attending review missions. In 2006 DFIDV decided to cut back funding and to undertake an independent review to feed into the forthcoming Medium Term Review (MTR) in which DFID will take part. Once again the lack of monitoring systems remains a grave concern for the ability to measure impact of intervention.

4.74 With hindsight, all of the livelihood projects were over designed and therefore faced problems for up-scaling without the presence of NGOs and heavy inputs of TA. They also clearly ran parallel to the NTPs and the impact on GOV policy and on poverty focussed programmes like P 135 appears to have been minimal. DFID has made the strategic decision to stop funding parallel projects such as these and instead focused on pioneering TBS to the government-owned programme 135. The pilot has acted as a catalyst to bring in a 30% increase of funding from donors for P 135 phase 2.

## **Rural Transport**

4.75 The World Bank Rural Transport Project II was designed to finance rural roads in the Provinces and in 2001 DFID was approached to meet the need for increased resources to cover a planned project expansion. DFID did so in order to increase disbursements following a recent Ministerial decision rapidly to scale up the UK aid programme in Vietnam; and because co-financing was the preferred policy. Rural transport was seen as a high priority from a poverty reduction perspective. The initial commitment was of £18.6m increased to £25.6m in May 2004. By June 2006, £24.2m had been disbursed.

4.76 Strategically, there can be little doubt that the focus of this project was right, both in the purpose of avoiding exclusion of poorer rural communities from both economic opportunities and public services, and in the objectives of supporting improved decentralised road planning and management as well as completion of the rehabilitation programme.

4.77 It is not possible to be definitive on whether the purpose of this substantial investment – "increased flow of people, goods and services in rural Vietnam" has been achieved. It is likely that, taken as a whole, project spending did reduce exclusion; but stronger evidence, notably a consistent series of traffic counts, is needed to establish this beyond doubt and these surveys are only now becoming available. The capacity building components have made real, but partial, progress – perhaps getting half way to a sustainable management system. DFIDV could have done much more to spell out the

achievements of such a major project, and the needs and scope for further assistance, in its reporting systems, which currently discourage full reporting of evidence of achievement at project completion, and encourage a slight upward bias in success rating. Performance indicators are particularly weak. DFIDV are planning to update the PCR when the World Bank's own completion report is available and traffic data is assessed. This should provide a much better basis for assessing impact.

4.78 The approach, working in close collaboration with the WB, is also a convincing example of good co-financing practice. In particular, in this case, the secondment of the DFID specialist to the Bank appears to have added value and cost-effectiveness to both agencies' project management, and to the policy dialogue and design of the follow-on project.

4.79 While alignment with the government's strategy is imperfect – especially with regard to investment targets, technical standards, and under-provision for maintenance – it is improving, and this project, with its successor and with other sectoral work, is effectively transferring knowledge and policy improvement to the government at both central and provincial levels.

4.80 The desire of GOV to agree a follow-on programme with the WB and DFID is evidence of customer demand. Looking ahead, both DFID and the WB have considered the desirability of a sector budget support approach and considered that, for good and clear reasons, this would be premature; and that the way forward is to keep this as the goal for a later stage of our aid to the sector. This appears the right judgement. Overall, this is a good example of effective aid, in terms of both knowledge transfer and financial aid, through a project mechanism that has sufficient scope and weight.

### **Social And Economic Transition**

4.81 DFID support in this area consisted of three main projects: SOE reform and restructuring; Making markets work for the poor; and support to post WTO accession. Although there are common underlying themes including promoting pro-poor growth, these projects are essentially stand alone activities.

4.82 The SOE reforms concentrated on three enterprises: and in two of these the objectives of the restructuring programme were largely met, as regards financial restructuring and profitability, albeit largely helped by favourable export demand trends. In the third progress was prevented by factors outside DFIDV's control. There were additional benefits as the experience informed and influenced some of the GOV regulations on SOE reform. But generally, there is little evidence of any substantial contribution to the broader reform programme. The fact that the SOE reforms as a whole resulted in a reduction in the number of SOEs from 5334 to 2100 over 2001-6 and reduced SOE debt cannot reasonably be attributed to DFID.

4.83 Making markets work for the poor was an innovative effort to develop policy and ideas about how to enable the poor to benefit from markets on more beneficial terms and to engage the private sector in poverty reduction. DFIDV acknowledges that there were difficulties in finding a local institution with the mandate, expertise and capacity to take the programme forward. It was decided to proceed without GOV involvement but in the next phase the project will work through a quasi government agency that is more connected to policy makers. The challenges to this programme are well understood by DFIDV but the lack of ownership and engagement by policy makers suggests there has been limited impact thus far and questions remain about longer term sustainability.

4.84 The post WTO accession project has yet to start but GOV have decided to locate the programme in the Office of the Government so that it can coordinate activities across Ministries and Departments.

Existing capacity constraints will be addressed. Previously DFIDV had been funding the WB to undertake tariff analysis which was critical for GOV during the WTO accession discussions. In addition, DFID worked through UNDP under the Strategic Partnership Initiative (SPI) to support the development of two key business laws: the Common Investment Law and Unified Enterprise Law – both of which had considerable impact.

## **Aid Modalities and Instruments**

4.85 This section considers the use of aid instruments in the light both of the findings of this review, and of the plentiful recent studies on effective aid use, and especially the PRSC instrument, in Vietnam. As there is no standard definition in DFID of the term “aid instruments”), they are defined here as:

- General (untargeted) budget support (GBS);
- Sector or Targeted Budget Support (SBS or TBS);
- Sector-wide Approach Programmes (SWAPs);
- Project aid (financial and technical assistance);
- Technical Assistance (TA)

4.86 GBS in Vietnam has been recently and thoroughly evaluated, notably by Bartholomew et al (2005), Marcus Cox (2006).<sup>18</sup> These studies emphasise many of the same findings mentioned above: e.g. the modest (relative to the budget) but significant additional resources provided in support of a broadly well-targeted public spending programme; the support provided for progressive reformers within GOV, the ‘advertisement effect’ providing a showcase that recognises the success of the poverty reduction and growth strategy; the channel the PRSC provides for policy advice and dialogue, especially on economic and industrial policies; and the framework for donor co-ordination and for results-based reviews of development progress and aid effectiveness. The inclusion of as many as 14 co-financing partners is noted as a particular strength, even though other partners are also included in the policy dialogue framework, including at sectoral level. Finally, there is clearly a high (though not a complete) degree of alignment of the donor-supported programme with GOV economic, regulatory reform and spending policies, achieving very good growth and poverty reduction results.

4.87 These studies also point to certain areas for improvement. Only a few donors (DFID is one) make multi-annual commitments. The PRSC policy framework is very extensive (e.g. 23 policy ‘triggers’ used to assess performance), and should be more focused on key reforms that will break systemic constraints (e.g. PFM) or increase aid effectiveness. The WB could more pro-actively share with other donors the lead for many sectors in in-country policy analysis and dialogue. Systematic assessments of the resource requirements for policy actions should be made, including analytical and TA as well as financial needs. Above all, a more coherent framework for assessing outcomes under the SEDP/PRGS is needed, with transparent criteria for assessing progress.

4.88 These are all recommendations which are consistent with DFID policies and which should be supported. DFID should also be clear as to which key reforms, within the wider PRSC policy framework, are the focus of its own support and where it will look particularly to assess progress.

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<sup>18</sup> See Marcus Cox, Vietnam Case Study for Asian Regional Forum on Aid Effectiveness Sept 2006; Bartholomew et al Joint Evaluation of General Budget Support 1994-2004, Vietnam Country Report, August 2005.

4.89 In some areas – notably poverty analysis, PFM and primary education – DFID involvement with the WB has had a positive influence on PRSC design and on GOV responses. In economic transition, the evidence is rather less positive. DFID’s overall engagement has, however, sent a very strong signal of commitment across the donor community; and the use of a large proportion of the programme through the PRSC has been clearly beneficial.

4.90 On the other hand, in education and, to some extent in rural transport, projects – albeit quite large-scale projects co-financed with the WB – have produced good results, not only in terms of resource delivery, but also in improving understanding and the evidence base – for both Government and donors – on questions of better targeting on poor households and groups, better understanding of constraints, better output and outcomes measurement, and more efficient and effective spending, including on maintenance. Where donor co-ordination and policy dialogue have been good, this has led to lesson-learning for both partners and to significant improvements in the quality of policy design and delivery. This in turn can lead (as in primary education) to a better medium term policy and resources framework for the sector concerned, within which TBS programmes can be delivered on a multi-donor basis in support of specific line items or programmes within the national budget.

4.91 This points to the conclusion that GBS – while effective in the Vietnam context, subject to continuing action to improve financial management and address corruption – can be second-best, in terms of policy and institutional reform and incremental resource flows; to large-scale, preferably multi-donor sectoral programmes, which might start as projects within a SWAP, evolving into TBS or SBS at the appropriate time.

4.92 The discipline of having to work with other major donors – present since 1998 – has clearly had good effects in limiting small bilateral projects and bringing some concentration on major projects which engage GOV attention and are at the heart of policy dialogue. That said, most of these have encountered some implementation problems, even those that were ultimately successful; and some were simply not successful in influencing Government, notably the area-based rural development programmes. The main lesson of these experiences seems to be that there is no such thing as a low-involvement project: if they are worth doing, they are worth a full measure of management input from DFID specialists, whose capability in-country is still lacking in many other donors, notably the AsDB.

4.93 The Vietnam (“working through others”) model was appropriate for a small bilateral donor that wanted to deliver a programme with limited overheads and local presence through co-financing arrangements. The experience suggests that there has been some success especially with the WB and that important lessons were learned.<sup>19</sup> However the conditions for successful co financing are stringent because it requires a systematic assessment of DFIDV and donor partner capabilities; an explicit agreement between the two partners on roles and responsibilities ; and a risk assessment and response if assumptions do not work out as planned. In practice this was not always carried out and was one of several factors that contributed to implementation difficulties in a number of projects.

4.94 There have also been good examples of TA, notably (but not only) PAPAP. Others, e.g. Making Markets Work for the Poor, have had less influence. The key point here would seem to be placement of such programmes where they can maximise both engagement with the key GOV policy-makers, and accessibility for the leading donor agencies – including shared participation. The PRSC reviews have also emphasised the need to ensure that TA programmes in the key sectors are fully linked into the PRSC policy matrix. This is highly relevant, for example, to the trade-related aid planned by DFIDV on WTO accession adjustment.

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<sup>19</sup> Paper for Development Committee June 2003 and Discussion paper, January 2004.

## Results Focus and Performance Management Systems

4.95 The results orientation of the programme is reflected in: statements of objectives and indicators set out in the CSP and CAP; the targets and indicators for budget support and specific programmes and projects; and the use of OPRs as the basis of performance assessments and generally to manage the portfolio. Neither the CSP nor CAP were ideally structured, with clear objectives and associated indicators for sub programmes; and in many cases DFID has had to work jointly with other donors, and not independently, to agree appropriate objectives and indicators.

4.96 The Vietnam portfolio (leaving GBS aside) focuses on money terms mainly on the education, road transport and PFM programmes. All of these projects have a strong results focus and arrangements for measurement, but there are some examples of poor specification of logframes which have made it difficult if not impossible to assess the results of DFID support and there are other areas such as rural livelihoods (eg the Northern Mountains programme) which had a poorer results focus overall. The recent DFID support for the P135 programme relies mainly on GOV systems to assess poverty impact but data quality is poor and it has not been possible to do so effectively.

4.97 In early 2004, DFIDV developed a CAP monitoring framework designed to provide the country office with a performance management tool that would support a consistently high level of performance (CAP results achieved), increase the accuracy and efficiency of corporate reporting and strengthen the linkages with government and monitoring by donor partners. The framework tracked change achieved against target results over the CAP period at the four levels of the 'results chain'; activity (project portfolio), outputs (key deliverables of DFID programmes), outcomes (milestones of GOV led reform) and impact (macro level development indicators). The framework also provided the basis for reviewing office performance by taking account of the achievement of planned improvements or application of standards to be realised against selected dimensions of organisation and management which were seen as underpinning the delivery of the country programme. This included provision for an annual external view on the 'health' of the relationships which DFIDV enjoyed with key external partners (in government and the donor community).

4.98 The framework has been in operation, through a series of monitoring episodes aligned with in-weeks, since September 2004. It has gone through a number of modifications partly driven by a perceived need for simplification. This has left some inconsistencies in the coverage with the original clear distinction between outcomes and outputs becoming clouded and the focus shifting to tracking of DFID activities and some high level development indicators. The organisation of the framework around CAP outcome areas has also changed with more attention now being placed on annual priorities within sector programmes and/ or aid instruments. This reduces the prospects for harmonisation of donor monitoring around outcomes a discussion on which was started in 2004 but failed to move forward. The adapted framework has nevertheless been useful in generating a systematic data series that has been maintained over the CAP period and on balance it was the right decision to adopt it. There have also been some recent well regarded efforts to enhance monitoring and evaluation of the SEDP but much further engagement with GOV on 'outcome based' monitoring is needed.

4.99 The time series of CAP monitoring together with the in-week records of analysis and decisions taken suggests that overall the framework has brought some benefits to performance, in particular providing a basis for making informed decisions on non-performing areas and for increasing clarity within the teams on what results they are working towards. However it has not always been consistently applied across the office. In practice project assessments (Annual Review and PCR) has sometimes become routine and the quality of PCRs has dipped (see also section 6). The connection between the assessments at project level and the CAP monitoring process could also be stronger.

## Progress and achievement of CAP main objectives

4.100 The overall performance of the country programme was regularly reviewed by DFIDSEA and DFIDV over the evaluation period through CAP reviews and performance monitoring back to DFIDHQ. A summary of their own assessment is shown in the annex. Overall the CAP monitoring self assessment is broadly in line with the observations of the evaluation team . The main difference is that the evaluators are more critical about the delivery of outputs in relation to the economic and social transition objectives. A major CSP review was commissioned externally in 2002 and provided the following assessment :

**Table 7: Assessment of impact and DFID contribution by CSP objectives: Vietnam Country Programme 1998-2002**

DFID CAP Objectives	Vietnam Progress	DFID Contribution
<b>Main objectives</b>		
1. More effective collaboration between GOV and donors	Some	Partially realised
2. Greater understanding of poverty	Good	Largely realised
3. Improved Capacity of GOV to implement reform	Some	Partially realised
4. Improved income opportunities for the poor	Good as a result of economic growth but limited from targeted programmes	Little progress to date

**Source:** Julian Gayfer, Vietnam Country Strategy Paper Review Sept 2002

4.101 The review was conducted at the end of the CSP period and did not cover 2003 over which the strategy was also extended. In that year and subsequently there is evidence of further progress with objective 1 and although impact data is sparse, it is possible to infer some gains under objective 4 due to successful delivery of rural infrastructure and improved schooling. The lesson here is that the time frame for the achievement of objectives and the realisation of expected CAP benefits is longer than anticipated, suggesting a need to be more realistic about what is achievable and to design programmes and performance monitoring on that basis.

4.102 For the current CAP period DFIDV have assessed their own performance annually using a range of indicators on which they have reported to Asia Division on the progress of their CAP. A summary of the results by the evaluators is in annex. Overall this suggests that DFIDVs own score card would be one of even progress across the main strategic objectives set for the programme

4.103 The evaluators own assessment is based on the analysis presented at the beginning of this section; interviews in Hanoi; reviewing DFIDVs performance assessments and sampling PCRS across a range of sectors. It is taken as given that it is not possible to consistently link the performance of the DFIDV portfolio with the performance framework. On this basis the scorecard for the CAP 2004-6 as assessed by the evaluators would look like this :



**Table 8: Assessment of impact and DFID contribution by CAP objectives**

DFID CAP Objectives	Vietnam Progress	DFID Contribution
<b>Main objectives</b>		
<b>Objective 1:</b> To promote the efficient, effective and equitable use of public financial resources	Medium	Medium
<b>Objective 2:</b> To strengthen GOVs efforts to achieve socially inclusive development	High	High
<b>Objective 3:</b> To support the economic and social transition	Medium	Low
<b>Objective 4:</b> To improve aid effectiveness in Vietnam	Medium	High

4.104 The rating system is acknowledged to be subjective and the overall judgement is based on an assessment of all the information available to the team rather than a set of well defined criteria. The key observations and conclusions underlying this assessment can be stated as follows :

- (i) Along with other donors DFIDV has been influential in securing GOVs commitment to the CPRGS and to its integration into the SEDP. As a result of this ongoing effort national planning priorities and resource allocation are more poverty focussed and equitable than they would otherwise be. However the extent of DFID and other donors' influence should not be overstated as many commentators have stressed that donors do not shape GOV policy but effectively reward policy implementation. Slow progress with PFM has initially limited the improvements to the budgeting process so that the gains from more effective and efficient use of public resources have yet fully to materialise.
- (ii) GOV attaches high priority to addressing the needs of the poorest regions and groups. Numbers in poverty are falling and the gini coefficient appears to have risen<sup>20</sup> marginally up to 2002 and been stable thereafter. DFIDV has pioneered support for the P135 national targeted programme and this has acted as a catalyst for donor involvement. TBS is leveraging additional donor and GOV resources and has created the potential for institutional reforms that will enhance the quality and impact of P135. Other DFID programmes and projects have also promoted inclusive development and targeting of the poorest and marginalised which has influenced GOV thinking and approaches eg in the design of rural roads, the provision of basic school standards and the poverty assessment work under PAPAP.
- (iii) GOV regards managing the transition as vital to maintain political stability. Supporting the economic and social transition has had less impact than other parts of DFIDVs portfolio. The WB leads on dialogue related to institutional and regulatory reform. DFIDVs contribution to SOE reform and development of safety nets and support for retrenched workforces has had some notable benefits including favourable financial results

<sup>20</sup> Government statistics office data show gini coefficients: 0.340 for 1993; 0.35 1998; 0.37 for 2002; 0.37 2004.

in two of the three targeted enterprises; but it has not had a major impact on wider GOV policy. Supporting markets for the poor has considerable potential but lacks ownership and institutional focus for policy development. Programme implementation poses unresolved challenges and has limited the impact of the research to date. Work on post WTO accession has yet to be taken forward but there will be continuing institutional challenges to overcome in order to ensure integration into broader industrial policy and programme management and delivery.

- (iv) GOV has championed aid effectiveness but has not always taken the opportunities to press ahead with implementation at the pace that was possible. Vietnam is at a cross roads and a strong commitment is required to develop and implement an action plan that is focussed on a few areas where progress can be made. DFIDVs contribution has been substantial in influencing donors to adopt new modalities and to commit more strongly to collaborative working. DFIDV has led by example and pioneered new thinking (see sections 5 and 6).

4.105 In addition DFID has made a limited but important contribution to improving accountability through governance projects. The work has been focussed on the state but has been broadening out to include non state institutions and the relationship with state and society. Hitherto limited support has been provided to directly tackle corruption but all programmes have addressed fiduciary risks and considered ways in which the risks from corruption could be reduced.

### **Contribution to DFID's Public Service Agreement**

4.106 Table below sets out an annotated summary of DFID's 2003-2006 PSA objectives for Asia. When these were formulated they were focussed on Bangladesh, China, India and Pakistan and it was not until the subsequent PSA for 2005-8 PSA period that Vietnam was added. Nevertheless, we have used the 2003-6 template to assess the extent to which the Vietnam programme has contributed to the MDGs.

**Table 9: Assessment of DFID contribution to the 2003-2006 PSA**

<b>DFID PSA 2003-2006</b> <b>Objective 1: Reduce poverty in Asia</b>	
<b>Target 1: Progress towards the MDGs in 4 key countries demonstrated by:</b>	
<ul style="list-style-type: none"> <li>a sustainable reduction in the proportion of people living in poverty from 15% to 10% in East Asia and the Pacific;</li> <li>and from 40% to 32% in South Asia.</li> </ul>	<b>DFIDV Contribution: Medium</b> UK aid has been effective in promoting the CPRGS, supporting economic policies that have encouraged private investment and employment, and improving pro-poor targeting of public spending. But progress is largely due to rapid pro poor growth in a favourable external environment and effective Government.
<ul style="list-style-type: none"> <li>an increase in gross primary school enrolment from 95 % to 100%, and;</li> <li>an increase in the ratio of girls to boys enrolled in primary school from 87% to 94%.</li> </ul>	<b>DFID Contribution: High</b> There has been a significant impact on policy and teaching standards as a result of DFID work in the education sector. DFID has specially focussed on the needs of marginalised groups.
<ul style="list-style-type: none"> <li>a reduction in under-5 mortality rates for girls and boys from 92 per 1000 live births to 68 per 1000;</li> <li>an increase in the proportion of births assisted by skilled birth attendants from 39% to 57%.</li> </ul>	<b>DFID Contribution: Low</b> In conjunction with other factors, DFID support may have indirectly impacted on infant and maternal mortality in isolated areas.
<ul style="list-style-type: none"> <li>prevalence of HIV and Aids infection in vulnerable groups being below 5%.</li> </ul>	<b>DFID Contribution: Low</b> DFID support has had limited impact.
<ul style="list-style-type: none"> <li>a tuberculosis case detection rate above 70%;</li> <li>a TB treatment rate greater than 85%.</li> </ul>	<b>N/A</b>

Note: ratings High, Medium, Low are estimates by the CPE team

4.107 The table is based on the assessing the level of attribution (ie the extent to which the observed outcome can reasonably be attributed to DFIDV) and the impact of the DFID effort in terms of the goals that were set for the specific programmes by DFIDV and GOV. In practice only 6 out of 8 of the targets are relevant because DFID did not implement any programmes to address TB.

4.108 Overall, DFIDV has scored well for its contribution to improving the poverty focus of Vietnam national policy and use of public resources. Similarly the DFID contribution to the two education PSA targets are rated as ‘High’ because of the efforts to improve teaching quality through raising standards and more recently under the targeted budget support to ensure access for the poorest and marginalised. DFID efforts to provide targeted infrastructure support to poor people and regions through rural roads, P135 and may have had some indirect benefit on child and maternal mortality indicators though the impact is hard to discern and there is no direct evidence of this. Assessment against HIV and Aids status is Low.

## **Portfolio Performance**

4.109 The performance of the DFIDV portfolio was also examined using the records available to the team from the HQ database and PRISM. It is recognised that the number of records is small and only represents part of the country programme. However it includes a representative mix of budget support and co financed projects. The table suggests that for this group of interventions at least the overall success rate (73 % for PCRS) is in line with DFID performance more generally (currently 76%). Performance has been assessed at a higher level at the OPR stage. This is consistent with experience in other country programmes.

**Table 10: Selection of Project Completion Reviews from DFIDV Portfolio**

<b>Performance Assessment Levels</b>	<b>Numbers PCRs at Purpose Level</b>	<b>Numbers OPR at Purpose Level</b>
1/2	8 (73%)	10 (83%)
3/4	3 (27%)	2 (17%)

Notes: PCRS=Project Completion Reports; OPRs=Output to Purpose Reviews. Scores at output level for the PCRs and OPRs are the same and not shown.

## 5. PROGRAMME EFFICIENCY

### Human Resources

5.1 Over the evaluation period DFIDV staff doubled from 14 staff to 30 before dropping back to a total of 28 (see annex 2). The skills mix has been altered over time to meet the changing needs of the programme. This has not always been a smooth process as DFIDV plans were often affected by a time lag as the recruitment process worked its way through. The evaluation suggests that the posting system has not always delivered, leaving gaps for extended periods. For example, there was a significant delay in enhancing governance expertise in Bangkok which reduced DFIDV's capability in taking forward this agenda. It was also a considerable challenge to devise a human development post that could cover both the education and health (including HIV and Aids) portfolios and then to recruit a suitable individual in a timely manner.

5.2 DFIDV have benefited from the availability of expertise from the Bangkok office in the areas of economics, health and intermittently from London for example on PFM and on water, sanitation and the environment. The quality of support has been good and regionally available staff have been an important source of additional expertise. The inputs provided by the Bangkok health adviser to the HIV and Aids programme are a good example. However these inputs and others have sometimes been difficult to secure and have introduced a level of uncertainty into work planning in DFIDV. Against that some advisers in Bangkok have reported a limited interest in using the capacity that has been available.

5.3 The grading structure has also shifted with much of the growth increasing more senior A1 and A2 posts. The most rapid growth was at A3 (junior advisory level) although B1 support grades also grew significantly. This reflected the increased workload arising from continued expansion of the programme and a move to more upstream influencing and policy dialogue work. Annex 2 shows the evolution of the structure of DFIDV posts over the entire period.

5.4 DFIDV has been responding to the pressure for headcount reductions by reducing overall posts and transferring some responsibilities to other donors. At the time of the evaluation visit the rural infrastructure adviser was soon to be transferred to the World Bank. However unless DFIDV chooses to withdraw from a wider range of sectors and activities and is able to pass these to other donors, there are real limits to this process. Further rationalisation would require a more ruthless prioritisation of the existing portfolio and a probable concentration on budget support with an influencing effort in one or two key policy areas.

5.5 As the new CAP is developed DFIDV will need to review staffing levels and skills mix to ensure programme objectives can be met whilst continuing to reduce headcount. Moving upstream and continuing to push for policy reform in governance suggests the need to retain a strong core of senior and experienced advisory and programme staff. But with a strong drive on prioritisation and more focus in the programme it should be possible to reduce numbers further in future.

### Management

5.6 The growing ambition of the country programme was driven by an expanding aid framework and the consequent decision at the start of the evaluation period to open a local office. This increased the capacity to support influencing work in Vietnam. DFIDHQs imperative to give priority to budget support also drove the interest in the PRSC which was lauded at the time as an innovative approach (Vietnam was the second attempt globally).

5.7 The opening of the local support office and later of DFIDV led to a redefined relationship with the regional office in Bangkok. Hitherto the local office had little authority and all the senior advisers and programme managers were based outside Vietnam and visited. There was some “jockeying” for position as DFIDSEA and the local office tried to define the boundaries of its decision making authority. As the programme continued to expand the establishment of DFIDV brought this more to the fore as the new Head of office in 2003 tried to establish an advisory team that could meet most of the requirements of the programme in country.

5.8 Each programme and project had a lead adviser and programme officer. Teams were supplemented by regional staff from DFIDSEA as required. DFIDV also set up four teams to manage and monitor progress against the specific indicators in the CAP. Staff numbers grew gradually over the period.

5.9 In the initial period of DFIDVs existence there were some inefficiencies as the transfer of responsibilities took place. For example, the Vietnam based Governance adviser led on one aspect of PFM whilst the other project was led by the senior economist in Bangkok. Whilst DFIDV staff valued the input from regional advisory staff they were concerned about their availability; an issue that persists today.

5.10 CAP monitoring teams were originally established primarily to regularly assess performance against the objective in question but over time the teams have tended to focus more on work planning and management. The evaluation found no evidence that this had any major impact on efficiency. The relationship with lead advisers and programme managers is also not very clear so that the link with individual project reporting and assessment is weak. In practice the project assessment process (OPR and PCR) has sometimes become routine and the quality of PCRs has dipped in cases like rural transport, SOE reform and rural livelihoods (see also section 5).

## **6. DONOR PARTNERSHIPS AND HARMONISATION EFFORTS**

### **Context**

6.1 Prior to the establishment of DFIDV in 2003 the imperative to work with and through other donors was driven by the desire to retain a lean local presence and to deliver the programme with very limited capacity. There were no bilateral DFID projects and any project had to be undertaken on a co-financed basis. Other donors were expected to take the lead and manage and deliver projects on DFID's behalf through so-called "low intensity partnerships" or LIPS.

6.2 In 2002 DFID senior management began to emphasise aid effectiveness and working with other donors as an important way to reduce transaction costs for partner Governments and as an efficient aid delivery vehicle. There was a push for DFID to experiment with silent partnerships, joint offices and co-financing. There was a particular interest in developing a stronger partnership with the Japanese in Africa and Asia.

6.3 At the same time DFID Institutional Strategy Papers (ISPs) emphasised increased effort by DFID to encourage the AsDB to align country strategies with national PRSPs. Asia Division developed a regional programme to finance poverty analysis and TA for AsDB projects as well as piloting new poverty-focused projects. In the case of the WB and the AsDB there were corporate and regional objectives to push for a stronger poverty focus and greater decentralisation of decision-making and WB staff.

6.4 In 2005/6 there has been a second round of ISPs and a special push on UN reform designed to encourage the rationalisation and integration of existing UN organisations. This has become known as the "One UN" programme. Vietnam is to pilot this new approach. The new ISP for the AsDB emphasises encouraging the AsDB to work in its area of comparative advantage and for an agreed division of labour with other donors.

6.5 All of these need to be seen in the wider context of the partnership between GOV and the UK which provides an overarching framework for all the rest. The DPA was signed in 2006 and contains shared commitments to reducing poverty; to the observance of human rights and to improving financial management and tackling corruption. GOV is committed to implement the SEDP, improving public institutions and Good Governance and leading the harmonisation effort. A key aspect of the DPA is that progress will be monitored annually against an agreed set of indicators.

6.6 One of the main aims of the DPA is to enhance aid effectiveness by improving the predictability of UK aid to Vietnam by setting out the anticipated level of future funding and by agreeing in principle to provide 70% of the programme as budget support (see discussion in section 7).

### **Approach to Working with Donors**

6.7 In-country partnerships have taken three distinct forms:

- (i) Co-financing of budget support, sector programmes and projects with the World Bank, AsDB, UNDP, WHO, UNICEF and others (see also discussion in section 4);
- (ii) Core funding of other agencies: Main example is UNDP;

- (iii) Exchange of expertise including through secondment or funding of specialist advisers and DFID staff.

6.8 The majority of these arrangements were set out in project documents rather than a Memorandum of Understanding (MOU) setting out overall objectives and respective responsibilities of both organisations.

6.9 DFIDV could have been more strategic in its approach to these partnerships and objectives could have been more fully articulated. Another issue is the level of coherence between the country level partnerships and HQ policy and the new ISPs. In the case of the AsDB and the World Bank, DFIDV made efforts to align with Asia Division priorities but there is little evidence of any determined effort to align with corporate policy in the 2003 ISPs for the two organisations. There is stronger alignment between DFIDHQ and DFIDV in relation to the “One UN” reform agenda and Vietnam is a pilot for the approach.

6.10 Co-financing arrangements were predicated on the assumption that partner organisations donors had the required expertise and capacity to take the lead in the design, appraisal and delivery of effective projects with DFID in a subsidiary role. The experience is set out below.

6.11 The Vietnam office has responded well to the range of corporate initiatives on partnerships. However it has been difficult to prioritise which of the partnerships should receive most attention and resources based on common interests. At times there have also been difficulties in aligning strategy, tactics and action between the range of stakeholders involved including different Divisions and Departments in HQ, DFID reps in the organisations concerned, and the country office.

## **Partnership with the World Bank**

6.12 The main co financing effort of DFIDV was with the WB and they have been the most willing partner agency. Projects include the Northern Mountains project; the successive rural transport projects phases 1 and 2; and PFMRP. All of these projects have experienced problems because of the complexity of WB procedures, the use of Washington based task managers and the need to tailor projects more closely to the specific context and needs.

6.13 DFID involvement has not turned out to be as “light touch” as anticipated. NMPRP was the most problematic but the WB took decisive action to place a task manager in Vietnam and the DFIDV rural livelihoods adviser was also closely involved. The project has since become one of the best performing in the WB’s portfolio. DFID have also relied heavily on in house advisers to support the other projects.

6.14 DFID has also provided expertise to the WB and initially financed two TCO staff based in the Bank in 2001/2 to strengthen poverty analysis and raise donor understanding about the nature of poverty in Vietnam. In the follow up phase of PAPAP from 2001-2004 the evidence base for the formulation of policy ideas on tackling social exclusion was strengthened. PAPAP eventually funded a team of 4 DFID funded people.

6.15 In practice the model of embedding DFID funded project staff in the Bank was successful in generating new research, analysis and evidence that was owned and shared by the WB and the wider donor community. Influencing was two way as DFID was learning as much as the rest of the donor community and drew on the analysis in developing its own strategy and thinking.



## **Partnerships with the UN**

6.16 Over the evaluation period DFIDV developed partnerships with a number of UN organisations including UNDP and WHO. These partnership supported work on water and sanitation and on HIV and Aids respectively.

6.17 The partnership with WHO to deliver an HIV and Aids programme was not very successful. The DFID project support office assumed incorrectly that the WHO regional office would have the required capacity with the result that the programme had to be brought back in house and management is now undertaken directly by GOV.

6.18 Partnership with the UN started as a series of stand alone co financed projects in Governance but progressed to a core funding arrangement called the Strategic Partnership Initiative. The objective was to broaden and deepen UNDP engagement in the reform process. The SPI was approved in Sep 2004<sup>21</sup> aiming at increased UNDP engagement on democratic Governance, accountability and voice with more specialist staff engaging on issues of quality of growth, access to justice, anti corruption and local governance. Ongoing co financed projects were to be subsumed within the arrangement.

6.19 The programme is nearly half way through (£2m has been disbursed from a total of £5m) and it is clear from recent reports and interviews during the evaluation that additional resources have allowed UNDP to expand its work in the areas of governance. The SPI was a useful financing mechanism and there were some successes including the promulgation of two important laws on enterprises and investment.

6.20 While there has been a positive impact on economic governance and environment through e.g. timely and effective support to the GOV in the formulation of the Common Investment Law and the Joint Enterprise Law and support to the National Assembly Budget Committee, there is less evidence of enhanced capability of UNDP to engage in policy development. More generally, DFDV resources have been used to augment existing UNDP plans rather than to re-orientate the programme in a strategic sense or to build up capacity.<sup>22</sup> Also UNDP remained far from the vision set out by DFIDV of a UN capable of a continuing policy dialogue with Governance in areas such as governance democracy and human rights based on strengthened technical capacity on the ground.

6.21 During the evaluation the UNDP resident representative acknowledged there was still a long way to go but perceives that DFID had unrealistic expectations about SPI and thought there was more flexibility in the use of the resources than was in fact possible.

## **“One UN”**

6.22 However the SPI was an excellent entry point for DFIDV to develop a broader relationship with the UN system and to keep close to emerging thinking about how UN reform could be taken forward on the ground. A ground breaking paper<sup>23</sup> by the res reps of UNDP and UNICEF argued that UN agencies needed to pool their resources and to seek to establish a unified management structure at country level. The paper called for “three ones”: one chain of command; a single plan; and a unified budget with a strong focus on peace, human rights and social justice. Vietnam was proposed as a trial of the One UN model concept.

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<sup>21</sup> Project memorandum DFID-UNDP Strategic Partnership Initiative, Vietnam, Sept 2004.

<sup>22</sup> DFID-UNDP Strategic Partnership Joint Review of the first year, Jan 2006.

<sup>23</sup> United Nations Reform: A Country Perspective, Jordan Ryan and Jesper Morch, 2005.

6.23 DFIDV was able to take to take advantage of these relationships to push the UN reform agenda forward. Strong links were established with the UNDP and UNICEF representatives in Vietnam and their proposals were fed into DFIDHQ discussions about how to take forward the UN reform agenda. The efforts by DFIDV were instrumental in demonstrating to the wider UN system and to DFIDHQ, the level of support for reform at country level and its practicality.

6.24 The evidence suggests DFIDV made a major contribution In conjunction with UNCD, to the development and endorsement of the UN reform programme by providing strong support at country level and by ensuring that the dialogue with UN HQ was well informed.

6.25 During the evaluation it was clear that UN reform was proceeding but with some modifications and at a relatively slow pace. The authority of the UNDP resident representative over the other UN organisations is likely to be limited. Good progress was being made with developing a unified plan and budget but the process now includes a wider group of UN agencies less fully committed to the unified structure. This risks moving to a lowest common denominator outcome.

### **Asian Development Bank**

6.26 In 2003 DFIDV inherited two DFID-AsDB co financed projects - CASCERP and making markets work for the poor. A commitment had been made to engage in CRLIP but this did not commence until January 2005 due to delays. In practice the centralised nature of the AsDB made it very difficult to provide the degree of hands on support required when the CRLIP project encountered implementation difficulties. Unlike the WB the AsDB were unable to locate the task manager on the ground.

6.27 As part of the portfolio cleansing exercise in 2003 DFIDV took a decision to withdraw from the CRLIP project but did not inform AsDB of this until Feb/March 2005. The AsDB Vietnam office initially accepted this and saw DFID withdrawal as a cue for a wider review. However during the evaluation the AsDB stressed that co financing donors should take more responsibility for addressing problems. They wanted greater clarity about how DFID was positioning itself: as financier or as a partner supporting delivery. DFIDV needed to have more involvement in the co financing projects as AsDB did not have the staff in the resident mission.

6.28 DFIDV had also been co financing the markets for the poor project which aimed to finance research on small business and pro poor economic activity . AsDB were very positive about this partnership because the placement of a DFID staff member in the AsDB mission had resulted in a better understanding of DFIDs position and a more effective joint approach to implementation.

6.29 In the current CAP period, the AsDB has sought to partner DFID in areas where there are common objectives especially around the poverty focus of development assistance. To that end DFIDHQ had separately assisted with the provision of an expert on poverty analysis and the AsDB also drew on the information produced by PAPAP. But the agenda has moved on and they clearly regard the relationship with DFIDV as one based on projects or specific areas of collaboration rather than having any wider strategic purpose.

6.30 Overall the partnership with the AsDB depended on the availability of sufficient local capacity but in practice this was constrained by the incentives and management systems in what remains a very centralised organisation. AsDB was previously not very pro poor in approach and to an extent the engagement with DFIDV and HQ regional support has increased their awareness of the issues and their alignment with the CPRGS. However the main lesson is that it is difficult to achieve fundamental

change in a centralised organisation like AsDB solely by influencing operational practice on the ground.

## **The European Commission**

6.31 DFIDV does not have a broader strategic partnership with the EC but decided opportunistically to support the provision of an economic adviser to enhance capability and knowledge in budget support. This secondment was initially unfocussed until a work plan was defined but feedback suggests it allowed the EC to assess the PRSC and to increase their level of confidence in the modality. The adviser helped to disseminate DFID thinking and experience of budget support and the res rep cited this as a factor in enhancing their commitment to the aid effectiveness agenda.

## **Bilateral Partnerships: Japan**

6.32 Japan is by far the largest donor to Vietnam and DFIDHQ attached a high priority to developing a partnership. DFIDV established a dialogue with the Japanese Embassy in 2003 and the partnership was deepened because of perceived common interests. DFID wanted to see stronger Japanese commitment and alignment to the poverty reduction strategy and to joint donor processes and modalities. The Japanese wanted the Vietnam poverty reduction strategy to give more emphasis to growth and infrastructure and to demonstrate Japans commitment to the aid effectiveness agenda.

6.33 DFIDV worked closely with the Japanese Embassy to undertake joint analysis that led to the inclusion of growth and infrastructure issues in the CPRGS. Japan also played a more prominent role in the harmonisation effort including becoming a donor within the PRSC and adopting the “five banks initiative” designed to rationalise procedures across the World Bank, AsDB and JBIC. This was consistently pushed by the Vietnam office in line with corporate policy.

6.34 DFIDV achieved a breakthrough by encouraging Japanese involvement with the PRSC. Japan remains a willing partner to DFIDV where there are common interests but the evaluation also revealed the extent of the differences in ways of working and in the aid modalities adopted. In this context, the Japanese representative said there was no appetite for a joint country strategy and there was limited opportunity for joint operational work since 90 % of the Japanese programme was infrastructure projects. Nevertheless there are still areas of common interest and examples of collaboration include the recent regional workshop on harmonisation and attempts to address corruption in the transport sector. There is also ongoing work on cost norms and environmental guidance.

## **Donor Harmonisation Structures**

6.35 The impetus for increased bilateral collaboration in Vietnam came from the Utstein initiative which led to initial meetings between Norway, Netherlands, Germany and DFID and to the formation of the Like Minded Donor Group in 2000. The aims of this group were never articulated formally but members wanted to promote greater collaboration to reduce transaction costs for GOV and to build a dialogue around poverty reduction and the emerging aid effectiveness agenda. Supporting the development of a national PRS was a high priority.

6.36 DFID was a founder member of the eventually 12 strong LMDG and made a significant contribution to its achievements. The group provided a lot of support to the preparation of the HCS; undertook joint studies on reducing transaction costs; built commitment to co-finance the first PRSC and demonstrated joint approaches through common statements at the Consultative Group and Rome

high level forum meetings. The LMDG has workshops on harmonisation and encouraged greater interest in the PRSC from the Japanese, EC and other donors.<sup>24</sup> Group members have also acted as lead donors reporting back to others and have taken the lead in piloting new modalities such as P135.

6.37 The EC leads a member states group to address common agendas including “a road map” for harmonisation amongst EU members. There is also a UN grouping piloting a “one UN” concept to deliver a more effective and harmonised approach amongst three agencies (UNDP, UNICEF, and UNFPA). These are discussed later in section.

6.38 Even in the early stages two key challenges emerged and these have been reconfirmed by the evaluation. The first was to ensure that the corporate back up was provided in country efforts so that attempts to integrate systems and procedures at country level were not thwarted by organisational policy and rigid procedures, for example, on financial management or procurement. The second was the scale of the challenge faced. Despite the rhetoric, many donors retained a proliferation of donor project management units and differing procedures and at the time of the evaluation there was little evidence that this had changed.

6.39 The DPA is a significant step forward for the bilateral relationship which also promotes harmonisation objectives and focuses the wider partnership around the main purpose of poverty reduction. It is viewed positively by GOV, other donors and the Embassy and during the evaluation the Ministry of Finance and MPI were clear about the importance of monitoring. A key advantage is that it provides a framework for dialogue around sensitive issues including human rights and for dealing with specific cases should they arise.

6.40 DFIDV has also successfully promoted harmonisation by developing effective partnerships with all the key donors and had a positive influence and impact on the World Bank, UN, EC and the Japanese. Support to the UN positioned DFIDV well to align UN reform at country level with the emerging plans for the UN as a whole. The Vietnam pilot has potential to shape the approach to reform at country level.

6.41 The co financing project model has worked with the WB but has been less successful in other cases. LIPS have in practice reverted to HIPS and this has had an unforeseen negative impact on DFIDV staff resources as effort was expended to improve implementation.

6.42 The evaluation has also highlighted some important weaknesses. DFIDV should have adopted a more rigorous approach to assessing the capabilities of partners and the risks involved. Partnerships and secondments could also have had more clearly defined strategic objectives and greater consideration of using MOUs to set out more clearly the roles and responsibilities would have reduced difficulties later.

6.43 The core funding model for working with the UNDP through SPI has achieved some results but has been unable to fully achieve its objectives. There are major constraints arising from the institutional structure and incentives within UNDP. The separate UN reform process has just started and may yield results over the next few years that may improve the situation. In contrast the model of embedding expertise on poverty analysis into the WB has been very successful and could be built upon. Where DFIDV has provided expertise alongside its financial support this has had significant benefits in improving the targeting of support and in achieving outcomes.

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<sup>24</sup> Reflections from three years of LMDGism in Vietnam: Ideas for greater effectiveness, Alan Johnson, March 2004.

## 7. ALIGNING WITH GOVERNMENT STRUCTURES

7.1 This section is in two parts. The first assesses the overall progress in taking forward efforts to align donor and Government structures and systems and the role of GOV in promoting this objective. The second assesses the extent to which the DFID Vietnam programme influenced this process.

7.2 The GOV structures for donor coordination are based around the Consultative Group but in response to a proliferation of donor groups GOV also established the Partnership Group for Aid Effectiveness (PGAE) in 2003. The PGAE meets regularly, includes all the main bilateral donors the UN, EC and WB and is alternately chaired by GOV and the donors. It contains several thematic sub groups addressing issues relating to the implementation of the HCS with a GOV representative and counterpart from the donors Chairing and organising each group. Associated with the PGAE there are a range of partnership groups working on specific sectors and programmes such as education and health.

7.3 From time to time the existence of the LMDG has provoked criticism and controversy at CG meetings where its informal status has been questioned. During the evaluation visit the UNDP suggested that whilst harmonisation achievements were worthwhile the focus appeared to be on aligning with the Bank rather than GOV. There is some foundation for this statement when it is considered that several of the DFID supported co financing and multi-donor trust fund arrangements continue to rely on WB administrative procedures.

7.4 The evaluation also sought to establish the extent to which there was overlap in the responsibilities and membership of the LMDG and PGAE. On paper there is certainly overlap and even outright duplication of donor groups and membership therein. Interviews with some donors also suggested that there were too many donor meetings going on. There is undoubtedly room for rationalisation but the problems should not be overstated. In practice there is an informal division of labour whereby LMDG groups will undertake detailed analytical work for example on Governance and anti corruption or PFM and then bring this to the wider PGAE group. Also whereas the PGAE has access to a range of GOV stakeholders who participate formally as part of the dialogue this is not the case for the LMDG who liaise mainly with the MPI.

7.5 The PGAE has now taken forward the practical work on harmonisation and alignment through the various thematic groups. These are considering issues such as: streamlining and harmonisation of procurement; development of local project cost norms; common procedures and approaches to PFM; and ensuring development assistance is fully integrated into the GOV budget. This work often involves a painstaking and detailed baseline analysis of different donor and GOV procedures; analytical work to understand the gaps between the Vietnamese systems and donor requirements; assessment of the options for moving donors to common procedures and the extent to which country systems can be used by donors<sup>25</sup>. Donors need to be realistic about how fast such complex and difficult work can proceed and to understand the underlying incentives for change.

7.6 One of the more interesting developments in Vietnam to emerge from PGAE is “the five Banks initiative” which involved an effort to harmonise systems and procedures by the WB, AsDB and JBIC later joined by KfW and AFD (France). The initial focus was on rationalising environmental and social safeguards but this has now broadened to procurement management ; financial procedures and project design, management and monitoring.

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<sup>25</sup> Progress reports from PGAE thematic groups (various), October 2006.

## **Assessment of Progress**

7.7 From an early stage the Vietnamese Government took ownership of the aid effectiveness agenda. With the encouragement of the PGAE donors Vietnam demonstrated strong support at the Rome and Paris meetings and soon after the latter the HCS was agreed at the mid term CG meeting in June 2005. This set out partnership commitments around the aid effectiveness agenda and is now the basis for implementation of the agenda.

7.8 The HCS included a set of indicative targets and 14 indicators to 2010 some of which were ambitious and stretching in a country context where development assistance is still dominated by the project modality. They included complete abolition of parallel project management units and 50% of aid flows and 50% of donors channelling 50% of their funds through GOV systems. There was also a concern to achieve 75% of aid disbursed predictably and on schedule.

7.9 A snapshot of the current situation has been prepared following the recent DAC baseline exercise<sup>26</sup>. This suggested that Vietnam scored as follows against the main criteria:

- Ownership : Strong
- Alignment : Moderate
- Harmonisation : Moderate
- Managing for results : Strong
- Mutual accountability : Strong

This evaluation is broadly consistent with this except in the case of managing for results. The evidence in this report suggests a more modest assessment of progress to date.

7.10 The evaluation has enabled useful further discussion of the situation. Whilst this assessment is essentially accurate, the situation on the ground is inevitably more complex and suggests that making rapid progress will be a big challenge. Ownership is generally strong but interviews with Vietnamese officials and ex officials and donors suggest that there are strong vested interests in maintaining the status quo in sectoral ministries and amongst some donors. There are also questions about the extent to which the agenda is fully understood at lower levels of Government where many of the project related activities take place.

7.11 There are also broader issues arising from the rapid international integration of the Vietnamese economy. The Vietnamese Government has foreign policy objectives to establish relations with a wide range of countries and this has translated into a reluctance to refuse new small donors or to get tough with donors that drag their feet on aid effectiveness. It is something of a paradox that despite harmonisation efforts, Agency numbers have grown rapidly to 52 and actual donor numbers are currently 29. This growth and diversity increases the challenge.

7.12 The vast majority (80%) of ODA to Vietnam is project based and the predominance of large project orientated donors is another potential constraint. Japan, AsDB and the WB account for as much as 60% of ODA and there are significant institutional constraints on how far some large donors can or

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<sup>26</sup> Draft of Vietnam baseline assessment provided by DFIDV.

are willing to harmonise in a situation when they depend largely on a project rather than a budget support instrument.

7.13 Progress is possible but it will take time and donors such as DFID need to use their considerable influence and to be creative to find ways to leverage action on the ground and between HQs. The baseline indicates just how far there is to go. For many donors reliance on GOV PFM systems is still low. Overall, only 33% of aid uses GOV systems at present and the figures for the WB, Japan and the AsDB are respectively 24%, 31% and 48%.<sup>27</sup> Interviews with bilaterals highlighted this concern as well.

7.14 This assessment is borne out by an earlier donor review in 2005<sup>28</sup> which examined donor perceptions and identified some key observations that consistently emerged across the donor group:

- GOV needed to do more to improve its procurement and financial management to make working through GOV systems more attractive and to respond more rapidly to donor initiatives such as single bid documents.
- Several donors faced real policy obstacles in HQ some of which contradict the objectives of the HCS and which were very costly and time consuming to address.
- There was little hard evidence of progress with implementation due to the complexity of the task and that Vietnam was in the early stages of trialling new approaches.
- Whilst there is strong agreement on principles there is a need for more concrete measures to deliver results.
- There was a danger that the process dominates with little progress on the ground.

7.15 The most recent assessment prepared for the 2006 regional workshop on aid effectiveness confirms much of the above and that GOV has engaged strongly in the agenda across the board. Overall, Vietnam was judged to be well advanced in developing the structures to promote aid effectiveness and a more mature development partnership. The report concluded that there has been a reduction in transaction costs for GOV but that the pace of change has been slow and use of GOV systems remains limited. This might make the achievement of the HCS targets difficult. On the harmonisation side, donor collaboration at the strategic level was judged to be strong and there was good progress with joint analysis and piloting new modalities but donors had not gone very far with joint country planning, delegated authority or joint funding arrangements.<sup>29</sup>

7.16 The evaluation team take the view that this is broadly accurate but that more credit should be given for the degree to which the situation has been transformed. In 2001/2 the landscape of donor activity was very different with an outdated donor coordination and project based approach. Taking a longer term perspective puts into context just how much progress has been made. That the progress so far has been mainly in terms of policy commitments and structures rather than implementation is to be expected as this is a necessary pre requisite. Ultimately success depends on action to address policy constraints in donor HQs as well as action on the ground. DAC and other reporting processes will need to have bite.

7.17 Vietnam is at the “tipping point”; the PGAE is making progress but more focus and prioritisation

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<sup>27</sup> Ibid tables in baseline assessment.

<sup>28</sup> Perceptions of Development Partners and Evidence On Aid Effectiveness, October 2005.

<sup>29</sup> 2006 Regional Forum on Aid Effectiveness Manila, Oct 2006,

is required to accelerate implementation. This will need a stronger lead from GOV than is presently the case and donors need to link the various working groups more effectively with the ongoing reform processes. Vietnamese interviewees stressed the need for GOV to draw up specific action plans based around a few areas where there was an alignment of interests and incentives with prospects of movement. The donors idea of setting up an independent monitoring arrangement is also a positive development as a stronger focus on results with a possible comparison with other developing countries may enhance the pressure for progress.

### **DFID Contribution to aid effectiveness**

7.18 This section examines the overall contribution of DFID to the central aid effectiveness process around the Paris declaration and HCS. The contribution that DFID made to harmonisation through individual donor partnerships is assessed elsewhere.

7.19 GOV officials and ex officials were clear that DFIDV and DFIDSEA before them had been instrumental in stimulating a transformation in the way the donor community worked in Vietnam. The particular areas highlighted by MPI the Ministry of Finance and the Office of Government were:

- DFID took a pro active role through the LMDG to support Vietnam in responding to the emerging agenda and in developing a localised HCS version of the Paris statement;
- Co-financing with the WB had reduced GOV transaction costs;
- DFIDV was a key agent in introducing new aid modalities. The provision of budget support was very positive and brought about a major shift in GOV and donor perspectives on this modality;
- Willingness to provide support for NTPs such as P135 was an example of alignment and paved the way for other donors;
- DFIDV had championed the “one UN” approach which led to Vietnam being the pilot country;
- The recently signed DPA was seen as a model for other donors because of the extent to which it provided predictability of development assistance flows.

7.20 All the donors stressed the pro active and energetic role played by DFIDV in taking forward the aid effectiveness agenda. Several donors also expressed concern that at times the UK profile was too high and that in the interests of ownership a more collegiate and sometimes more cautious approach would have been more appropriate.

7.21 Discussions with DFIDV staff past and present indicated that a major part of DFID's contribution was through informal and less structured means. The building up of these relationships and the flexible way in which staff and financial resources were used all helped to encourage a greater role by these donors.

7.22 The positive demonstration effects from DFIDV's willingness to use budget support instruments and the supportive relationship is likely to have positively influenced the EC and Japanese. The increased number of donors engaged in the PRSC including the Japanese and the greater willingness of the EC to consider sector and targeted budget support is at least partly attributable to DFIDV influence.



7.23 DFIDV staff highlighted the extent to which the harmonisation agenda dominates and that it has taken 1.5 full time post to pursue it. Now that the breakthrough in launching the HCS has been achieved it may be possible for other donors to play a more prominent role in the implementation phase.



## 8. KEY ISSUES FOR DFIDV

8.1 DFIDV posed a series of questions at the beginning of the evaluation which they felt could be informed by the process. This section sets out the issues and seeks to systematically draw on the lessons from the evaluation to provide useful insights, ideas and specific recommendations for DFIDV to consider as they prepare the new CAP.

### Is this a transition point?

8.2 At the start of the review period – in 2001 – DFID’s programme was modest (£5.6m disbursed in 2000/01), and strongly based on the model of working with and through Vietnam’s main donors – the WB, AsDB and, to a lesser extent, the UN group.

8.3 The period since has been dominated by scaling up: from a framework of £6m to £55m (£55.5m disbursed in 2005/6). This has been achieved both by increasing our commitments in co-financed projects and – heavily – through the Poverty Reduction Strategy Credits. In 2004-06, the essential change is that DFID sought to move on from working with other donors, to working with them and through the GOV.

8.4 In the last 5 years growth has not only been maintained, but has accelerated; and with it, the rate of poverty reduction. Vietnam may reach Middle Income Country (MIC) status as early as 2010. Over that period income and employment will become increasingly urban and manufacturing based. There will be increased pressure to allow more rapid evolution of the political system.

8.5 Over the coming CAP period 2007-10 DFIDV will be faced with responding to the accelerating pace of the economic and social transition. There is a transition point around or soon after 2010 when Vietnam reaches MIC status and where DFID needs to make tangible progress towards a graduation strategy out of financial aid with an increasingly stronger focus on provision of ideas and expertise.

8.6 The trends in output and incomes data suggest that the scale of poverty will still be significant (15m in extreme poverty): and so rather than a step change, the implementation of the graduation process should be gradual. There are several implications to be considered in preparing the next CAP.

- (i) Scaling up will take effect for the first few years but there is a need to plan for a decline in financial aid and increased emphasis on provision of ideas and expertise thereafter. The pace of this change needs to be carefully considered.
- (ii) As Vietnam progresses toward MIC status there will be an evolution toward a more mature partnership with the UK that will embrace a range of non aid development issues. DFIDV needs to identify these issues and begin work on them.
- (iii) There needs to be a clearly defined exit strategy for DFID that enables a gradual withdrawal but on a path that ensures the key areas of DFID interest like governance are embedded within the work of the multilateral agencies that remain.

8.7 The next CAP will need to address each of these aspects more explicitly and to find ways to provide GOV with good international practice and ideas. The evaluation suggests that financing specialised international expertise based in the WB can be an effective strategy but building the capability of others such as the UN may be more difficult. Building Vietnamese research and analytical capacity with international support is another option. There is also a need to pay more attention to

international issues and the role that Vietnam could play in the region in addressing climate change and other international public goods including disease control (Avian flu is an example).

8.8 In planning for this graduation process, the 2004 DFIDV vision for the future of Vietnam could also be updated. The main concerns identified at the time are still valid: how GOV can avoid growing inequality and how to channel resources and services to prevent large pockets of poverty emerging in isolated regions or ethnic minorities. However the evaluation suggests that achieving this objective will require not only resource transfers but also a transformation in Governance at all levels to deliver improvements and in particular to increase the responsiveness of the public sector to citizens both as taxpayers and service recipients. Any graduation strategy needs to equip GOV and the multilateral donors that will remain to address this agenda.

### **What is the best mix of aid instruments to deliver country objectives and forecast spend?**

8.9 The evaluation has confirmed that maintaining a mix of aid instruments has been a useful way for DFIDV to deliver its strategy and to maintain the flexibility to respond to opportunities as they arise. In future the balance of instruments should continue to be determined by the objectives that are being set. In general the evaluation findings suggest :

- There is value in retaining co financing projects where they add value to policy delivery and can provide expertise linked with budget support.
- That the focus on the poorest and excluded groups should be retained and that sector budget support and TBS are appropriate instruments to achieve this.
- New instruments may also be needed to pursue poverty reduction for the hardest to reach groups or to facilitate governance related reforms.
- Support for the PRSC has been effective but DFIDV influence could be maintained without any substantial increase in funding. An alternative approach would be to take a much stronger lead on some aspects of the reform agenda and back this with more funding.

8.10 Despite the thrust towards 'programmes not projects', some of the best results – e.g. in road transport and in education – have come from a combination of the two. Indeed there are examples of the learning and demonstration effects of major DFIDV projects that have laid the foundation for a subsequent move to a more results-focused sector framework and sectoral reform programmes. These have also allowed tighter targeting on the most disadvantaged than the bulk of existing government programmes; as well as proving good vehicles for capacity-building, especially at lower levels of government.

8.11 Many of DFIDVs existing programmes such as road transport or TBS in education could be continued to help ensure the deficits of infrastructure and key services in poor areas are addressed, but with a stronger push on institutional and governance reforms in the sectors and especially at Commune and District level. Each programme could include a specific identifiable action plan on Governance including anti corruption. Existing efforts for example in road transport, education and P135 have resulted in improved planning, budgeting and financial management which have already contributed to improved control of public resources.

8.12 During the evaluation, ideas for new instruments also emerged including Central Government-Provincial Government performance related grants funded and piloted by budget support that could promote greater local autonomy over use of resources but also require accountability for results. This could also be explored as an option even though it has yet to be examined in the Vietnam context.

8.13 The PRSC process, based on the CPRGS and now on a ‘translation’ of the current SEDP into a poverty reduction policy framework, has been of central importance. Most importantly, it has helped the GoV to take real leadership in donor co-ordination; and provided a loose structure for effective co-ordination at sector level; even if this can be further improved in terms of real transaction cost savings. It has also provided important support for reformers in the Vietnamese political process; and encouraged other donors including Japan to get involved.

8.14 Maintaining the PRSC framework, notably by keeping a critical mass of funding behind it, should therefore remain a major part of the DFIDV strategy, even if – especially if other donors increase their contributions –DFIDV might at the margin reduce theirs. This would allow more resources to be diverted to TSB and sector support with a corresponding effort to push policy and institutional reform in the programmes concerned.

8.15 The positive impacts of GBS through the PRSC have not been well enough explained. The PRSC has underwritten the costs of policy changes, and even budget increases in certain sectors, that gave additional help to the poor. This should have more weight in DFID’s decision-making and outcome reporting, with hard figures reported regularly.

8.16 The most successful elements of the programme are those where UK aid has combined finance with high quality analytical resources. GOV is increasingly looking to grant donors for ideas and assistance in policy change, as much as for finance. This has implications for not only the choice of aid instruments, but for the mix of human and financial resources DFIDV deploys in Vietnam. The issue of ensuring competent financial management in government, and of preventing and punishing corruption, will be more central to the country strategy even than before.

8.17 Finally, the GOV is preparing an ambitious scheme for a country-wide social insurance system and DFIDV is considering providing financing –though it is not yet clear what instrument will be used. The WB is leading and has examined the options for targeting the poor including a voluntary and non contributory old age pension. The WB is planning to assist the GOV to implement a universal health care insurance with a specific focus on non-contributory health insurance for the poor, while increasing coverage of voluntary old age pensions. Existing WB studies suggest that problems of targeting the poorest can be overcome. DFIDV also reported that GOV is committed to introduce and scale up the programme slowly to ensure financial sustainability. Nevertheless, the evaluators consider there are substantial challenges to be overcome in these areas if the overall objectives of the programme are to be achieved. Systematic risk assessment and an incremental programme design will be of central importance. More generally, it is unclear how DFID could make a meaningful financial contribution at the level of financing likely to be required.

### **Can We Be More Effective In Pursuing Harmonisation and Working With Donor Partners?**

8.18 It is very clear that the commitment of GOV to leading the co-ordination of donors, and consciousness of the importance of co-ordination among most of the 29 official donors engaged with Vietnam, are both exceptionally strong. Many interlocutors stressed the important lead given by DFID

not only in advocating this, but in itself seeking to deliver its aid in ways that give maximum support to these goals.

8.19 The evaluation suggests that DFIDV's focus on harmonisation and the priority given to it has been important in reinvigorating the Like Minded Donors Group and in establishing structures based around the PGAE. Nevertheless more can be done. The strong local leadership by GOV will need to translate into more rapid progress against the HCS baseline indicators if targets are to be reached as planned by 2010. The evaluation revealed continued instances of incompatible GOV and donor procedures and a reluctance to be firmer with donors because of a strategic desire to build up international relationships.

8.20 In 2007 both GOV and donors need to take early steps to establish independent monitoring of GOV and donor performance in improving aid effectiveness. This needs to be properly resourced and ideally to include a mix of internal and external representatives. Using peers from other developing countries may be a useful way to transfer experience.

8.21 However there is a need for greater realism and for a more concerted and focussed effort around some specific areas where there is a strong consensus for action. The CAP could seek to identify these areas and to devise tactics to influence GOV and like minded donors to move toward the early agreement of an action plan and the provision of an implementation structure. Priorities include agreeing responsibilities for identified organisations and individuals as well as providing the staffing and financial resources required. A reporting arrangement to a high level meeting between GOV and like minded donors might also add some bite.

8.22 Partnerships need to be prioritised. On current evidence, the partnership with the WB has had the most significant benefits and should continue to be central. The importance of the "one UN" agenda makes it imperative to persevere with the strategic partnership with the UN despite the slow progress so far. Likewise, the weight of Japan as a donor suggests that some limited joint efforts in specific focussed areas where there are common interests could have disproportionate benefits. Partnerships with the AsDB seem less likely to yield results and the EU is arguably already moving in the right direction which suggests it may be a lower priority as well – except in the case of trade-related aid (after WTO) where good co-ordination is essential.

8.23 More generally, DFIDV needs to plan any future partnerships on the basis of the clear lessons from this evaluation which are also of wider interest to DFID at a corporate level. To be effective future partnerships need to be:

- contributing significantly to aid effectiveness ie of benefit both to the partners, the wider development community and GOV;
- more carefully planned with well defined strategic objectives.;
- based on a realistic appraisal of capabilities and framed within an MOU;
- able to respond to risks eg when low intensity partnerships revert to high intensity.

8.24 Some other partners feel that DFID is too closely tied to the World Bank and there is some reluctance by the Bank to allow other donors to lead on sectors included in the PRSC. The position of the WB with GOV, both as a resource provider and in leading the policy dialogue, fully justifies continued close collaboration with it. But a second strand to DFID policy is needed. This should aim

to encourage leadership by other donors as a counterweight to the Bank especially in areas where the latter has less capability and expertise. This could be considered in a number of areas and sectors.

8.25 An obvious area where the Bank is more constrained is political governance and DFIDV are rightly looking at options including building on the existing effort with the UNDP to enhance its capabilities perhaps adopting the PAPAP model.

8.26 More radically, it could be argued that developing Vietnamese capability is even more important. The dearth of policy and research institutions dealing with complex development issues such as governance or indeed some of the key sectoral issues leaves Vietnam ill equipped to examine policy options. Donors could consider setting up a governance analysis capability in a more independent research or policy body (or bodies) led by a Vietnamese Director with staff seconded from donors.

### **What are the key resource management issues?**

8.27 ‘Scaling up’ has been achieved very largely by the use of budget support instruments and this is expected to continue. This has been a policy goal in its own right, leaving aside its convenience in enabling a rapid increase in disbursements.

8.28 One of the major risks for such approaches – i.e. that of policy failure or policy reversals on the government’s part – has been successfully avoided. Vietnam’s policies have by general consent brought exceptional development results.

8.29 But the importance of budget support in the programme has inevitably increased exposure to risks of poor financial administration or corruption. The evaluation suggests that the lack of space for dialogue and slow pace of analytical work by donors has limited the response so far. However the risks are well recognised by DFIDV: the resources applied to PFM reform, and to additional control measures in TBS programmes such as P-135, are evidence of this.

8.30 Now that the extent of the problem is better understood and GOV is more open to action, DFIDV and partner donors are considering what else can be done. The Secretary of State is concerned about the implications of recent scandals and would like to see progress. This should be a key theme for future budget support operations of all kinds and should become a more central part of the development dialogue.

8.31 DFIDV has been pressing for a stronger donor response on corruption but may have initially relied too much on others. DFIDV recognise there is room for more dialogue on the pace of implementation of PFM and procurement reforms in all sectors and at all levels of Government and for much more explicit anti-corruption action to be embedded in the PRSC with donor aid in support of GOV actions. An anti corruption strategy and action plan led by GOV must be a high priority.

8.32 Resource management needs to support the strategic choices made in the next CAP. The evaluation suggests that DFIDV can have the biggest impact in sector or targeted budget support programmes. But DFIDV need to consider how many sectors to focus on and whether to take the lead or work through others. The options are:

- (i) to maintain a broad sectoral interest and to take the lead on some with continued effort to push for action on cross cutting issues such as Governance through the PRSC;
- (ii) to focus the DFID programme even more narrowly, on 2 to 3 sectors, using economic,

governance and social development expertise in a more cross-cutting way;

- (iii) lowering the level of ambition to that of simply providing further general budget support through the PRSC, as the least-cost method of providing high-volume aid.

8.33 Sourcing expertise will also be a major issue. The evaluation suggests that the posting system has not delivered, leaving gaps for extended periods. Staff have been used for fire-fighting and DFIDV has been unable to follow up on some key policy issues including PFM or HIV and Aids until the rights skills mix could be obtained.

8.34 If the more radical decision of focussing all our efforts on the PRSC was followed this might allow a reduction in the DFIDV office to perhaps a third of its current numbers but would require much greater reliance on other donors.

### **How Can Monitoring and Evaluation Be Improved?**

8.35 The evaluation has highlighted the huge gap in capacity to assess the impact of existing GOV and donor interventions on the poorest groups and isolated regions. GOV monitoring and evaluation mechanisms remain weak and far too little attention has been given to this in the past. More recently there has been increased donor interest and activity<sup>30</sup>. Although it can be reasonably inferred that there is a positive impact on the poorest from provision of rural transport and infrastructure provided through, for example P135, the evidence base is weak at the project level. This makes it very difficult to assess the outcomes from development assistance. DFIDV and other donors need to find ways to enhance their own and GOV M+E systems. The highest priority is to enhance basic data collection systems and to support GOV plans to improve M+E systems.

8.36 In addition there is an emerging global trend toward increased impact evaluation as a means of assessing the effectiveness of policy and programme options. This uses rigorous baseline and follow up surveys and other quantitative methods. There may be opportunities to support some impact evaluations in critical policy areas.

8.37 More generally, there is the question for donors of assessing the outcomes from the development assistance they provide. Measuring progress against the Vietnam Development Targets is useful but it is very difficult to attribute any change to development aid. DFIDV needs to work with other donors to identify the indicators of donor contributions to improving policy and the targeting of public spending. For the next CAP, DFIDV will need better intermediate targets, with a logical connection to the VDTs.

8.38 It is important that both the targets, and the indicators of progress, that DFIDV uses for CAP monitoring are directly related in logic to the employment of UK development assistance and the difference that this is expected to make. It is also important that indicators should be monitorable from existing sources and properly baselined. Not all the current targets and indicators for the CAP meet these criteria.

8.39 Similarly there needs to be a “line of sight” between the CAP objectives and individual programmes and projects. Despite the efforts made in recent years, the evaluation suggests there is a need for further improvements in the DFIDV performance management system to more effectively define indicators at the right level and to link those plausibly to development outcomes.

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<sup>30</sup> For example the support for capacity building to the General Statistic Offices, to the Ministry of Planning and Investment on Vietnam’s SEDP M&E framework, DFID’s PAPAP on poverty tracking and assessment and AusAid VAMESP programme have proved to be useful.



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## ANNEX 1

### TERMS OF REFERENCE EVALUATION OF UK AID TO VIETNAM 2002-6

#### Objective

To examine the experience of delivery of increased UK aid to Vietnam in the last 4 years 2002-6; and the evidence of effectiveness, efficiency and impact on poverty reduction in the context of the policies pursued by the Government of Vietnam (GOV), and of other donors' aid programmes.

The evaluation will be forward looking and the results will be used to inform the next phase of DFID's development partnership with the government. The assessment of DFID's performance by the Vietnam Government and other donors will be central to the work.

[The UK development assistance programme also needs to be seen in the context of a rapidly maturing partnership embracing a wider range of development related issues including trade].

#### Rationale

The main aim is to evaluate the strategy adopted by DFID for working in a rapidly growing developing country making good progress against the Millennium Development Goals (MDGs). DFID wants to assess whether it has the balance right between the provision of finance and the support for policy development including the exchange of good practice and ideas.

There is also a need to assess the contribution DFID is making to the harmonisation and alignment of bilateral development assistance programmes behind GOV priorities. Assessing the progress with these partnerships will be central.

The evaluation will aim to identify the lessons from this experience that can be applied for DFID's planning of assistance to Vietnam over the next 4 years; and to seek the views of the Vietnamese government on how effectively this aid is aligned with its goals.

#### Approach

The work will be conducted in the UK and in Vietnam. The evaluation will begin with a desk review of DFID management information, project documents and key documents from the GOV including the CPRGF. The second phase will involve a visit to Vietnam for focussed discussions with Government and donors.

DFID officials will lead the evaluation with support from UK consultants with Vietnam experience and will collaborate with other bilateral agencies also carrying out similar work. GOV advice will be sought on the conduct of in country work and the possibility of counterparts from Government.

The attached table sets out the broad framework of assessment of DFID country programme effectiveness. In Vietnam, the main focus will be on:

- the evolution of the partnership agreement between the UK and Vietnam and its effectiveness in guiding the strategy and the delivery of development assistance by DFID

- whether the aims and objectives set for partnership with GOV have been met and the perceptions of GOV about the strengths and weaknesses of the partnership with DFID
- the extent to which DFID has collaborated effectively with other donors including approaches to partnership between agencies
- whether DFID has supported innovation and assisted GOV to pilot new approaches e.g., the PL135 scheme
- the experience of rapid ‘scaling up’ of aid delivery, and any new challenges that have arisen through this
- the trend towards use of budgetary support instruments, drawing on previous evaluation work on such instruments, and any constraints on this trend
- dialogue with the Government on policies and assessment of their results
- collaboration by DFID with other donors, both bilateral and multilateral, and efforts to build convergence of methods and reduced transactions costs
- evidence of the effectiveness of the aid given by DFID and its partners in Vietnam, in terms of their contribution towards improved indicators of achievement of the MDGs
- choices of aid instruments and partners, including the role of technical assistance
- issues of participation, governance and financial management in the light of country circumstances.

The aim is to employ a rigorous but light approach, using existing information to the maximum, and minimising demands on government and donor staff. With these, there will be prepared and structured discussions with a focus mainly on lessons for the future. Nevertheless, the views of government institutions and of other donor partners of the effectiveness and impact of UK aid will be a critical part of the evaluation.

### Output

Emerging findings will be presented to DFID Vietnam staff and to Government in Vietnam for discussion before the Draft Report is circulated. The Final Report will be published by DFID in accordance with standard practice.

### Resources

The evaluation will be undertaken by a small, mixed team of senior DFID staff and external consultants with relevant country experience.

Evaluation Department  
DFID

13 September 2006

## Annex 2: People Consulted

### Government of Vietnam

Committee for Ethnic Minorities Affairs - Tran Van Thuat - Director of Policy Department  
 Office of The Government - Nguyen Dinh Hoan - Deputy Director  
 Ministry of Finance - Nguyen Thi Hong Yen - Deputy Director - External Finance Department  
 Ministry of Finance - Le Phi Yen – External Finance Department  
 Ministry of Planning and Investment - Ho Quang Minh - General Director Foreign Economics Relations Dept.  
 Ministry of Planning and Investment - Cao Manh Cuong – Expert  
 Ministry of Planning and Investment - Dr Duong Duc Ung - Senior Policy Adviser  
 Ministry of Education and Training - Nguyen Van Ngu – Deputy Director - Finance and Planning Department and Truong Thanh Hai, Senior Expert

### Development Partners

World Bank – Carrie Turk – Senior Poverty Specialist  
 World Bank – Martin Rama – Lead Economist  
 World Bank – Vo Thanh Son – Operations Officer  
 EC – Markus Cornaro - Ambassador, Head of Mission  
 EC – Willy Vandenberghe - Counsellor  
 ASDB - Ayumi Konishi - Country Director and Kanokpan Lao-Araya Head of Finance, Trade, Governance and Private Sector  
 AUSAIDS - Laurie Dunn - Development Cooperation Counsellor  
 AUSAIDS - Susan McKeag - First Secretary (Development)  
 FRENCH EMBASSY – Alain Freynet - Counsellor-Cultural and Cooperation and Veronique Sauges Cooperation Multi-lateral  
 JAPANESE EMBASSY – Daisuke Matsunaga - Minister  
 JBIC – Yasuhisa Ojima - Representative  
 SIDA- Lennart Nordstrom - Minister  
 SIDA- Mats Bengtson - First Secretary  
 DANIDA – Charlotte Laursen - Counsellor  
 NETHERLANDS EMBASSY – Bengt Van Loosdrecht - Counsellor  
 UNDP-John Hendra - Resident Coordinator  
 UNDP-Jonathan Pincus - Senior Country Economist  
 UNDP- Nguyen Tien Phong - Head of Poverty Cluster  
 UNICEF – Jesper Morch – Representative and Daniel Seymour-Smith, Chief of Planning and Social Policy  
 Oxfam UK – Nguyen Quynh  
 ActionAid – Phan Van Ngoc – Country Director  
 ActionAid - Hoang Thi Phuong Thao  
 Plan – Deepali Khana  
 SCF – Jeremy Stoner - Director  
 Nguyen Quang Quynh (Oxfam)

**DFID – General**

Bella Bird - ex Head of DFIDV

Mark Mallalieu - ex Head of Bangkok office

Chris - ex Programme manager Bangkok office

Alan Johnson -DFIDV secondee to AsDB project

Michael O'Dwyer – Senior Health Adviser DFID Bangkok Thailand

Simon Lucas - DFIDV secondee to the WB

Hans Beck – DFIDV secondee to EC

FCO – Robert Gordon – HMA

**DFIDV**

Donal Brown – Head of Office

Phil Harding – Harmonisation and Transition Team Leader

Keith Mackiggan – Governance and Social Inclusion Team Leader

Donald Couper – Head of Management

Bridget Crumpton – Education and HIV/AIDS Adviser

Gita Sabharwal – Poverty Adviser

Nguyen Thi Ngoc Minh - Economist

Than Thi Thien Huong – Social Development Adviser

Nguyen Huu Hieu – Public Finance and Governance Adviser

Tu Thu Hien – Senior Programme Officer

Nguyen Thi Quynh Hoa – Senior Programme Officer

Nguyen Thi Hue – Office Manager

## ANNEX 3

Years	Total Staff	International Staff <sup>31</sup>		SAIC	
		No	Title and grade	No	Title and grade
2002	14	6	<b>2A1, 2A2, 1A3 and 1B1</b> <ul style="list-style-type: none"> <li>• 1 A1 Governance adviser</li> <li>• 1 A1 Education Adviser (Oct 02)</li> <li>• 1 A2 Head of Office/Rural dev adviser</li> <li>• 1 A2 Rural Infrastructure adviser</li> <li>• 1 A3 Deputy Head of office</li> <li>• 1 B1 Transition Team Leader (Oct 02)</li> </ul>	8	<b>2 B1, 1 B2, 2 C1, 2 C2 and 1 Band D:</b> <ul style="list-style-type: none"> <li>• 1 B1 Programme officer (inward secondee from WB)</li> <li>• 1 B1 Office manager/programme officer</li> <li>• 1 B2 Accountant/IT</li> <li>• 1 C1 Admin Officer</li> <li>• 1 C1 Receptionist</li> <li>• 2 C2 Drivers</li> <li>• 1 band D cleaner</li> </ul>
2003	23	7	<b>3A1, 2A2, 1A3 and 1B1:</b> <ul style="list-style-type: none"> <li>• 1 A1 Head of Office (May 03)</li> <li>• 1 A1 Governance adviser</li> <li>• 1 A1 Education Adviser</li> <li>• 1 A2 Rural Infrastructure adviser</li> <li>• 1 A2 Rural livelihood adviser (Jul 03)</li> <li>• 1 A3 Deputy Head of office</li> <li>• 1 B1 Transition Team Leader</li> </ul>	16	<b>1A3, 3B1, 2B2, 7C1, 2C2 and 1 Band D:</b> <ul style="list-style-type: none"> <li>• 1 A3 Economist</li> <li>• 2 B1 Senior Programme Officers</li> <li>• 1 B1 Office manager</li> <li>• 1 B2 Programme Officer</li> <li>• 1 B2 Accountant/IT</li> <li>• 2 Personal assistants</li> <li>• 1 Programme assistant</li> <li>• 1 Registrar/Filing clerk</li> <li>• 1C1 Admin Officer</li> <li>• 1 C1 Accountant assistant</li> <li>• 1 C1 receptionist</li> <li>• 2 C2 Drivers</li> <li>• 1 band D cleaner</li> </ul>
2004	30	9	<b>4A1, 3A2, 1A3 and 1B1:</b> <ul style="list-style-type: none"> <li>• 1 A1 Head of Office</li> <li>• 1A1 Political eco adviser (Aug 04)</li> <li>• 1 A1 Governance adviser</li> <li>• 1 A1 Education Adviser</li> <li>• 1 A2 Rural Infrastructure adviser</li> <li>• 1 A2 Rural livelihood adviser</li> <li>• 1 A2 SDA adviser (Jul 04, from DFID India)</li> <li>• 1 A3 Deputy Head of office</li> <li>• 1 B1 Transition Team Leader</li> </ul>	21	<b>2A3, 3B1, 4B2, 9C1, 2C2 and 1 Band D:</b> <ul style="list-style-type: none"> <li>• 1 A3 Economist</li> <li>• 1 A3 Governance adviser</li> <li>• 2 B1 Senior Programme Officer</li> <li>• 1 B1 Office manager</li> <li>• 1 B2 Programme Officer</li> <li>• (inward secondee from WB)</li> <li>• 1 B2 Programme Officer/head PSU</li> <li>• 1 B2 Accountant</li> <li>• 1 B2 IT/Information manager</li> <li>• 2 C1 Programme assistants</li> <li>• 3 C1 Personal assistants</li> <li>• 1 C1 Registrar/Filing clerk</li> <li>• 1 C1 Admin Officer</li> <li>• 1 C1 Accountant assistant</li> <li>• 1 C1 receptionist</li> <li>• 2 C2 Drivers</li> <li>• 1 band D cleaner</li> </ul>

<sup>31</sup> On regional issues: on the one hand during 2002/03/04/05 DFIDSEA provided some advisory support, decreasing over time. On the other hand DFID Vietnam will be taking on some regional responsibility with additional resources being provided for this - number of people to be finalized.

2005	30	9	<b>4A1, 4A2 and 1B1</b> <ul style="list-style-type: none"> <li>• 1 A1 Head of office</li> <li>• 1 A1 Political economy adviser</li> <li>• 1 A1 Governance adviser (July 05)<sup>32</sup></li> <li>• 1 A1 Education Adviser</li> <li>• 1 A2 Head of Management (Jan 05)</li> <li>• 1 A2 Rural Infrastructure Adviser</li> <li>• 1 A2 Rural livelihood adviser</li> <li>• 1 A2 SDA adviser (from DFIDIndia)</li> <li>• 1 B1 Deputy Programme Manager</li> </ul>	21	<b>1A2, 1A3, 3B1, 4B2, 9C1, 2C2 and 1 Band D:</b> <ul style="list-style-type: none"> <li>• 1 A2 Economist</li> <li>• 1 A3 Governance adviser</li> <li>• 2 B1 Senior Programme Officer</li> <li>• 1 B1 Office manager</li> <li>• 1 B2 Programme Officer</li> <li>• (inward secondee from WB)</li> <li>• 1 B2 Programme Officer/head PSU</li> <li>• 1 B2 Accountant</li> <li>• 1 B2 IT/Information manager</li> <li>• 2 C1 Programme assistants</li> <li>• 3 C1 Personal assistants</li> <li>• 1 C1 Registrar/Filing clerk</li> <li>• 1 C1 Admin Officer</li> <li>• 1 C1 Accountant assistant</li> <li>• 1 C1 receptionist</li> <li>• 2 C2 Drivers</li> <li>• 1 band D cleaner</li> </ul>
2006	28	6	<b>3A1 and 3 A2:</b> <ul style="list-style-type: none"> <li>• 1 A1 Head of office</li> <li>• 1 A1 Harmonisation &amp; Transition team leader</li> <li>• 1 A1 Growth &amp; Social Inclusion Team leader</li> <li>• 1 A2 head of Management</li> <li>• 1 A2 Education &amp; HIV/AIDS adviser</li> <li>• 1 A2 SDA Adviser (from DFIDIndia)</li> </ul>	22	<b>1A2, 4A3, 2B1, 3B2, 9C1, 2C2 and 1 Band D:</b> <ul style="list-style-type: none"> <li>• 1 A2 Economist</li> <li>• 1 A3 SDA Assistant adviser</li> <li>• 1 A3 Governance adviser</li> <li>• 1 A3 Senior Programme Officer</li> <li>• 1 A3 Senior Programme Officer (inward secondee from WB)</li> <li>• 1 B1 Office Manager</li> <li>• 1 B1 Deputy Programme Manager</li> <li>• 1 B2 Programme Officer/head PSU</li> <li>• 1 B2 Accountant</li> <li>• 1 B2 IT/Information manager</li> <li>• 4 C1 Programme assistants</li> <li>• 1 C1 Personal assistant to HoO</li> <li>• 1 C1 DISO/Registrar</li> <li>• 1 C1 Admin Officer</li> <li>• 1 C1 Accountant assistant</li> <li>• 1 C1 receptionist</li> <li>• 2 C2 Drivers</li> <li>• 1 band D cleaner</li> </ul>

<sup>32</sup> A1 Governance Adviser post was unfilled for 6 months of 2005.

2007	26	6	<b>3A1 and 3A2:</b> <ul style="list-style-type: none"> <li>• 1 A1 Head of office</li> <li>• 1 A1 Harmonisation &amp; Transition team leader</li> <li>• 1 A1 Growth &amp; Social Inclusion Team leader</li> <li>• 1 A2 Head of Management</li> <li>• 1 A2 Education &amp; HIV/AIDS adviser</li> <li>• 1 A2 Social and Political Inclusion Adviser</li> </ul>	20	<b>1A2, 4A3, 2B1, 2B2, 9C1 and 2C2:</b> <ul style="list-style-type: none"> <li>1 A2 Economist</li> <li>1 A3 SDA Assistant adviser</li> <li>1 A3 Governance adviser</li> <li>1 A3 Senior Programme Officer</li> <li>1 A3 Senior Programme Officer (inward secondee from WB)</li> <li>1 B1 Office Manager</li> <li>1 B1 Deputy Programme Manager</li> <li>1 B2 Programme Officer/head PSU</li> <li>1 B2 Accountant</li> <li>4 C1 Programme assistants</li> <li>1 C1 Personal assistant to HoO</li> <li>1 C1 IT/DISO</li> <li>1 C1 Admin Officer</li> <li>1 C1 Accountant assistant</li> <li>1 C1 Receptionist</li> <li>2 C2 Drivers</li> </ul>
2008	25	6	<b>3A1 and 3A2:</b> <ul style="list-style-type: none"> <li>• 1 A1 Head of office</li> <li>• 1 A1 Harmonisation &amp; Transition team leader</li> <li>• 1 A1 Growth &amp; Social Inclusion Team leader</li> <li>• 1 A2 Head of Management</li> <li>• 1 A2 Education &amp; HIV/AIDS adviser</li> <li>• 1 A2 Social and Political Inclusion Adviser</li> </ul>	18	<b>1A2, 3A3, 2B1, 2B2, 9C1 and 1C2:</b> <ul style="list-style-type: none"> <li>• 1 A2 Economist</li> <li>• 1 A3 SDA Assistant adviser</li> <li>• 1 A3 Governance adviser</li> <li>• 1 A3 Senior Programme Officer</li> <li>• 1 B1 Office Manager</li> <li>• 1 B1 Deputy Programme Manager</li> <li>• 1 B2 Programme Officer/head PSU</li> <li>• 1 B2 Accountant</li> <li>• 4 C1 Programme assistants</li> <li>• 1 C1 Personal assistant to HoO</li> <li>• 1 C1 IT/DISO</li> <li>• 1 C1 Admin Officer</li> <li>• 1 C1 Accountant assistant</li> <li>• 1 C1 Receptionist</li> <li>• 1 C2 Driver</li> </ul>

## ANNEX 4

DFID VIETNAM SELF ASSESSMENT FROM CAP MONITORING RECORDS : VIETNAM  
CAP 2004-06

Overall picture CAP Performance (04-06): 'Expected Results' - Outcomes, Outputs ('programme' deliverables), Activities (Projects)

CAP Strategic Objective (area of engagement in CPRGS implementation)	Expected CAP results - <i>delivering on the CAP purpose 'Effective implementation of the CPRGS'</i>			What 'line of sight' between activities, outputs, outcomes this assessment of performance conveys
	Traction in outcome result areas (change paths) <sup>33</sup>	Delivery of DFID contribution (specific 'outputs') to the reform/ change process <sup>34</sup>	Project Portfolio scores <sup>35</sup>	
	Good/ Fair/ Slow/ Weak	% on track/ rating of extent likely to be achieved (1-5)	Av. PRISM scores (APR)	
<b>1. Public financial management:</b> To promote the efficient, effective and equitable use of public financial resources (strong policy, planning and budget allocation processes in place).	Fair	60% & 1.75	2.0 (1 project scored)	Steady direction/ pace to reform trajectory in PFM. DFID support is generally delivering – 'on-track' programme outputs; likely to be only partly achieved in some areas. Project performing well.
<b>2. Inclusion and Accountability:</b> To strengthen the Government's efforts to achieve socially inclusive development and accountability to citizens.	Fair	60% & 2.2	2.25 (8 projects scored)	Steady direction/ pace to reform trajectory in key sectors; education, rural transport and NTP on livelihoods. HIV/AIDS slow moving & problematic. DFID support is generally delivering – 'on-track' programme outputs; significant delays with HIV/AIDS. Projects performing well – likely to be largely achieved - with exception of HIV/AIDS & CRLIP.
<b>3. Transition:</b> To support economic and social transition	Fair	90% & 2.0	2.0 (5 projects scored)	Clear and confident trajectory of reform, moving at desired pace across all the enabling areas; governance, economic, trade, environment. DFID support 'on-track' (all programme outputs) ; delivering consistently and to schedule. Projects performing well – likely to be largely achieved – with exception of M4Poor.

<sup>33</sup> Using the most recent year assessment of CAP M&E vis-a-vis likelihood of achieving CAP strategic objective.

<sup>34</sup> Using the average 'delivery' score from the first CAP year (%) and the 'annual performance indicators' (bottom line) score (PRISM scoring) for CAP year 2&3.

<sup>35</sup> Average of latest project APR scores ('likelihood to achieve purpose) corresponding to the outcome area.



<p>4. <b>Aid Effectiveness:</b> To improve the effectiveness of aid in Vietnam <i>through</i> broadening and deepening relationships with the main donors to further harmonisation.</p>	Fair	50% & 2.25	No projects scored	<p>Mixed picture at 'outcome level'; clear and steady trajectory on harmonisation agenda setting and on aid instruments, patchy and limited sense of direction on relationships and strengthening the mandates of international aid institutions. DFID support 'on-track' / 'off track' reflects above division – with equal split between likely to be largely and partly achieved. No project portfolio.</p>
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