



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM, PERFORMANCE REPORT 2015-16

Vietnam

September 2016



KEY MESSAGES

This report summarises the aid program's progress and performance in Vietnam during 2015-16. This is the first report on progress against the *Aid Investment Plan 2015-20* which was launched in September 2015. In 2015-16, Australia's official development assistance to Vietnam was A\$ 85.96 million.

The aid program is continuing its **transition** from the aid relationship outlined in the 2010-15 Country Strategy **to an economic partnership** agreed in the *Aid Investment Plan 2015-20*. This year saw further consolidation of the aid program with closure of eight aid investments. Four new aid investments are being designed to deepen our sectoral focus in infrastructure, economic reform, and water and sanitation. One new aid investment is seeing us move into a new geographical area, the Northern Mountainous region, with a new focus on women's economic empowerment.

In 2015-16 our infrastructure program completed **66 per cent of the construction of the Cao Lanh Bridge**, with opening of the bridge on track for November 2017. Two other major transport projects were completed this year. These have built a total of 231 kms of rural roads, 102 small bridges and reconstructed 70 kms of national highway, benefiting an estimated **316,000 people in the Mekong Delta**. The completion of our water and sanitation program saw a further **56,000 households** obtain a water connection for the first time and **111,000 households** gaining access to a toilet. In 2015-16, **268** emerging leaders from Vietnam completed postgraduate education in Australia with our support, and our new five year Human Resource Development Partnership began in January 2016.

Leveraging our aid program and reputation, Australia continued to **engage at the highest levels** on public policy making. Our technical contributions to the Vietnam 2035 report, a government vision for the future, were acknowledged by the Deputy Prime Minister at its launch. We presented on Australia's experience on strengthening market institutions to the Prime Minister and were able to present recommendations which he acknowledged at the Vietnam Development Partners Forum, the peak forum in Vietnam where the international community is able to directly engage with the Prime Minister and Ministers. Australia is also now seen by Vietnam as a **partner of choice in pursuing gender equality**. The Vietnam Women's Union and the Ambassador meet quarterly to progress gender equality, and a gender strategy will be developed in the coming year.

Lessons from this year highlight the importance of ensuring we **allocate sufficient staff resources** to redirect our program in the short period of time we have. Our staff need to work closely with our partners both nationally and provincially to ensure new projects obtain Government of Vietnam approvals in a new and complex regulatory environment. Fragmentation of the program needs to be avoided to better realise the benefits of consolidation and quality of new investments.



CONTEXT

Vietnam marked a number of key occasions in 2015 – 70 years since the Declaration of Independence, 40 years since Reunification, and 30 years since the launch of *Doi Moi*, a significant political and economic reform process that transformed Vietnam from one of the poorest countries in the world to a lower middle income country with per capita income of USD 2,100. It was also a critical political year, with the five-yearly change of Vietnam's leadership and government starting with the National Party Congress in January and ending with the election and sitting of the new National Assembly in May-July. These new leaders and government will oversee and guide the country's economic and social development over the next five years.

Over the past 25 years, Vietnam's per capita GDP growth has been among the fastest in the world, lifting over 35 million people out of poverty. While growth has slowed somewhat due to continued structural constraints and the recent impact of severe drought and salinisation in the Mekong Delta, the medium-term outlook remains positive; the projected growth rate of 6 per cent is due to continue to 2020. Foreign Direct Investment flows to Vietnam remain strong and it is a leading destination for such investment in the region, despite some institutional shortcomings. Vietnam is a growing hub in regional supply chains, particularly manufacturing, and its participation in ASEAN's evolving economic architecture and the Trans-Pacific Partnership is likely to reinforce this trend.

But there are risks associated with Vietnam's transition to middle-income status. These include rising public debt, the level of non-performing loans in banks, inefficient state owned enterprises and insufficient investment in skills and infrastructure essential to raising productivity. Its prospective graduation from World Bank International Development Association concessional financing in 2017 means Vietnam will have to rely on alternative – and more expensive – sources of financing.

Inequality will also remain a challenge. Twelve million people live below Vietnam's national poverty line and the 15 per cent of the population who are ethnic minorities now represent 60 per cent of those living under the poverty line. And while Vietnam met its Millennium Development Goal on gender equality, gender disparities still exist. Women have less access to and ownership of economic assets than men, and unlike global trends, Vietnam's gender pay gap has widened over the last decade. Women's representation in the National Assembly has fallen, and women are poorly represented in other leadership roles.

In September 2015, Australia committed to a new five year development assistance program to support Vietnam address these challenges. Shaped as an economic partnership and outlined in the *Aid Investment Plan 2015-2020*, Australia's development assistance complements our broader economic diplomacy efforts and encourages greater economic regional integration. Australia's development assistance is strongly aligned with the Government of Vietnam's two roadmaps for continued economic growth and social development: the *Vietnam 2035 Report* (2016) and the *Socio-Economic Development Plan 2016-2020* (2015). Structural reform, macroeconomic stability, environmental sustainability and social equality are key themes of these reports and ones which Australia will support through our three objectives of: enabling and engaging the private sector, skilling up the workforce and supporting inclusive growth.

In 2015, Australia moved from the 6th to the 9th largest donor. The World Bank, Asian Development Bank, Japan, Korea, France, Germany, US, EU and Australia continue to be key development partners with Vietnam, but new and non-traditional OECD DAC partners are emerging such as Saudi Arabia and China.

EXPENDITURE

Total ODA expenditure for 2015-16 is set out in Table 1. Expenditure is less than last financial year due to a reduction in Australia's overall ODA budget. The relatively low expenditure under Objective 3 is reflective of a new design phase, and implementation – hence greater expenditure – will take place next year.

Table 1: Total ODA Expenditure in 2015-16

Objective	A\$ million	% of total ODA
<i>Bilateral</i>		
Objective 1: Enabling and engaging the private sector for development	23.50	27%
Objective 2: Assisting the development and employment of a highly skilled workforce	31.53	37%
Objective 3: Promoting women's economic empowerment, including ethnic minorities	4.99	6%
Operation and economic diplomacy	1.33	2%
<i>Sub-Total Bilateral</i>	<i>61.36</i>	<i>71%</i>
Regional and Global	20.4	24%
Other Government Departments	4.2	5%
Total ODA Expenditure	85.96	100%

PROGRESS TOWARDS OBJECTIVES

This year is the first report on progress against the *Aid Investment Plan Vietnam 2015-20* with a new set of objectives. For this reason, there is no comparison to last year's objectives (Table 2).

Table 2: Rating of the program's progress towards Australia's aid objectives

Objective	Previous Rating	Current Rating
Objective 1: Enabling and engaging the private sector for development	n/a	Green
Objective 2: Assisting the development and employment of a highly skilled workforce	n/a	Green
Objective 3: Promoting women's economic empowerment, including ethnic minorities	n/a	Green

Note:

Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.



OBJECTIVE 1: ENABLING AND ENGAGING THE PRIVATE SECTOR FOR DEVELOPMENT

This **objective is rated green** as most activities are expected to meet their targets in proposed timeframes.

Vietnam has made progress in improving the environment for private sector development over the past twelve months. Implementation of the 2014 revised enterprise and investment laws has continued, reducing the number of conditions placed on business and opening up new sectors to competition. This has seen a large increase in the number of new businesses registered: more than 100,000 in 2015-16 representing an increase of 25 per cent. Foreign investment has increased by 12 per cent in 2015 in the expectation of a post TPP and EU-Vietnam Free Trade Agreement environment. These agreements present new market access opportunities for Vietnamese manufacturers, particularly in the garments and textiles sector.

However, increasing public debt has potential for negative spill over effects by crowding out lending to the private sector or reducing government spending. To address this, Vietnam is exploring new private sector delivery models to improve efficiency in public service delivery. Fiscal constraints have also slowed investments in transport infrastructure, which at 3 per cent of GDP since 2012 are already below long term trend levels of 5 per cent. The quality of Vietnam's transport infrastructure is low, and new investments are critical to ensure that this does not become an even greater brake on economic growth.

Australia's program of assistance under this objective is reducing the barriers to private sector development as well as engagement of the private sector in critical areas of service delivery. We are reducing physical barriers by investing in new transport infrastructure and introducing regulatory reform to further stimulate business development in Vietnam. We are also piloting new private sector led service delivery models, focused on water and sanitation as well as climate change adaptation and mitigation. Achieving reform in these areas is critical to ensuring Vietnam becomes an industrialised and competitive country by 2020 consistent with the Government of Vietnam's *Socio-Economic Development Strategy 2011-2020*.

Transport infrastructure

Australia's investment in the **Cao Lanh Bridge** will improve connectivity between the Southern Mekong Delta and Ho Chi Minh City, and continues to make good progress. Construction is now 66 per cent complete, slightly ahead of schedule. As a result, we have achieved our performance benchmark for this activity of completing 60 per cent of construction progress. Resettlement at the bridge site is fully complete but some households still remain at locations along the bridge's approach roads as negotiations on compensation continue. This carries a risk of delay if not resolved soon by the authorities of Dong Thap Province. We, along with our partner ADB, are monitoring the situation closely to ensure that remaining resettlement activities proceed consistent with the project's resettlement plan.

In addition to this plan, Australia is supporting vulnerable and poor affected households adjacent to the project site through a local microfinance NGO. A 2016 review found that this support is effectively helping people to improve their housing and income. Over the last 12 months, Australia and ADB have pushed to increase resourcing to monitor health and safety management on the project, and as a result an additional health safety officer was mobilised in June 2016. In parallel, we are engaged in policy dialogue with the Government of Vietnam to highlight the benefits that come from effective management of environmental and social safeguards so that these can be replicated on other, non-ODA financed, projects.

In June 2016, the design of an impact evaluation of the Cao Lanh bridge was completed and will allow for a rigorous assessment of the project benefits (or any unforeseen negative impacts) for men and women in the surrounding provinces in one and three years after completion. An initial survey, against which to benchmark socio-economic impacts, will be carried out in September 2016.



In 2015-16 two other major transport projects were completed: the Southern Coastal Corridor Project and the Mekong Delta Transport Infrastructure Development Project. About 70 kms of national highway were reconstructed between Ca Mau and Rach Gia in the Mekong Delta through the **Southern Coastal Corridor Project**. The highway was open in September 2015, about four months later than expected. A final evaluation will occur in late 2016, but informal consultations with residents suggest that the road has reduced travel times by up to an hour and allowed local agricultural producers to gain new market access.

An additional benefit of the project has been to promote enhanced treatment for soft soil conditions, which were piloted on this project at Australia's request. If adopted nationally, this has the potential for major road safety benefits by reducing the prevalence of steep and dangerous bridge approaches. The Government of Vietnam has already expressed an interest in applying these techniques at sites with similar soil conditions.

Under the **Mekong Delta Infrastructure Connectivity Project**, Australia supported the construction of 231 kms of rural roads and 102 small bridges across the Mekong Delta, of which 32 kms of rural roads and 17 bridges were completed in 2015-16. This has directly benefited more than 74,000 households and an estimated 316,000 people. A joint World Bank and DFAT completion review found that the project met its objective of improving access to major transport corridors for the poor in rural areas. A further benefit has been an increase in road safety through the replacement of unsafe bamboo bridges with larger concrete bridges. A full project evaluation in 2017 will determine impacts on women, men and poor households.

During the project Australia also supported, through the World Bank, the Ministry of Transport's Public Private Partnership (PPP) department to develop and manage PPP projects. This will increase awareness of PPPs as an effective mechanism for financing infrastructure projects, especially issues of risk sharing arrangements. Resolving these issues is critical for reducing delays to pioneering transactions, like the Dau Giay - Phan Thiet project which Australia also supports through the World Bank.

Business Environment Reform

Our support for business environment reform through the **Restructuring for a More Competitive Vietnam (RCV) Project** made good progress in 2015-16. We built on earlier support to support Vietnam's revision of the Enterprise and Investment laws by focusing on monitoring legislative compliance by various ministries and agencies. This led to the abolition of 3299 business conditions that placed restrictions on participation in certain sectors and industries. We also supported the Vietnam Chamber of Commerce and Industry to conduct a survey of the best and worst regulations issued in the previous 18 months. The findings will help to raise public awareness of inefficient regulation and help repeal regulations that damage Vietnam's economic competitiveness.

A mid-term review found that RCV is relevant, effective and efficient, although it needs to better address gender equality. We continue to work closely with the Central Institute of Economic Management (CIEM) to better understand how reforms to market institutions can affect women and men differently. CIEM is now leading a study to better understand these issues to inform future work.

We have worked with Australia's world-class institutions, the ACCC and Productivity Commission, to engage the Government of Vietnam in discussions on economic competitiveness. In December 2015, Australia led donor representations to Vietnam's Prime Minister on the need to accelerate market-based reform, and made recommendations on specific measures through the annual Vietnam Development Partner Forum.

Private Sector Development and Service Delivery

In 2015-16, Australian budget support for the Government of Vietnam's **National Target Program 3** on water and sanitation was completed. During 2015-16, Australia financed a total of 56,000 new water connections and provided an additional 111,000 households with hygienic latrines. Over the life of the project 86 per cent of the rural population gained access to hygienic water, slightly exceeding the target of 85 per cent. The



target of 65 per cent of rural households with access to a hygienic latrine was also met. A notable fact is that the project was still able to meet (and in some cases exceed) targets while pursuing a pro-poor strategy of increasing access in remote areas which have higher costs and are difficult to deliver.

In 2015-16 we have continued preparing the groundwork for greater involvement of the private sector in delivering water and sanitation services. By helping to develop a rural water infrastructure asset database to improve prioritisation of investments, there has been an increase in functionality of water schemes from 60 per cent in 2013 to 75 cent in 2015.

Australia has also led policy discussions between donors and the government on improving private sector engagement and financial sustainability through improved cost recovery new low-cost technologies. In 2015, Australia successfully brokered a partnership between the Australian Water Association and Vietnam Water Supply and Sewerage Association to strengthen governance and regulatory structures that nurture private sector engagement and facilitate commercial partnerships between the Australian and Vietnamese industries. Output based subsidies have also been trialled under the **Global Civil Society WASH fund** which can provide protection for poor households in the face of increasing tariffs. The Government of Vietnam has expressed interest in this approach and it will be a key feature of future Australian assistance from 2017.

The **Vietnam Climate Innovation Centre (VCIC)** was officially launched in December 2015. It provides early-stage financing, technical and business advisory support to small and medium enterprises, focusing on innovative climate technologies at incubation, acceleration and commercialisation stages. This reflects significant progress since DFAT put forward a Remediation Plan for World Bank's improved performance in April 2015. Nineteen finalist companies, seven of which are headed by women, have been nominated for support to progress innovative clean-tech solutions in sustainable agriculture, renewable energy, energy efficiency and water management.

Vietnam's National Agency for Technology Entrepreneurship and Commercialization has demonstrated strong commitment and leadership in taking VCIC forward. This represents a key component of Vietnam's commitment to the global climate change agreement reached in Paris in December 2015.

OBJECTIVE 2: ASSISTING THE DEVELOPMENT AND EMPLOYMENT OF A HIGHLY SKILLED WORKFORCE

The overall **rating for this objective is green**. The 2015-16 review period was a transition year from the previous Australia Awards¹ Vietnam program to the new Vietnam-Australia Human Resource Development Partnership.

The new partnership shifts our human resource development support from just the provision of individual scholarships for long-term study in Australia to including a broader and more flexible suite of tools. These will develop human resources in target organisations aligned to the *Aid Investment Plan* and support improvements to targeted areas of Vietnam's higher education systems and institutions.

The **Australia Awards Vietnam (AAV)** was assessed as highly successful in providing opportunities for short-term and postgraduate studies for government central and local officers, university lecturers and researchers. Around 93 per cent of AAV alumni were employed in positions that were relevant to their award skills after three years of return, which exceeds the performance benchmark of 75 per cent. Over 98 per cent of awardees completed their courses successfully, above the benchmark of 90 per cent.

¹ Australia Awards are scholarships and fellowships for study in Australia, that aim to build people-to-people links and develop capacity and leadership skills so that individuals can contribute to development in their home country. They include the Australia Awards Scholarships and Australia Awards Fellowships administered by DFAT, John Allwright Fellowships administered by Australian Council for International Agricultural Research (ACIAR) and Endeavour Scholarships and Fellowships administered by Department of Education and Training (DET)

In support of the Government of Vietnam's strategies, social inclusion continued as a strong focus, setting the Australia Awards apart from other donor-funded scholarships in Vietnam. Over its six years, the Australia Awards Vietnam program provided scholarships to 28 people with disability, 65 ethnic minorities and 103 people from a rural disadvantaged background. This was achieved through deliberate efforts throughout the scholarship cycle, ranging from targeted promotion, to pre-award and on-award and alumni support.

The new **Vietnam-Australia Human Resource Development Partnership (VAHRDP)** has been progressed through the development of new partnerships and establishment of niche areas for the non-scholarship components to commence in 2016-17. The identification of activities for selected universities in the Northern Mountainous Region and in technical and vocational training progressed as expected.

The VAHRDP supports Vietnam's *Socio-Economic Development Plan 2016-2020*, which reiterates improving the quality of human resources, especially at higher education and vocation levels. VAHRDP targets key areas identified by the Government of Vietnam, including strengthening the relevance and quality of training to meet industry demands, facilitating labour mobility, and increasing attention to social equity in education and training opportunities. The program utilises Australia's expertise and experience by showcasing Australian training and education systems. The Australia Awards component of VAHRDP will only provide Masters Degrees from 2016, complementing the Government of Vietnam's recent move to providing 100 scholarships for PhD studies in Australia.

A key outcome of the Australia Awards Scholarships is high number of alumni that can contribute to shared learning and influence. There are over 5,600 alumni from Vietnam dating back to the 1970s, representing a significant resource to bolster academic and leadership linkages that benefit Vietnam's development.

Table 3: Australia Awards offered and completed in 2015

	New awards offered (2015)			Awards completed (2015)		
	Total	Male	Female	Total	Male	Female
Australia Awards Scholarships ²	100	36	64	230	98	132
Australia Awards Fellowships ³	n/a	n/a	n/a	n/a	n/a	n/a
Australia Awards John Allwright Fellowships ⁴	2	-	2	3	3	-
Australia Awards Endeavour Scholarships ⁵	21	9	12	35	14	21
Australia Awards Endeavour Fellowships ⁶	18	9	9			
<i>Total</i>	<i>141</i>	<i>54</i>	<i>87</i>	<i>268</i>	<i>115</i>	<i>153</i>

Women continued to account over 60 per cent of new awardees in 2015. Findings of our study "Strategies for promoting leadership pathways for female Australia Awards alumni" gained full support from alumni in mid-2015. The findings are informing the Women in Leadership investment being designed under VAHRDP.

Improving the quality of Vietnam's human resources is also supported through global programs:

- **Australian Volunteers for International Development (AVID) program:** 27 new AVID participants (including 19 women) were placed in Vietnam in 2015-16 to build capacity of host organisations in high priority sectors of both governments and promote positive people-to-people links. Volunteers have been placed

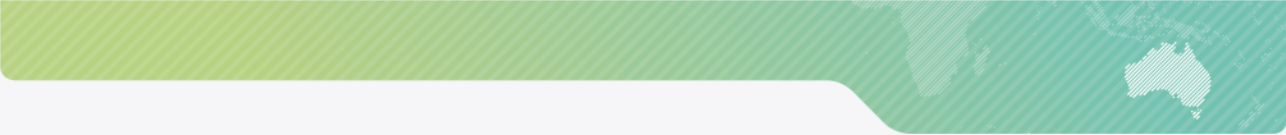
² Provided under the bilateral aid program

³ Australia Awards Fellowships is a global program

⁴ Provided by ACIAR

⁵ Provided by DET

⁶ Provided by DET



in organisations supporting priority areas of strategic reform for the Australian Government, such as alumni engagement.

- **Government Partnerships for Development (GPDFD):** managed by the Department of Education and Training to benchmark occupational standards between Vietnam and the Philippines was completed in 2016. Lessons from this were timely in informing the new human resource development program's increased engagement in TVET, with a focus on industry engagement.

Australia has engaged in policy dialogue with Vietnam on human resource development and education under the action plan for the Australia-Vietnam Joint Working Group on Education and Training. This has been achieved through State education minister visits to Vietnam, APEC meetings and OECD forums.

OBJECTIVE 3: PROMOTING WOMEN'S ECONOMIC EMPOWERMENT, INCLUDING ETHNIC MINORITIES

The **green rating** reflects progress as anticipated and the achievement of all benchmarks.

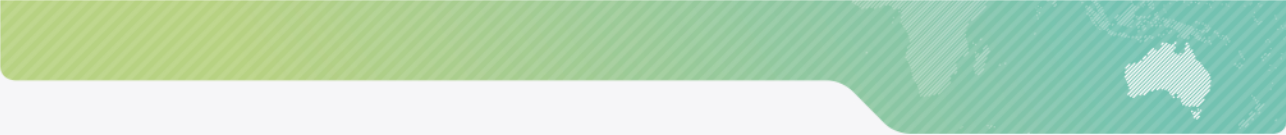
We have made robust progress in designing the two flagship programs against this objective. These will form the backbone of the next five years of work promoting economic empowerment among ethnic minority women, and women's leadership in business. Our support for ethnic minority women will focus on their equitable participation in agriculture and tourism in the northwest provinces of Son La and Lao Cai.

Under the DFAT Gender Equity Fund, we accessed additional Australian ODA to mobilise a consortium of NGOs to undertake early work on a new investment called **Women's Economic Empowerment through Value Chain Enhancement (WEAVE)**. This small investment will lay the foundations of the larger flagship program currently under design called the **Gender-Responsive Equitable Agriculture and Tourism program (GREAT)**. WEAVE has enabled us to collaborate with NGOs and the Australian Centre for International Agricultural Research (ACIAR) to forge an innovative whole-of-government approach to raising greater awareness on the important linkages between gender, aid and trade. We worked with Vietnamese-Australian TV Chef Luke Nguyen to promote, through video footage, the achievements of Australia's efforts to increase jobs and incomes for women in ethnic minority communities. Design of the Vietnam component of the **Investing in Women initiative** is also well underway in close collaboration with the Ministry of Planning and Investment.

The current context for progress against this objective is mixed. Vietnam has high participation of women in the workforce compared with countries across the region. However, women are paid less and in more vulnerable jobs, have less access to training, have fewer assets, and take on the bulk of society's unpaid domestic and care work. Women are not well represented in leadership positions in government or the private sector. In rural areas and especially among ethnic minority communities, a woman would find it economically impossible to leave her marriage even in the case of domestic violence.

Much of this situation is not for want of appropriate policies and legislation, but due to deeply ingrained societal attitudes. We recognise therefore that change may be incremental. In this forward-looking year of design and project preparation, we have placed a high priority on generating data and analysis. We launched two exceptional publications this year: 'Social Determinants of Gender Inequality in Vietnam' by ISDS, and 'Towards Gender Equality in Vietnam: Making Inclusive Growth Work for Women' by UN Women. These contribute to the evidence informing our own programs and policy advocacy, and have stimulated lively public debate including in Vietnamese social media and TV.

We have increased our expectations for gender equality in our aid program. We have demanded that underperforming partners such as the World Bank be more ambitious in terms of what they aspire to achieve in terms of gender equality, and how effectively they substantiate these impacts. We have strengthened our long-standing relationship with the Vietnam Women's Union through regular strategic dialogues between



their President and the Australian Ambassador. We have highlighted Australia and Vietnam's joint efforts in support of women's empowerment through a concerted wave of public diplomacy focused on Gender Month (from Vietnam Women's Day in October through to White Ribbon Day in November).

Two investments from our previous country strategy 2010-2015 are also reported on in this section. The **Integrated Coastal Management Program (ICMP)** is well advanced in its scale-up phase (2014-2018), and has built on earlier lessons to assist the Government of Vietnam to embed climate-resilient development into regional planning. Research by UN indicates women face higher risks and greater burdens from the impacts of climate change and that their unequal participation in decision-making processes and labour markets compound inequalities. There is an opportunity through this well established program, to ensure these risks are reduced and that women achieve the same economic benefits.

Our legacy project on **Disaster Risk Management** concluded this year and successfully increased women's contribution to and leadership in disaster risk management and decision making. Australia partnered with UNDP, Vietnam's Disaster Management Centre, the Vietnam Red Cross, the Vietnam Women's Union and Oxfam to achieve this at the national and community levels. Lasting impact has been achieved by the revision of the disaster risk management law to incorporate gender equality and Vietnam Women's Union participation in decision-making. The 'Women's Leadership in Risk Resilient Development: Good Practices and Lessons Learned', publication by the United Nations in 2015 notes this program as a best practice case study.

The most significant risk to achieving this objective is the potential for delays in the Government of Vietnam's approval of our two major flagship programs as a result of changing and increasingly complex regulations for ODA approval. We will mitigate this by working closely with relevant government partners.

PERFORMANCE BENCHMARKS

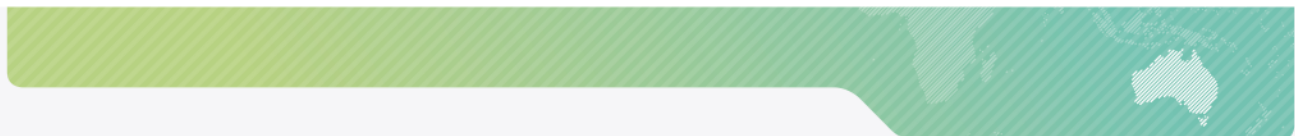
All performance benchmarks for 2015-16 were achieved. Comments on achievements against each performance benchmark for 2015-16 can be found in **Annex B**.

MUTUAL OBLIGATIONS

The Governments of Vietnam and Australia committed to an economic partnership as outlined in the *Aid Investment Plan 2015-2020*. This new partnership provides the foundation for mutual obligations. This includes shaping strategic development directions to co-financing aid investments by both governments. In 2015-16 we worked with the lead author of the *Socio-Economic Development Plan 2016-2020* to help shape its direction. We also provided finance and technical analysis on governance issues in the *Vietnam 2035* report which was launched jointly by the Deputy Prime Minister and President of the World Bank. The "Restructuring for a more competitive Vietnam" investment is also a highlight of our economic partnership where Australia has been able to share our own experiences of reform and liberalisation to help shape Vietnam's reform process.

Implementation of mutual obligations agreed by the Government of Vietnam and donors including Australia at the 2015 Vietnam Development Partnership Forum remains a challenge. This is due to the newly issued Decree 16 which makes ODA procedures more complex and time-consuming. We have communicated our concerns to responsible areas within the Government of Vietnam.

The Sustainable Development Goals set out more comprehensive development goals for Vietnam than the Millennium Development Goals. In support, Australia continues to build on existing partnerships in areas of high priority to assist Vietnam. Our *Aid Investment Plan 2015-2020* addresses 16 of the 17 Sustainable Development Goals with a main focus on alleviating poverty (Goal 1), gender equality (Goal 5), decent work and economic growth (Goal 8) and partnerships for the goals (Goal 17).



The Australia-Vietnam High Level Consultation in March 2017 will witness the joint commitment by the two governments to new investments that will support private sector development and facilitate greater economic inclusion.

PROGRAM QUALITY AND PARTNER PERFORMANCE

The *Aid Investment Plan 2015-2020* performance benchmarks are used in conjunction with other mechanisms to assess the performance of the Australian aid program in Vietnam. In the 2016 Aid Quality Check (AQC) round, eight of thirteen AQC reports were Final AQC (FAQC) signalling the end of a major strategic phase of Australia's aid program to Vietnam. The FAQCs provided useful lessons learned for the new investments currently underway or in design. DFAT led one mid-term review of the Restructuring for More Competitive Vietnam program and one independent completion evaluation of the Joint Donor Support for the National Targeted Program on Water Supply and Sanitation. A plan for evaluating the impacts of the Cao Lanh bridge, including baseline data collection, evaluation at completion, and ex-post evaluation, has also been developed. Staff actively use supervision missions to monitor performance of the projects implemented by multilateral banks to make sure that results and risk management are as expected.

In the last twelve months, DFAT commenced the design of three new aid investments under the *Aid Investment Plan 2015-2020*. The design missions involved strong monitoring and evaluation and gender specialists to develop vigorous performance frameworks and well-integrated gender equality measures.

We have done well to meet the Australian Government's efficiency target of reducing the number of individual aid investments by 20 per cent by 2016-17. In the period from July 2015 to July 2016, the number of our active investments decreased by 33 per cent (from 30 investments to 20 investments). Among the active investments, non-monitored investment (under \$3 million) represent 30 per cent, investments above \$10 million represent 50 per cent. We are planning to increase efficiency further by reducing the number of investments to 13 by July 2017.

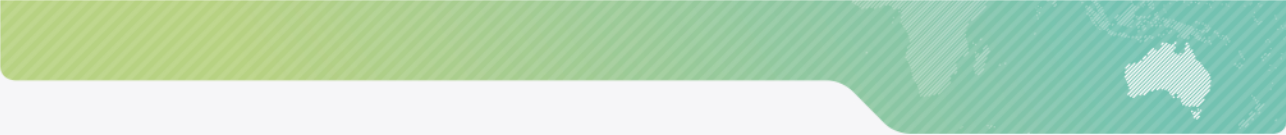
Comment on evaluations completed in the reporting period and discuss the forward evaluation pipeline with reference to **Annex C**.

ANALYSIS OF AID QUALITY CHECKS (AQCS)

AQC and FAQC reports confirmed that all of the monitored investments are highly relevant with the new AIP strategic objectives and development priority of both Governments with 100 per cent of investments rating as satisfactory against the relevance criteria.

Compared with last year AQC process, our overall performance has improved. A satisfactory rating for effectiveness increased from 88 per cent last year to 100 per cent this year, and efficiency from 88 per cent to 92 per cent. This reflects concerted efforts to improve performance and value for money of Australian aid investments in Vietnam. The program made significant improvements in M&E criteria, with 100 per cent of investments rated satisfactory or above, compared with 82 per cent last year. DFAT has worked in close partnership with the World Bank to improve the results management frameworks of the World Bank Partnership Trust-fund and Vietnam Climate Change Innovation Centre. Both these investments had unsatisfactory M&E ratings last year. DFAT has been working closely with the Bank's implementation teams to mobilise additional M&E resources and participate in supervision missions.

The Vietnam Climate Change Innovation Centre was an investment requiring improvement (IRI) in 2015 AQC round, due to the significant delay in launching the Centre. We have now successfully implemented the remediation plan and achievements in the AQC report includes: Finalisation of Result Management Framework and Internal Project Operation Manual; development of an external expert panel to support the



first six months of implementation; and Initial Training sessions for potential clients. DFAT will maintain close monitoring through implementation support missions.

The Vietnam aid program did not meet the Australian Government's 80 per cent target on gender equality for the second year, with only 76 per cent of the AQC rated satisfactory on gender equality criteria. The World Bank Partnership Trust Fund and Restructuring for More Competitive Vietnam Program received improved gender equality ratings in the recent AQC assessment. However, the Mekong Transport Infrastructure and Anti-corruption projects received lower ratings, both unsatisfactory. They achieved certain gender equality targets or outputs but failed to put in place gender analysis to identify gender issues, set specific gender objective and systematically monitor through M&E framework. VCIC has not been successful in improving its gender rating to a satisfactory level. Further gender enforcement (turning gender from a crosscutting issue to specific objective) will require influence at higher level and changes to the existing arrangement between DFAT and World Bank as well World Bank and Partner Government.

The anti-corruption FAQC rating on sustainability criteria is unsatisfactory in 2016 round given the concern that benefits of the investment have not been sustained well due to reduced funding. At the same time, the possibility to leverage results is low as other donors are phasing out and the government – donor partnership has not been maintained. A table of AQC ratings is included in **Annex D**.

PERFORMANCE OF KEY DELIVERY PARTNERS

Our primary partner at the policy level remains the Government of Vietnam with which we have a long-established and highly productive working relationship. Government of Vietnam performance is highlighted under the mutual obligation section of this report.

In 2016, the Australian Aid Program in Vietnam conducted eight partner performance assessments: four Multilateral Banks; one managing contractor, and; three NGOs. Multilateral Banks remain key partners though they only account for 36 per cent of the 2015-16 budget. Three out of five pipeline investments are scheduled for managing contractor implementation, and one for World Bank management.

Most partners perform well in all of assessment areas, however the World Bank team implementing the Vietnam Climate Change Innovation Centre project has only had adequate performance across all criteria. DFAT is working with the World Bank to make sure it provides effective personnel and communication with donors. DFAT is seeking membership of the steering committee to further support our efforts to achieve this.

The World Bank Partnership Trust Fund is successful in achieving results and leveraging strategic level impacts, yet Australia's contribution is much smaller this year due to a reduced budget. The Joint Steering Committee membered by DFAT, World Bank and task team leaders proves to be an effective management mechanism to address issues at both policy and implementation level.

The partnership with ADB through the Cao Lanh bridge has been responsive and effective. The collaboration mechanism among ADB, partner government and DFAT is effective in coordinating responses on emerging issues which has been further assisted through transferring management responsibility from Manila to the Vietnam Resident Mission. DFAT engagement of an infrastructure advisor, who is former senior official of ADB, also added value in helping DFAT to better understand ADB system and provide strategic interventions to the implementation.

RISKS

Table 4: Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	Risk Rating
1. Delays in the approval and procurement of 5 major investments due to the new Vietnam Government decree requiring this ODA to be approved by the Prime Minister three times.	<p>Aid Management steering committee reviewed timeline for concept and design approval on monthly basis.</p> <p>DFAT raised this risk with Ministry of Planning and Investment (MPI).</p>	DFAT will bring forward the High Level Consultations on Development Cooperation from June 2017 to March 2017. We will work with MPI to ensure that these investments will be approved by both governments for implementation in a timely manner.	High
2. Our budget allocation is insufficient to cover existing commitments and mobilise new investments before 2017-18.	<p>Aid Management steering committee identified funding as a priority agenda item.</p> <p>Program pipeline plan is kept up to date by Embassy corporate team.</p> <p>Regular communication with partners on budget changes and development of different scenarios.</p>	<p>Aid Management steering committee will continue to closely monitor expenditure in 2016-17 and adjust quickly if needed.</p> <p>Corporate team will frequently update the program fund plan for investment budgets and pipeline budgets</p>	Medium
3. Slow progress of institutional reform in the AIP focus areas (private sector, gender equality, human resources) may delay achievement of objectives.	Active engagement with a range of different institutions and support of other potential reform champions.	All teams ensure this issue is accounted for in the design and implementation of new investments.	Medium
4. Development of relationships with new Ministers and Vice Ministers following the National Congress	New risk identified this year following the five yearly change of Vietnam's leadership and government.	<p>All teams will work closely with counterpart agencies to identify opportunities for building new and strong relationships with counterpart agencies.</p> <p>Ambassador calls on Ministers and Vice Ministers will highlight the development cooperation program.</p>	Medium
5. Insufficient fraud and corruption detection and control mechanisms may cause reputational damage for DFAT.	Corporate team conducted fraud and anti-corruption training for staff and partners.	<p>All teams include fraud and corruption in work-plans and assess during monitoring visits.</p> <p>Corporate team identifies high risk investments for audits and compliance spot-checks.</p>	Medium

MANAGEMENT RESPONSES

Annex A outlines progress in addressing last year's management responses. During 2015-16, a 40 per cent budget reduction was implemented. Extensive outreach by our locally engaged team enabled relationships to be maintained. The commitment to the design of five new aid investments starting in 2016-17 has rebuilt trust, and confirmed Australia's role as a key development partner in Vietnam.

To continue the transition to an economic partnership, and to address the issues covered in this review, the Vietnam program will prioritise the following in 2016-17:

1. Allocate **sufficient staff resources to mobilise five new aid investments**, complete the tender of three new investments and obtain Government of Vietnam approvals for all new investments.
2. Hold **High Level Consultations on Development Cooperation in Canberra in March 2017** to seek Government of Vietnam prioritisation of approvals for our new aid investments and agree mutual obligations.
3. **Prepare a gender strategy** and train and mentor staff, to enable us to achieve 100 per cent of programs effectively addressing gender in their implementation by 2016-17.
4. Identify **greater opportunities for innovation** in the way we deliver our aid investments, as well as fostering greater innovation in trade and private sector development aid investments.
5. Close seven investments in 2016-17 to complete **program consolidation**.
6. Maintain Australia's reputation and influence as a leading development partner in Vietnam, **engaging in quality policy dialogue** with the Government of Vietnam and ensuring donor coordination.