

**Development Partnership Arrangement  
Between  
the United Kingdom of Great Britain and Northern Ireland  
And  
the Governments of the Socialist Republic of Vietnam**

1. This ten year Arrangement reaffirms the development partnership between the Government of the Socialist Republic of Vietnam (SRV), and the Government of the United Kingdom of Great Britain and Northern Ireland (UK).

**Shared Commitments**

2. SRV and UK share a commitment to the following objectives:
  - a) poverty reducing growth and achieving the Millennium Development Goals as translated into the Vietnam Development Goals;
  - b) respecting human rights treaties to do with civil, political, economic, social and cultural rights, which both the UK and SRV have accepted, and any new obligations that both sides will enter into over the period of the arrangement; and
  - c) strengthening financial management and accountability, and tackling corruption, to ensure that public funds are used for intended purposes, are properly accounted for, and provide value for money.

**UK Commitments**

3. UK has already provided substantial amounts of grant aid to the SRV. The UK, through the EC has also supported the “right deal” for Vietnam accession to WTO. UK will assist SRV to comply with its international trading commitments. From the 1<sup>st</sup> January 2005 the UK decided to provide debt relief to Vietnam through covering 10% of payments owed by SRV to IDA. We anticipate that the value of this debt relief will be in the region of US \$100 million over the period 2005-2015, this will be provided in addition to the grant aid set out in paragraph 12.
4. UK intends to support the SRV’s national development plan for growth and poverty reduction - the Social and Economic Development Plan (SEDP) – 2006-10.

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5. UK is highly committed to maximising the effectiveness of development assistance and will support the SRV in ensuring that all aid to Vietnam is provided in the most efficient and effective way. All UK grant aid will be untied and will be provided wherever possible within a harmonized multi-donor framework. UK will support SRV leadership of the aid effectiveness agenda in taking forward the Hanoi Core Statement and the Vietnam Harmonization Action Plan.
6. Each UK assistance intervention will be for a purpose to be decided between the two Governments and while remaining subject to UK's internal management procedures will be aligned as far as possible with SRV procedures.
7. To work with other development partners, including international financial institutions, to improve alignment and harmonisation of development assistance and to limit the burden of conditionality, including in line with the UK's policy set out in "Rethinking Aid Conditionality".

### **SRV Commitments**

8. SRV will implement the SEDP for sustaining growth and poverty reduction and achieving the Vietnam Development Goals.
9. SRV will exercise leadership in donor coordination, harmonization and alignment with the country's development strategies, programmes and systems in line with the Hanoi Core Statement and the Vietnam Harmonization Action Plan.
10. SRV will use donors' development assistance effectively in implementing the SEDP and improve transparency and good governance by strengthening public institutions, including public financial management systems, and preventing corruption in government and donors' programmes.
11. SRV will ensure effective dialogue with its domestic stakeholders and international partners and will share with these partners information, documents and records in areas related to its development and poverty reduction efforts.

### **Indicative levels of UK development assistance**

12. Subject to adherence to the provisions of this Arrangement and the availability of resources to UK, over the period 2006-2010 UK anticipate providing £250 million in grant aid. UK expect to maintain the level of

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grant aid at £50 million (m) for the UK financial years 2006/07 and 2007/08 and plan to provide at least £50 million for each of the three years thereafter. By June each year UK will give a three year rolling commitment. The specific arrangements for allocating and disbursing the development assistance will be decided on a programme by programme basis and will be subject to separate documentation. UK will channel the majority of these funds (around 70%) through poverty reduction budget support instruments in support of SRV's poverty reduction programmes. Indicative figures for the percentage of budget support 2006-2010 are provided in the Annex 2. The remaining resources will be available for complementary capacity and institution building assistance. UK will aim to disburse annual allocations for budget support within the first half of the SRV financial year.

### **Monitoring and Review**

13. Existing mechanisms will be used to monitor this Arrangement wherever possible in order to minimize transaction costs. Progress towards poverty reduction and strengthened public financial management will be determined according to assessments by SRV and independent partners including donors and criteria set in budget support documentation. Commitment to respecting human rights will be monitored by UK via the Department for International Development (DFID), the British Embassy and other relevant monitoring bodies and mechanisms, such as those established by the European Union and the United Nations.
14. In the interests of mutual accountability, the commitments set out above (paragraphs 2-11) of SRV and the UK will form the basis for high-level partnership talks to be conducted annually, and for dialogue whenever appropriate or necessary, including emergency talks in the event of any crisis. Annual discussions will take place in June at which time UK and SRV will review progress against the commitments of both sides during the previous year and plan for the following calendar year. The two participants will also discuss UK financial commitment for the coming year during this review in order to improve the predictability of UK assistance and to align with SRV planning and budgeting processes. For 2006 UK financial commitments are as set out in existing UK plans and budgets for SRV, via DFID.
15. In 2010 UK and SRV will hold a substantial review of the implementation of this Arrangement. The review will be used to inform decisions on the level of budget support and technical assistance for the remaining years of the Arrangement. This will take into account SRV progress in

implementing the Socio-Economic Development Plan (2006-10) and reaching the Vietnam Development Goals, SRV plans for 2011-2015 and the UK policies current at that time.

16. UK will consider reducing or interrupting its development assistance only if:
  - a) SRV significantly veers away from its agreed growth and poverty reduction objectives; or
  - b) SRV significantly violates human rights treaties to which it is a signatory; or
  - c) a significant breakdown occurs in the performance of SRV financial management and accountability systems, leading to the risk of funds being misused through weak administration or corruption.
17. If UK believes there has been a sign of breach of commitments by SRV, which may affect the level of trust in the aid relationship, UK will send to SRV a notice of their opinion on the issue. In the event that there is evidence of such a breach UK may take any of the following actions; delay all or part of a specific aid disbursement to SRV; change the way UK delivers aid to SRV; switch all or some of the aid away from government to other channels; reduce/stop aid to SRV.
18. The appropriate response will depend on: the seriousness of the specific situation and the circumstances that led to a breach of the partnership commitments. If the partnership described in this Arrangement begins to break down, UK will consider the scale, severity and trend of the change; and the impact for poor people and for longer term poverty reduction efforts, of stopping or continuing aid. The judgment will also take into account any special circumstances, such as evidence that the breach will be reversed, or that the government is making efforts to address the problem in question.
19. Where it is necessary to reduce or interrupt aid UK will allow for a period of assessment and discussion with SRV and may require coordination with other donors. Any planned disbursements will continue during the period of dialogue. UK will only reduce aid within the SRV financial year in exceptional circumstances.

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## Authorisation

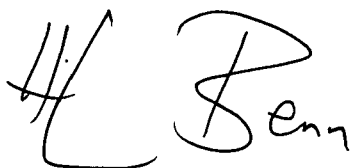
20. The Département for International Development (DFID) and Ministry of Planning and Investment (MPI) are authorised to represent their respective Governments in the issues related to the implementation of this Arrangement.

## Duration

21. This Arrangement will come into operation upon the signature of the two governments and will remain valid for a period of ten years. The arrangement will be signed in duplicate in the English and Vietnamese languages. Both texts have equal validity. When there is a discrepancy in understanding the content of this Arrangement, the English version will be used for official interpretation.
22. The Arrangement can be terminated by three months' written notice by either government. It is accepted nonetheless that any decision of either government regarding suspension, termination or amendment of the Arrangement will first be subject to comprehensive discussion. Equally, modalities of resumption will be subject to thorough discussion.
23. Amendments to the content of this Arrangement shall be considered by the two participants upon written request by either Government.

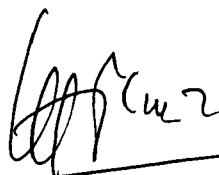
The undersigned, on behalf of their respective Governments, have signed this Arrangement in two originals on 19<sup>th</sup> September, 2006.

On behalf of the United Kingdom of  
Great Britain and Northern Ireland



Hilary Benn  
Secretary of State for  
International Development

On behalf of Socialist Republic of  
Vietnam Government



Vo Hong Phuc  
Minister  
Ministry of Planning and Investment

## **Annex 1: DFID Vietnam Strategy**

DFID Vietnam's main aim is to support the Government of Vietnam implement their strategy for economic growth and reducing poverty in order to meet the Vietnam Development Goals. Within this framework, we will focus on a number of areas where we believe we can add value to the development effort. The strategic objectives to guide our work are linked objectives which reflect the main themes in Vietnam's CPRGS and the SEDP, these include:

- To promote the efficient, effective and equitable use of public financial resources
- To strengthen the Government's efforts to achieve socially inclusive development and accountability to citizens
- To support economic and social transition
- To promote the effectiveness of the entire international development effort in Vietnam.

Throughout our programme, we support the implementation of the Vietnamese Government's development strategies, work in multi-donor initiatives whenever possible, and champion easier and more transparent ways of transferring resources from donors to the Government of Vietnam. Our focus will be on crosscutting issues and an in-depth involvement in education. We use a variety of instruments, including budget and sector support, strategic technical assistance facilities, projects, and small influencing funds.

Annex 2: INDICATIVE SPENDING FIGURES OF DFID IN VIETNAM PERIOD 2006-2010

	Allocation	Spent to Mar-06	Project Balance	Forecast			
				2006/7	2007/8	2008/9	2009/10
<b>A. APPROVED - PRBS</b>							
1 PRSC 3.4.5	60,000,000	40,000,000	20,000,000	20,000,000	-	-	-
2 Education for All	21,000,000	4,000,000	17,000,000	4,500,000	6,050,000	6,050,000	200,000
3 Programme 135	10,250,000	10,132,360	117,640	-	-	-	-
<b>Sub Total - PRBS</b>	<b>91,250,000</b>	<b>54,132,360</b>	<b>37,117,640</b>	<b>24,500,000</b>	<b>6,050,000</b>	<b>6,050,000</b>	<b>200,000</b>
<b>A. APPROVED - NON PRBS</b>							
4 Primary Teachers for Development Project	8,256,000	4,548,003	3,707,997	1,000,000	500,000	-	-
5 Primary Education for Disadvantaged Children	26,000,000	7,774,648	18,225,352	2,600,000	3,877,756	1,187,989	-
6 Preventing HIV/AIDS in Vietnam Project	17,500,000	4,847,357	12,652,643	3,300,000	3,954,490	2,500,000	-
7 Public Financial Management Reform Project	6,580,000	2,521,450	4,058,550	1,000,000	1,722,222	1,166,667	466,708
8 UNDP Strategic Partnership Initiatives	5,000,000	1,769,725	3,230,275	2,000,000	1,220,000	-	-
9 Rural Transport Phase II	25,625,000	24,172,061	1,452,939	1,500,000	-	-	-
10 Poverty Analysis and Poverty Advice Programme	5,266,000	4,184,628	1,081,372	500,000	-	-	-
11 Northern Mountains Poverty Reduction Project	7,500,000	4,331,396	3,168,604	1,000,000	1,300,000	-	-
12 Central Region Livelihoods Improvement Project	12,000,000	3,353,253	8,646,747	1,320,000	3,061,111	-	-
<b>Sub Total - Non PRBS</b>	<b>113,727,000</b>	<b>57,502,521</b>	<b>56,224,479</b>	<b>14,220,000</b>	<b>15,635,579</b>	<b>4,854,656</b>	<b>466,708</b>
<b>SUB TOTAL - APPROVED PROGRAMMES</b>	<b>204,977,000</b>	<b>111,634,881</b>	<b>93,342,119</b>	<b>38,720,000</b>	<b>21,685,579</b>	<b>10,904,656</b>	<b>666,708</b>
<b>B. NEW PROGRAMMES</b>							
<b>PRBS</b>							
13 Transport Sector Support implementation	15,000,000	-	15,000,000	2,280,000	4,250,000	7,925,000	-
14 Programme 135 phase II	16,000,000	-	16,000,000	8,000,000	8,000,000	-	-
<b>Non PRBS</b>							
15 Making Markets Work Better for the Poor (phase II implementation)	2,000,000	-	2,000,000	400,000	500,000	400,000	400,000
16 Beyond WTO implementation	4,000,000	-	4,000,000	600,000	800,000	800,000	800,000
<b>Sub Total</b>	<b>37,000,000</b>	<b>-</b>	<b>37,000,000</b>	<b>11,280,000</b>	<b>13,550,000</b>	<b>9,125,000</b>	<b>1,200,000</b>
<b>C. FUNDS FOR POTENTIAL PLANS</b>							
<b>GRAND TOTAL:</b>	<b>241,977,000</b>	<b>111,634,881</b>	<b>130,342,119</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>