



European Union

# **EU Cooperation in Viet Nam: An enhanced response to the development challenges**

## **The Multiannual Indicative Programme for Viet Nam 2014 - 2020**





**EU Cooperation in Viet Nam:  
An enhanced response to the development challenges**

**The Multiannual Indicative Programme for Viet Nam  
2014 - 2020**



*Brussels, 13 October 2014: the EU Commissioner for Development, Mr. Andris Piebalgs, and the Vice Minister of the Ministry of Planning and Investment of Viet Nam, Mr. Nguyen Chi Dzung, sign the announcement to launch the Multiannual Indicative Programme 2014 - 2020 for Viet Nam, in presence of the President of the European Commission, Mr. José Manuel Barroso, and the Prime Minister of the Socialist Republic of Viet Nam, Mr. Nguyen Tan Dzung.*

## Foreword

Viet Nam has come a long way in eradicating poverty and raising the standard of living of its population since the early days of the European Commission's first development grants more than twenty years ago. Viet Nam's achievements on the Millennium Development Goals agenda, and its graduation to a Lower Middle Income Country, provide the clear indication of the impressive changes that brought the country to where it stands today. Looking forward, it is also expected to become the world's 17<sup>th</sup> largest economy by 2025.

Many development questions, however, still remain, and the challenges to eradicate poverty in Viet Nam are still complex and multifaceted. Development assistance to Viet Nam needs to be rethought and reshaped, in a context where Official Development Assistance, and grants in particular, only represents a small portion of development financing. The role of our cooperation is now broader, and aims to promote the effective mobilization of public and private resources for development, notably by contributing to an enabling environment to attract investment.

In line with the European Commission's development policy, enshrined in the "*Agenda for Change*", the new EU cooperation programme in Viet Nam (2014-2020) responds to these challenges by providing what I see as an enhanced, focused and relevant contribution to addressing Viet Nam's development challenges. *Enhanced*, as it represents an increase by more than 30% of funding (with a total amount of EUR 400 million) compared to the previous seven-year period. *Focused*, as it will be channeled in key areas - notably sustainably energy and governance/rule of law – to ensure a higher impact. *Relevant*, as it is fully in line with Viet Nam's priorities, with areas being crucial for Viet Nam's immediate socio-economic development.

The EU is today an important partner for Viet Nam. The EU, with the contribution of its Member States, is currently the largest grant donor to Viet Nam, the second largest trading partner, Viet Nam's first export market and one of the main foreign investors in the country. The recent signing of the EU-Viet Nam Partnership Cooperation Agreement (PCA) and the ongoing negotiations for an EU-Viet Nam Free Trade Agreement (FTA) also underline the rapid and positive developments in the EU - Viet Nam relations.

The future EU cooperation to Viet Nam towards 2020 will provide, I am certain, an important contribution in responding to Viet Nam's development challenges and to the growing ties and relations between EU and Viet Nam.

Hanoi, November 2014



Dr. Franz Jessen  
Ambassador - Head of EU Delegation to Viet Nam



# Table of Contents

|   |           |
|---|-----------|
| <b>1. The overall lines for the EU response</b>                             | <b>1</b>  |
| 1.1. Strategic Objectives for the EU's relationship with Viet Nam           | 1         |
| 1.2. Choice of sectors  | 2         |
| 1.2.1. Economic, political and development context and key challenges       | 2         |
| 1.2.2. Sectors of EU support  | 4         |
| <b>2. Financial Overview (Indicative amounts)</b>                           | <b>5</b>  |
| <b>3. EU support per sector</b>   | <b>6</b>  |
| 3.1. Sustainable Energy   | 6         |
| 3.2. Governance and rule of law   | 9         |
| <b>4. Support measures</b>  | <b>12</b> |
| <b>5. Annexes</b>   | <b>13</b> |
| Annex 1: Country at a glance  | 14        |
| Annex 2: Donor matrix   | 18        |
| Annex 3: Sector 1: Sector Intervention Framework and performance indicators | 19        |
| Annex 4: Sector 2: Sector Intervention Framework and performance indicators | 22        |
| Annex 5: Indicative timetable for commitments                               | 25        |





## 1. The overall lines for the EU response

### 1.1. Strategic Objectives for the EU's relationship with Viet Nam

Viet Nam's rapid growth in the past decades, along with its growing role and significance in the region and on the broader international scene, underscores the importance for the EU of developing further a constructive and reciprocal engagement with the country.

In this context, the overall strategic objective of the EU in Viet Nam is to further develop political, economic and cultural ties and to increase the visibility, understanding and presence of the EU in the country. The Partnership and Cooperation Agreement, signed in 2012, formalizes the EU's strategic objectives in line with Viet Nam's Socio-Economic Development Plan (2011-2020). With this Agreement, the EU intends to leverage on its added value in specific areas for a strengthened partnership, dialogue and cooperation with Viet Nam. These include the EU's unique and successful integration model based on fundamental values of democracy and human rights; its advanced regulatory environment and technological know-how to address global challenges on environment and climate change; and, its unique experience on a broad range of regional integration issues which are of high importance for Viet Nam as a Member of the Association of Southeast Asian Nations (ASEAN).

The EU's economic ties with Viet Nam are of strategic and growing importance. The EU is a major export market for Vietnamese goods and there is high potential for substantial EU investments in Viet Nam in the years to come. Negotiations for a bilateral Free Trade Agreement (FTA) between the EU and Viet Nam were formally launched in June 2012. The FTA would complement the PCA specifically on trade

and economic issues and will bring the EU trade and business relations with Viet Nam to a new level, supporting its transition to a more developed economy through further reforms and market opening.

At regional level, Viet Nam supports the Phnom Penh Agenda and its proposals to speed up the creation of the ASEAN Community by 2015. Thus the ASEAN integration process also features prominently in the overall EU strategic objectives for South East Asia, not least as a mean to contribute to regional stability and security and to economic prosperity.

The EU has consistently supported over the last 20 years Viet Nam's efforts for Millennium Development Goals completion, sustainable development and social inclusiveness through its Official Development Assistance (ODA). Over the past decade, Viet Nam has been one of the largest recipients of ODA in the world, in absolute terms, with annual disbursements of over USD 3 billion in the period 2009 to 2012. ODA has made a substantial contribution to the national development agenda, helping to meet the costs of Viet Nam's economic transition, the expansion of its infrastructure, the development of public health and education systems and ambitious programmes to fight poverty and inequality. Viet Nam is now entering a new phase of its national development and the country has a set-up objective to become a modern and industrialised country by 2020. To achieve such objective, Viet Nam needs to move from a growth model based on low-cost labour to one based on innovation and productivity growth. This calls for some major structural changes in the economy and continued investments in infrastructure and in human capital, while respecting the limitations of Vietnam's natural resource base. The governance capacity and the role for civil society need to be strengthened and innovative social policies need to be

promoted to tackle the rising inequalities and poverty in ethnic minority groups.

In a context of increased disengagement and gradual phasing out of several traditional (European) grant donors over the coming years, the EU aims at playing an important role in supporting Viet Nam to address its remaining development challenges.

## 1.2. Choice of sectors

### *1.2.1. Economic, political and development context and key challenges*

Viet Nam is a one-party state ruled by the Communist Party of Viet Nam. Every five years the Party sets out the medium-term policy orientations during the Communist Party National Congress. The National Assembly, elected every five years, is the highest organ of state power.

Viet Nam has a population of 88 million people (2011 data) with an average age of 27.5 years. The labour force accounts for 46.5 million workers and the official employment rate stands at 2.3 %. Unemployment is mainly concentrated among young inexperienced and poorly qualified workers and many Vietnamese people still work in the informal sector. Approximately 68% of the population still lives in rural areas.

Since it first launched its economic reforms in the 1980s, Viet Nam has been one of the most dynamic socio-economic performers in the developing world. Land reforms enabled farmers to expand production and trade was liberalised, allowing Viet Nam to become the world's second largest rice exporter. Viet Nam opened the way for foreign direct investment (FDI) from 1987, and in 1990 adopted a Law on Private Enterprises to provide a legal framework for private sector development. By the 2000s, Viet Nam had established trade relations with 160 countries, joining the World Trade Organization in 2007. From 1990 to 2010, income per capita rose by 440%, taking Viet

Nam from low income to lower middle-income country status.

The macro-economy has been recovering, after a period of imbalances, as a result of policy measures and commitment to ensure macroeconomic stability. However, some structural weaknesses remain and are inherent to the Vietnamese economy, particularly in the banking sector and state-owned enterprises (SOEs). Since the first moves to dismantle state monopolies in 1992, some 4.000 SOEs have been transformed through sale of shares ('equitisation'<sup>1</sup>). However, it has been principally smaller SOEs that have been prioritised, leaving a large share of the economy still in state hands. The private sector has nonetheless become the driver of economic growth, accounting for two thirds of total investment in 2011. Industrial production has increased from 23.8% of GDP in 1991 to over 40% today. The financial sector has been gradually restructured but there are complex problems of cross-ownership between banks and SOEs, and a growing burden of bad debt across the sector.

Budget in Vietnam remains divided in recurrent and development (capital) budgets with institutional responsibility split between the Ministry of Finance and the Ministry of Planning and Investment. This makes it difficult for the Government to align the two categories of expenditure. The Public Finance Management (PFM) system has been going through reforms for nearly two decades, although progress has slowed and the overall results are mixed. Issues such as medium-term planning processes, introduction of resource-based allocation into the planning system and the decentralisation shortcomings are still to be properly addressed while the level of fiscal transparency has increased, with budget plans and execution reports increasingly being made available, although

---

1 Vietnamese English term specific to this context.

improvements are required. Independent scrutiny of PFM remains weak although slow progress is being made with the National Assembly and the State Audit of Viet Nam playing a more prominent role.

Viet Nam's Human Development Index<sup>2</sup> (HDI) value for 2012 is 0.617, qualifying it in medium human development group with a ranking of 127 out of 187 countries. Indeed, the country has already reached in 2014 6 of the 8 MDG targets set for 2015. Social sectors have been a high priority for Government: spending on the health sector increased from 3.9% of the budget in 2000 to 8.2% in 2009, and education accounts for over 20% of the national budget. Most Vietnamese social security policies are at an initial stage and effective implementation should be improved. Significant challenges remain in ensuring public service delivery, especially in remote areas and in boosting the quality of education and health to meet the needs of an industrialising economy.

Viet Nam has made remarkable progress on poverty reduction. In the period from 1993 to 2010, poverty levels declined from 58% to 20.7%. Poverty remains with female headed households, the elderly and in mountainous and remote areas, with a high concentration among ethnic minorities, among whom poverty rates stood at 66% in 2010, compared to just 12.9% among the majority population. While the Government implements a range of targeted poverty reduction programmes, it is recognised that the remaining poverty represents a difficult challenge, requiring multi-dimensional solutions. Besides, the pattern of growth has become more capital-intensive, less pro-poor and more likely to increase inequality. Thus, the rate of poverty reduction is expected to slow significantly.

One of the legacies of Viet Nam's rapid development path is its substantial governance deficits. The country's political stability has been a key factor underlying

its economic success, but accountability, citizen's participation and the legislative and judicial system have progressed at a slower pace. The country has witnessed a significant development of civil society organizations, but these are still operating in a fragmented legal framework. Their actual ability to play an effective role towards improved transparency, accountability and policy formulation is limited. These governance deficits have also an impact on the business environment, as private sector investment and competitiveness have been slowed by the dominant role of state-owned enterprises and the limited capacity to implement laws and judgements. Addressing these governance challenges is essential for Viet Nam's transition to an industrialised and inclusive economy where advancement in working conditions and compliance with international standards would also be addressed.

Population growth, urbanization, industrialisation and changes in consumption behaviour have had an adverse impact on environment. Insufficient investment and lack of sustainable financing of critical urban, infrastructures are contributing to water and air pollution in urban areas. Biodiversity is threatened through imprudent and over use of natural resources. In addition to these environmental challenges, Viet Nam is one of the countries most exposed to the negative effects of climate change.

While Viet Nam is a significant energy exporter using its own resources (crude oil, coal and hydropower), by 2015 Viet Nam will be a net importer and is expected to import 35% of its energy needs by 2020 and up to 56% by 2030. Most of the population is connected to the power grid (98%) though an important share of the rural population is connected only formally and a large part relies on non-commercial biomass energy sources. The energy sector is crucial to Viet Nam's industrialisation and growth. Massive investments, energy market reforms and innovations are needed to meet

<sup>2</sup> UN Development Programme (UNDP).

future demands while at the same time, maintaining access for all at affordable prices and minimising the sector's carbon and environmental footprint. Viet Nam needs support to improve its energy planning, markets, efficiency and productivity and to increase the share of clean and renewable energies. Notwithstanding this, the challenge will be to achieve economic growth without jeopardizing environmental resources (water, soil, forest, biodiversity, etc.).

### 1.2.2. Sectors of EU support

The following two sectors will be the main focus of EU support over the period:

1. Sustainable Energy<sup>3</sup>
2. Governance and Rule of Law

The following factors justify the relevance and appropriateness of EU support in the two selected sectors:

- ▶ **Alignment with the priorities of Government of Viet Nam strategies:** the Socio Economic Development Plan (SEDP, 2011-2015) and Strategy (SEDS, 2011-2020) are considered credible and comprehensive documents outlining the mid-term priorities of the country. They are therefore considered to be a sufficient basis for present and future EU programming. Both documents identify the chosen sectors of EU support as priority areas for Viet Nam's socio-economic development. In both sectors, the SEDP and SEDS are complemented by more detailed policy documents which further provide an appropriate basis for the alignment of EU support.

<sup>3</sup> Objectives in the energy sector as defined in Agenda for Change: "In energy, the EU should offer technology and expertise as well as development funding, and should focus on three main challenges: price volatility and energy security; climate change, including access to low carbon technologies; and access to secure, affordable, clean and sustainable energy services"

- ▶ **Consistency with EU development policy and EU policy coherence:** the selected sectors are in line with EU's development strategy, *Agenda for Change*, seeking to maximise impact through a focus on a limited number of sectors, EU value-addition and leverage through an enhanced engagement with, the private sector and civil society. Good governance, in line with the *Council Conclusions on Europe's engagement with civil society in external relations*<sup>4</sup>, and the rule of law are vital for inclusive growth and sustainable development in Viet Nam, while institutional reform, better transparency, and improved accountability would act as an enabler for the much needed private sector investment in Viet Nam (including, but not limited to, the energy sector). Energy is a sector with strong multiplier effects on Viet Nam's economic and social development and contributes to broader EU policy objectives for poverty eradication and climate change mitigation and adaptation. In view of Viet Nam's high exposure to environmental risks, resilience building<sup>5</sup>, Climate Change Adaptation and Disaster Risk Reduction (DRR) will be integrated in the activities, where possible.
- ▶ **EU value added:** the EU can contribute to Viet Nam's development objectives through its multi-faceted experience as a major trade and economic partner, a strategic political interlocutor, a long-term grant (EU) and loan (European Investment Bank - EIB) partner, an important player for private sector investment and civil society engagement, and its strong role as promoter of democracy, good governance, human rights and the rule of law worldwide. The EU is also leading the global efforts to address climate change, greening its economy, increasing significantly its share of renewable energy

<sup>4</sup> October 2012.

<sup>5</sup> Resilience building is an overarching goal as outlined in the European Commission's "Communication on Resilience".

uses and eco-innovation aiming at energy efficiency. In the sustainable energy sector, the MIP allocation could be leveraged with loans from EIB and other financial institutions, as well as EU Member States involved in the sector, and with private sector investment to promote know-how and technology transfer. This could also be reinforced through *EU Horizon 2020*<sup>6</sup>. In governance and rule of law, the remarkable experience of both European Member States and European Union in the introduction and implementation of good governance practices, including the justice and legislative sectors and full participation of civil society, contribute to add value to the EU's engagement. The EU has now developed in Viet Nam a long-standing commitment in these areas and has on-going support to the judicial sector.

- ▶ **Viet Nam's financing for development and role of grant ODA:** while the amounts foreseen in the MIP are substantial in terms of EU ODA, they are relatively limited when compared to the government revenues, concessional and non-concessional loans by other development partners and private sector investment. The choice of sectors takes into account the role that grant ODA can play, as opposed to these other financing instruments for development, in order to maximise impact. The choice of niche areas within both sectors takes full account of the *leverage effect* of grant ODA by supporting, over the medium-term, an enabling environment for private sector investment, notably in sustainable and clean energy. It also takes into account the opportunities that EU ODA can provide in these sectors to support reforms through capacity building, technology transfer, policy dialogue and investment. Finally, it considers that Viet Nam, as a large lower Middle Income Country, has substantial government revenues available to implement policies in other

important sectors of human and economic development.

Possible adjustments to the choice of sectors proposed in this MIP could be considered to align EU strategy to the priorities identified by the Government in the "Socio Economic Development Plan" (SEDP) 2016-2020.

- ▶ **Donor Coordination:** The EU intends to further enhance coordination with EU Member States introducing, where possible, elements of joint programming in specific sectors, possibly sustainable energy, starting in 2016 and after a pilot phase. At sector level, the coordination mechanisms vary in effectiveness and format. Typically, sectors' dialogues are coordinated by line Ministries under so-called "Sector Partnership Groups" (e.g. Health) or under the framework of the sector dialogue for specific budget support operations (e.g. Climate Change). Where such structured dialogue does not exist, several formal and informal donor groups for sector coordination are established (e.g. NGOs, Energy).

## 2. Financial Overview (Indicative amounts)

| Sector                                  | Amount in EUR      | % of total     |
|---|--------------------|----------------|
| Sector 1:<br>Sustainable Energy         | 346,000,000        | 86.5 %         |
| Sector 2:<br>Governance and Rule of Law | 50,000,000         | 12.50 %        |
| Support Measures                        | 4,000,000          | 1 %            |
| <b>Total MIP 2014 – 2020</b>            | <b>400,000,000</b> | <b>100.0 %</b> |

<sup>6</sup> EU framework programme for research and innovation 2012-2020.



### 3. EU support per sector

#### 3.1. Sustainable Energy

*(Indicative amount: EUR 346 million)*

Despite the fact that Viet Nam has significant domestic energy resources, including crude oil, coal, and hydropower and is presently a significant energy exporter, it will become, as of 2015, a net energy importer and will import half of its energy resources as of 2030. This is due to the country's rapid economic growth, industrialisation and export market expansion, which have spurred domestic commercial energy consumption that is unlikely to subside in the near future. Besides, energy is being used inefficiently and energy production and distribution are poorly managed. With overall greenhouse gas emissions estimated at nearly 200MtCO<sub>2</sub>eq<sup>7</sup> in 2010<sup>8</sup>, Viet Nam is considered a low producer of greenhouse gases. However, projections show that between 2012 and 2030, Viet Nam's emissions could triple notably because of the rise in emissions linked to energy consumption.

To maintain the path of its socio-economic development, Viet Nam is thus confronted to major energy challenges in the short and medium term: power generation capacity; increased dependence on imports, increased greenhouse gases emissions, access for all users to affordable prices and secure energy; improving energy efficiency and mobilisation of investments, in particular from the private sector.

While the EU response cannot address all the challenges Viet Nam is confronted with in the energy sector, it can together with other partners influence policies and choices (including addressing the water-energy nexus) that would aim at making the

sector more sustainable by fostering private sector investment and greening of the sector, by increasing the share of renewable energies and by ensuring access for all to energy at affordable prices, especially for the poor and near poor.

Access to energy in rural areas: the rural electrification effort in Viet Nam has been massive with the share of households with electricity access growing from 2.5% in 1975 to 96% by 2009. Through a remarkable and unparalleled effort, the country has succeeded in providing access to more than 80 million people over 33 years. However, a significant share of the rural population has intermittent access to the national grid and still relies on biomass to meet its energy needs. About 800,000 households (most of them poor), mainly in mountainous areas and on islands, are still without access to electricity. The National Energy Development Strategy envisages that all rural households will have access to electricity by 2020. The challenge will be to identify the most appropriate way of electrifying the remaining households, most of which are poor and would have low consumption levels, in mountainous or remote areas.

The EU will support directly interventions aimed at increasing and securing the access to energy, with particular focus on the poorer areas, and will promote the use of renewable energies such as biogas and solar energy.

Share of renewable energy and energy efficiency: renewable energies and energy efficiency are equally important in a context of increasing energy demand and of concerns over energy security and environment degradation. Many types of renewable energies can be exploited in Viet Nam: wind energy, solar energy, biomass energy, geothermal energy and small hydropower. Central to the issue of renewable energy development is an improved level-playing field for private sector investment, notably

<sup>7</sup> Million metric tons of carbon dioxide equivalents.

<sup>8</sup> Excluding emissions linked to forests and changes in the use of soils.

by adjustments of the electricity prices in line with the market prices. Viet Nam has been capping electricity and fossil fuel prices, which amount to very substantial indirect government subsidies to energy prices. These policies are not fiscally sustainable, and distort the energy markets in Viet Nam, making investment in electricity from renewable energy unlikely, as it is characterised by high upfront costs and high administrative costs. The Electricity Market Master Plan foresees the complete removal of electricity subsidies and free market by 2022. The Government is committed to adapt the prices and since 2011 it has started to implement the unpopular policy of regularly increasing electricity prices.

Other policies related to sustainable use of energy will be supported in the energy sector in line with the Green Growth and Climate Change strategies. The EU interventions may take the form of budget support, if the criteria are met, and technical assistance aimed at accompanying these policy changes during the long transition to a market-based enabling environment for clean and efficient energy. The EU support should request that environmental requirements are considered. This includes ensuring that biomass is not produced to the detriment of forestry sources (i.e. decrease of forest cover, degradation of resources) and that the increase in the use of biomass does not clash with the national objective of decreasing the dependence on timber imports, particular illegal timber trade.

Support infrastructure development: the EU response will directly promote investments in the sector that are in line with, and reinforce, the objectives to be achieved at policy level and those related to renewable energy, energy efficiency and access to energy in rural areas. Amongst the possible approaches to support directly investment, the MIP will envisage, where possible, the blending of EU ODA with loans from international financial institutions,

notably the European Investment Bank, through available instruments such as the Asia Investment Facility. It will also support Public-Private Partnerships. The possibilities for blending financing instruments will be crucial in defining the scope of the activities, and thus it will be assessed at the time of the formulation of the interventions.

A geographical focus on a limited number of targeted provinces could be envisaged to maximise impact, and provide pilot reform programmes and best practices to be replicated elsewhere. Local authorities will be consulted and involved in the design of such programmes.

### *3.1.1. The following overall and specific objectives will be pursued*

#### *Overall Objective 1*

To contribute to a more sustainable energy sector by promoting efficient, clean and renewable energy available to all citizens.

#### *Specific objective 1.1*

The production and consumption of energy in Viet Nam is more efficient.

#### *Specific objective 1.2*

The clean and renewable energy share of total energy produced in Viet Nam is increased.

#### *Specific objective 1.3*

The access to reliable and sustainable energy services is available to all citizens.

### *3.1.2. For each of the specific objectives the main expected results are:*

#### *For Specific Objective 1.1:*

##### *Expected result 1.1.1*

The development of green industry based on environmentally friendly structures, technology and equipment is encouraged. (Green Growth Strategy).

##### *Expected result 1.1.2*

The quality of electricity and electricity

services are improved and the electricity tariffs are adjusted according to the market mechanism in order to encourage an efficient use of electricity (Power Development Plan 2011-2020).

*For Specific Objective 1.2:*

*Expected result 1.2.1*

The electricity generated from renewable energy is increased by promoting investments in renewable energy projects.

*Expected result 1.2.2*

The waste collected and treated in line with national standards (Green Growth Strategy) and the waste used as input to generate energy is increased.

*For Specific Objective 1.3:*

*Expected result 1.3.1*

Rural electrification is expanded and improved to ensure sufficient, continuous and safe supply of electricity to the whole country (Power Development Plan 2011-2020).

*Expected result 1.3.2*

Where the reliable supply of electricity to rural areas cannot be achieved sustainably through the national grid, the rural access to off-grid, decentralised power generation through renewable energy solutions is increased.

*3.1.3. For each result, the main indicators are:*

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

*3.1.4. Donor coordination and policy dialogue*

A structured dialogue is established along the climate change budget support policy matrix (Japan International Cooperation Agency (JICA), World Bank, Australia, Canada, Korea Exim Bank and the Ministry of Environment and Natural Resources).

Donors working with “Electricity of Viet Nam”, mainly the Six Banks group, hold regular dialogue and common positions on electricity-related issues and as regards division of labour. Despite the absence of a formal coordination mechanism for the sector, Donors have started coordinating around the recently approved Green growth Strategy and a specific group is expected to emerge to ensure proper dialogue with the Government as well as division of labour.

Linkages and synergies will be sought with comprehensive Renewable Energy Resource Mapping and Geospatial Planning which are now undertaken in Viet Nam through the World Bank (WB) “Energy Sector Management Assistance Program” (ESMAP) Initiative as part of the “Sustainable Energy for All” (SE4ALL) initiative.

A group of NGOs, the Energy Alliance, works actively to promote sustainable energy in rural areas in Viet Nam.

*3.1.5. The Government’s financial and policy commitments*

The Prime Minister has approved in 2012 the Viet Nam’s Green Growth Strategy, which sets a path for Viet Nam to become a carbon efficient economy. Besides this strategy, key policies and regulations related to energy confirm the government’s commitment to the liberalisation of the sector. These are: the Electricity Law, the National Energy Development Strategy, the National Power development Plan up to 2020 and vision 2050, the National Power Development Plan, the National Strategy for the fight against climate change, National action plan on climate change (2012-2020), Viet Nam National Energy Efficiency Program, Decree on Energy Efficiency and Conservation, Decision 24<sup>9</sup> (2011) on adjusting electricity prices in accordance with market mechanisms.

The annual structure of Viet Nam’s budget pre-empts the forecast of commitments

<sup>9</sup> Decision n°24/2011/QĐ-TTg.



at medium term. The track record of Viet Nam towards allocating sufficient financial resources towards its policy commitments has been generally high in most sectors (e.g. for the electrification programme). Several donors (including the EU) actively support Viet Nam to increase the readability of its budget along international standards and medium term financial commitment, and support measures are foreseen under the MIP.

### **3.1.6. Environmental assessment**

It is expected that the EU response in the energy sector will have a positive impact on the environment as it intends to ensure an energy scenario with lower greenhouse gases emissions and to increase energy efficiency and sustainable management of natural resources for energy production.

EU support in this sector will be subject to standard EU environmental and climate screenings in view of addressing pro-poor environmental and climate change concerns in project/programme formulation and implementation.

### **3.1.7. The overall risk assessment of the sector intervention**

Given the commitments of the Government, the risks of the EU intervention in the energy sector can be considered as medium and are linked mainly to the issue of electricity prices and market and sector liberalisation which are crucial to ensure private sector investment and involvement in the sector, especially as regard renewable energy. Consistent policy and political discussions will be needed to ensure that the Government keeps to its commitments.

The impact of electricity prices aligning on market prices will have a social impact especially on the poor and near poor and specific measures will need to be put in place to mitigate this impact and to ensure a smooth transition.

The potential environmental impact is considered in point 3.1.6.

## **3.2. Governance and rule of law**

*(Indicative amount: EUR 50 million)*

Viet Nam's transition process towards a rule of law state faces a number of profound challenges. Firstly, the existing legislation is often poorly drafted, overlapping and inconsistent. Secondly, the implementation and enforcement of enacted laws is generally weak. The improvement of the legal system, the development of a rule of law state, an effective judicial system capable of enforcing judgements and promoting better access to justice and the strengthening of the oversight's role of the National Assembly are all key Government objectives in the coming years.

On the demand side, greater openness and opportunities for citizens to participate and actively engage with the institutions, at different levels, is needed to support Viet Nam's long-term vision of becoming a democratic, inclusive and modern society. However, the legal framework requires further changes to promote the development and growth of an independent civil society. Growing domestic demand for accountability (e.g. on inflation, pollution, health, education, corruption) and the need for international respectability to support the new emphasis on "international integration" (economic and political) provide opportunities for the needed progress on governance and human rights, notably through greater transparency, stronger rule of law, increased public participation and fight against corruption.

The EU response will address the governance and rule of law challenges, on both the demand-side and the supply-side, focusing on areas where the EU has a comparative advantage and where results will have a greater potential impact on democracy and citizens' rights, business enabling environment, enhanced accountability and transparency, as well as enabling the civil society and citizens' participation. EU

support may also relate to areas such as climate change adaptation and mitigation. With regards to the implementation of a Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreement, EU support can be provided, if there is a need, in complementarity with the horizontal support provided under the thematic and regional programmes and in line with the objectives of this focal sector.

The EU will also address economic governance related issues, specifically through a programme to support progress in Public Finance Management and play a complementary role to efforts to ensure good governance. Progress in this sub-sector remains essential for the broader development objectives, particularly where budget support would be considered for implementation.

The EU response will provide support on a national level, but it will also have a geographical focus in some provinces at sub-national level in order to maximise impact on inclusive growth and promote knowledge and development of “home-grown” solutions for local governance, such as local elections and improved interaction between the citizens and the local authorities on service delivery, policy formulation and decision-making<sup>10</sup>.

### *3.2.1. The following overall and specific objectives will be pursued*

#### *Overall Objective 2*

To promote democracy, strengthen governance and rule of law and enable the business environment by building accountable and transparent institutions that are responsive to citizens’ rights, and that promote access to justice, participation and a conducive business environment.

<sup>10</sup> Ref: Communication from the Commission COM(2013) 280 “Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes”.

#### *Specific objective 2.1*

Access to justice for the benefit of citizens and business is increased, in particular for women, the poor and the vulnerable groups.

#### *Specific objective 2.2*

The government’s ability for accountable, transparent and cost-effective service delivery is enhanced.

#### *Specific objective 2.3*

The citizen’s effective participation in public governance is strengthened.

### *3.2.2. For each of the specific objectives the main expected results are:*

#### *For Specific Objective 2.1:*

##### *Expected result 2.1.1*

The ability of citizens and businesses to access qualified legal services is enhanced, in particular for women, the poor and vulnerable groups.

##### *Expected result 2.1.2*

The capacity of state bodies to issue and enforce effective laws and fair judgements is strengthened and it is effectively and publicly monitored.

#### *For Specific Objective 2.2:*

##### *Expected result 2.2.1*

An institutionalised system for citizens’ feedback on public service delivery is developed for evidence-based planning and monitoring.

##### *Expected result 2.2.2*

Public access to information on government expenditures and service delivery is improved and modernised.

##### *Expected result 2.2.3*

Corruption practices are reduced.

#### *For Specific Objective 2.3:*

##### *Expected result 2.3.1*

Civil society and media's capacity to play an effective role in advocacy, dissemination and monitoring of public bodies is enhanced.

#### *Expected result 2.3.2*

The government's consultations and interaction with the citizens on policies and decisions is strengthened.

#### *Expected result 2.3.3*

Local democracy is promoted through an improved system of local elections and interaction between elected representatives and their local constituencies.

### *3.2.3. For each expected result, the indicators are:*

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 4.

### *3.2.4. Donor coordination and policy dialogue:*

Donor coordination takes place in a number of formal and informal groups. The formal groups are coordinated by the Government and are called once to twice a year. The Legal Partnership Forum, coordinated by the Ministry of Justice and the UN Development Programme (UNDP), covers areas of cooperation in support of legal and judicial reform. In addition, informal groups in sub-sectors are facilitated by international partners, notably the justice, legal and human rights groups. Overall, the sector suffers however from a need for more structured and effective coordination.

Policy dialogue mainly takes place in the framework of ongoing projects financed by donors.

### *3.2.5. The Government's financial and policy commitments are:*

The key government documents pertaining

to legal reform are Communist Party Resolution No. 48-NQ/TW 2005 providing for a Legal System Development Strategy to 2010 with a Vision to 2020. The Legal System Development Strategy (LSDS) was the first long-term development strategy in the legal sector and has as overall objective to build up a consistent and transparent legal system, promote the rule of law; and facilitate and enforce the realisation of the human and democratic rights and freedoms of the citizen. To this end, LSDS indicates directions for further development of legal frameworks to ensure the acceleration and improvement of legislative activities; improve the procedure of drafting, adoption, and promulgation of legal normative documents; and to assure the active participation of the people in legislative activities.

The second legal reform document is Communist Party Resolution No. 49-NQ/TW 2005 providing for a Judicial Reform Strategy for the Period 2005-2020. The overall objective of the Judicial Reform Strategy (JRS) is: 'Building a capable, ethical, healthy, strong, democratic, strict, fair and justice-protecting judiciary, as well as ensuring that the judiciary will be modernised on a step-by-step basis to serve the Socialist Fatherland of Viet Nam and its people and that the judicial activities, among the adjudication plays the key role, will be highly efficient and effective'.

The "Strategy on Development of the Legal Profession until 2020", approved by the Prime Minister with Decision No. 1072/QD-TTg, maps out the commitments to ensure a more efficient functioning of the legal and judicial systems, notably through a substantial increase in the number of qualified lawyers.

Some decrees specifically provide for citizen's participation in policy processes at local level such as the Decree on Grassroots Democracy. Further governance

commitments are enshrined in the amended Constitution adopted in 2013.

The annual structure of Viet Nam's budget pre-empts the forecast of commitments at medium term. The track record of Viet Nam towards allocating sufficient financial resources for its policy commitments is high. Several donors (including the EU) actively support Viet Nam to increase the readability of its budget along international standards and medium term financial commitment, and support measures are foreseen under the MIP.

### *3.2.6. The overall risk assessment of the sector intervention:*

Given the nature of the sector and the country context, risks can be considered relatively high in areas where governance mechanisms modify the way citizens interact with the Government – support to changes in governance are typically gradual and require a long-term perspective.

The objectives of promotion of democracy and participation are to be read in the context of Viet Nam being a one-party State where the oversight capacity of the National Assembly is limited and where the framework for Civil Society engagement is weak. The EU will mitigate these risks through a dual approach, by supporting both the demand and the supply-side of governance. It will engage in dialogue and support at the sub-national level and work with different types of organisations playing a civil society role<sup>11</sup>.

Changes in corruption practices also require time. Salaries of officials not adapting faster to the economic growth represents a key risk, as well as the criminalisation of corruption to be better defined in the legal framework and enforced. The risks will be mitigated through support on public finance management, by supporting

access to justice and by enhancing transparency practices and awareness amongst the population. Furthermore, the sub-national support will seek to promote “home-grown” solutions to address these challenges to replicate elsewhere.

## **4. Support measures**

An indicative amount of EUR 4.0 million will be set aside for measures aimed at supporting the preparation and implementation of actions under the MIP including through feasibility studies, consultation and planning workshops, outreach, audits, evaluations and other activities as necessary to ensure a high quality design and implementation of actions.

<sup>11</sup> Ref: Communication from the Commission COM(2012) 492 “The roots of democracy and sustainable development: Europe's engagement with Civil Society in external relations”.

## 5. Annexes

Annex 1:

Country at a glance

Annex 2:

Donor matrix

Annex 3:

Sector 1: Sector Intervention Framework  
and performance indicators

Annex 4:

Sector 2: Sector Intervention Framework  
and performance indicators

Annex 5:

Indicative timetable for commitments

## Annex 1: Viet Nam - Country at a Glance

| OVERVIEW   |  |            |                               |
|--|--|------------|-------------------------------|
| Full Name  | Socialist Republic of Viet Nam                               |            |                               |
| Area   | 331,114 km <sup>2</sup> (comparable to Finland)              |            |                               |
| Population   | 88.775.500, (approx. 14.7% ethnic minorities) (WB est. 2012) |            |                               |
| ECONOMIC INDICATORS                                    |  |            |                               |
|  | 2001   | 2006       | Latest                        |
| GDP (million US \$)                                    | 32,685   | 60,914     | 141,669 (2012)                |
| GDP per capita (US \$)                                 | 416  | 731        | 1,596 (2012)<br>Rank: 138/186 |
| Budget Deficit (% of GDP)                              | 4.3%   | 1.1%       | 4.9% (2011)                   |
| Value of exports (million US \$)                       | 15,029   | 39,826     | 115.458 (2012)                |
| Value of imports (million US \$)                       | 16,218   | 44,891     | 115.101(2012)                 |
| Trade Balance (million US \$)                          | 1,189  | -5,065     | 357 (2012)                    |
| Payments Balance (million US \$)                       | 682  | -164       | -4,287 (2010)                 |
| Net ODA Received (million US \$)                       | 1,432  | 1,845      | 2,940 (2010)                  |
| Inflation, Consumer Prices                             | 0%   | 7%         | 8.14% (2012)                  |
| Unemployment (% of labor force)                        | 3%   | N/A        | 4.47% (2012)                  |
| FDI Net Inflows (% of GDP)                             | 4%   | 4%         | 8,87% (2011)                  |
| Population   | 78,621,000   | 83,313,000 | 88.775.500 (2012)             |
| Labor force (total)                                    | 43,341,371 (2002)  | 47,369,863 | 51,398,400 (2011)             |
| Rural % of Population                                  | 75%  | 73%        | 68.3 (2012)                   |
| Poverty Rate   | 28.9% (2002)   | 16%        | 13% (2011 est.)               |
| SOCIAL INDICATORS                                      |  |            |                               |
|  | 2001   | 2006       | Latest                        |
| Human Development Index                                | 0.528 (2000)   | 0.568      | 0,617 (2012)<br>Rank: 127/186 |
| Gini Index   | 38   | 36         | 43 (2011)                     |
| Adult Male Literacy Rate                               | 94% (2000)   | N/A        | 95% (2010)                    |
| Adult Female Literacy Rate                             | 87% (2000)   | N/A        | 91% (2010)                    |
| Primary Schooling Completion                           | 101.2% (2002)  | 97.7%      | 98% (2010)                    |
| Life Expectancy at birth (total)                       | 72   | 74         | 75.4 (2012)                   |
| Fertility Rate   | 1.9  | 1.9        | 2.05 (2012)                   |
| Infant Mortality Rate                                  | 26   | 21.7       | 18.4 (2012)                   |
| GOVERNANCE INDICATORS                                  |  |            |                               |
|  | 2001   | 2006       | Latest                        |
| TI CPI (0=highly corrupt to 10=clean)                  | N/A  | N/A        | 3 (2012)<br>Rank: 123/176     |
| CPIA: Public Sector and Institutions (1=low to 6=high) | N/A  | 3.5        | 3.5 (2012)                    |
| CPIA: Economic Management (1=low to 6=high)            | N/A  | 4.7        | 4.17 (2012)                   |

Sources: WB, IMF, UN, GSO, UNICEP

Figure 1: Real GDP Growth, 2005-2012

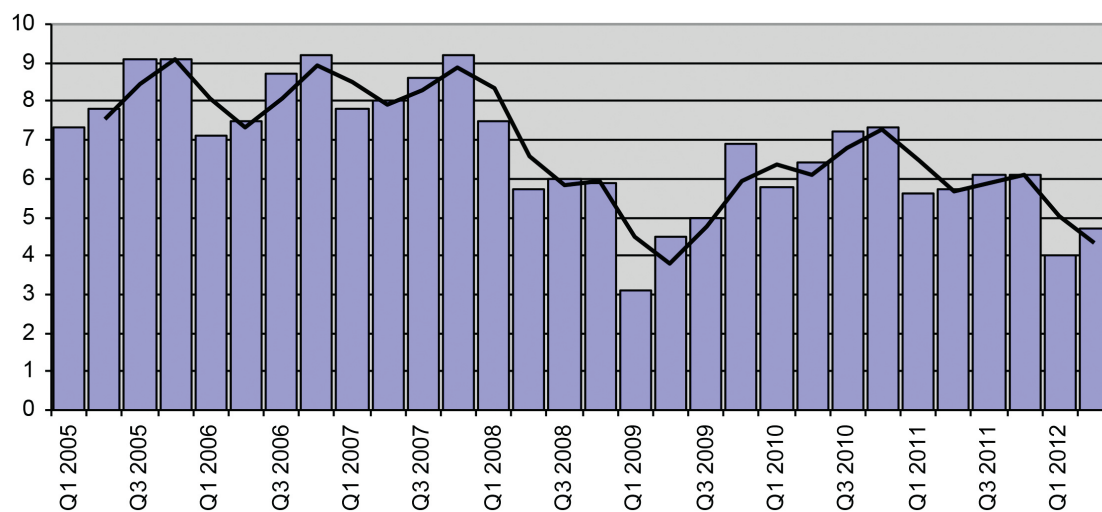
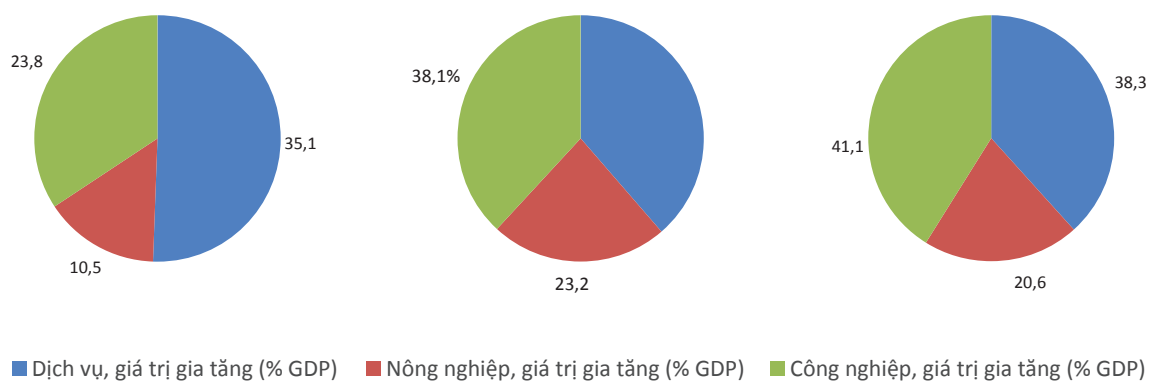


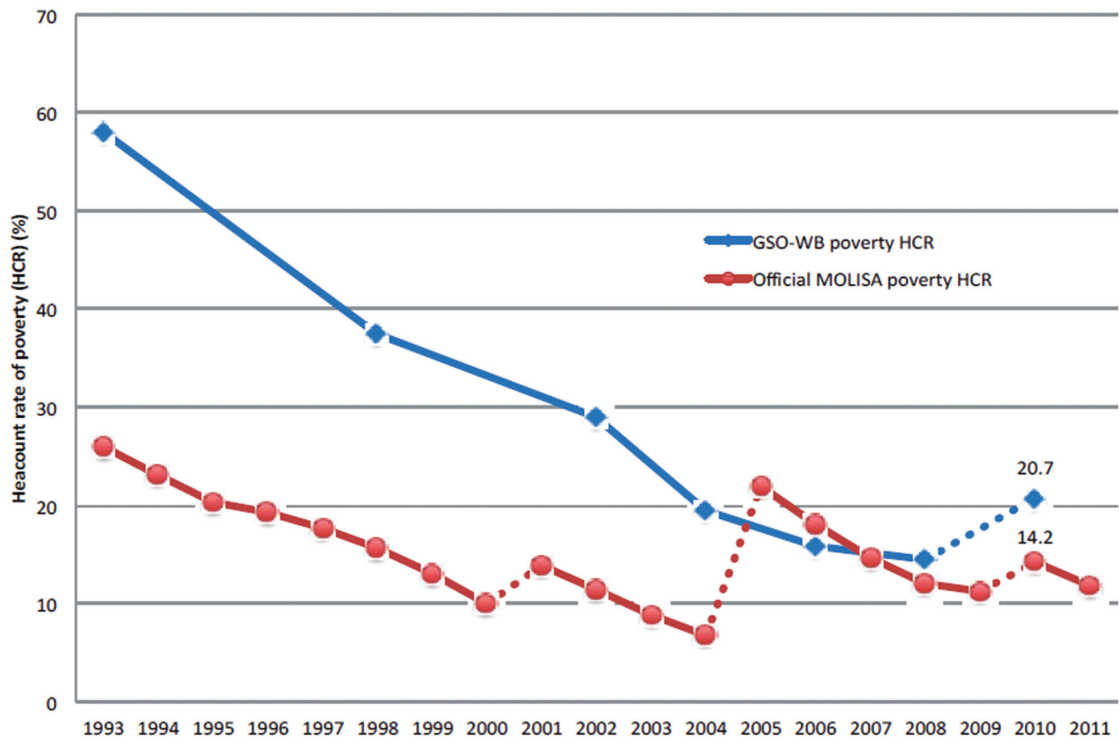
Figure 2: GDP by Sector



Source: EC

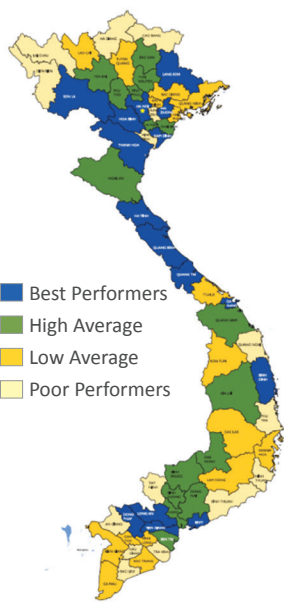


Figure 3: Poverty Trend, 1993-2011



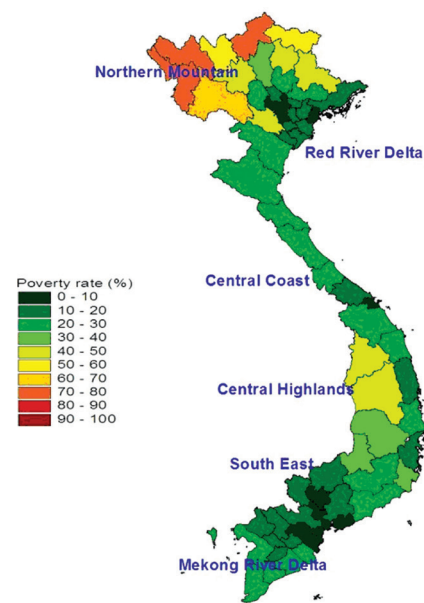
Source: WB

Figure 4: Public Administration Performance Index (PAPI) 2012



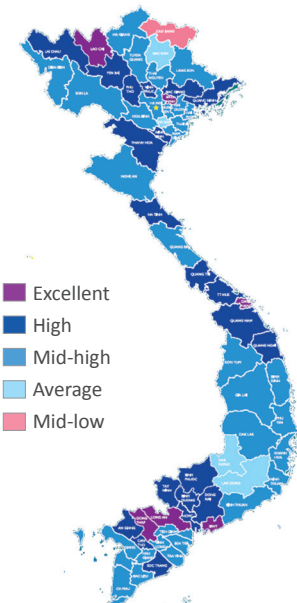
Sources: VN Gov, UNDP

Figure 5: Poverty Map 2009



Source: WB

Figure 6: Provincial Competitiveness Index (PCI) 2012



Source: PCI Viet Nam



| VIET NAM AND THE MILLENNIUM DEVELOPMENT GOALS   |   |
|---|---|
| GOAL/TARGET   | STATUS (2012)   |
| <b>GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER</b>   |   |
| <b>Target 1:</b> Halve between 1990 and 2015, the proportion of people living in poverty              | <b>ALREADY ACHIEVED.</b> Poverty reduced by more than three quarters between 1990-2008.                             |
| <b>Target 2:</b> Halve between 2009 and 2015, the proportion who suffer from hunger                   | <b>ALREADY ACHIEVED.</b> Proportion reduced by more than two thirds between 1990-2006.                              |
| <b>GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>  |   |
| <b>Target 3:</b> By 2015, boys and girls to complete a full course of primary schooling               | <b>LIKELY TO BE ACHIEVED.</b> Grade 5 completion rate (gross) is 104% for boys and 100% for girls.                  |
| <b>GOAL 3: PROMOTE GENDER EQUALITY</b>  |   |
| <b>Target 4:</b> Eliminate gender gaps in primary and secondary education no later than 2015          | <b>ALREADY ACHIEVED.</b> Gender equality at all school levels, except for ethnic minorities.                        |
| <b>GOAL 4: REDUCE CHILD MORTALITY</b>   |   |
| <b>Target 5:</b> Reduce by two-thirds between 1990 and 2015, the under-5 mortality rate               | <b>LIKELY TO BE ACHIEVED.</b> Reduced by 64% between 1990-2009.   |
| <b>GOAL 5: IMPROVE MATERNAL HEALTH</b>  |   |
| <b>Target 6:</b> Reduce maternal mortality by three quarters, between 1990 and 2015                   | <b>ALREADY ACHIEVED.</b> Fell by 78% from 1990-2008.  |
| <b>GOAL 6: COMBAT HIV/AIDS AND OTHER DISEASES</b>   |   |
| <b>Target 7:</b> By 2015, have halted and begun to reverse the spread of HIV/AIDS                     | <b>LIKELY TO BE ACHIEVED.</b> Infection rate rose from 0.34% to 0.44% from 2001-2005, but declined to 0.4% by 2009. |
| <b>Target 8:</b> By 2015, have halted and reversed the incidence of malaria and other diseases        | <b>ALREADY ACHIEVED.</b> Malaria cases severely reduced, with only 27 malaria-related deaths in 2009.               |
| <b>GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY</b>  |   |
| <b>Target 9:</b> Embrace sustainability and reverse the loss of environmental resources               | <b>UNCERTAIN TO BE ACHIEVED.</b> Forest cover up, but loss in closed-canopy forest and biodiversity                 |
| <b>Target 10:</b> Halve by 2015, the share of people without safe drinking water and basic sanitation | <b>UNCERTAIN TO BE ACHIEVED.</b> Rapid progress on drinking water, much slower on hygienic sanitation.              |

Sources: UN, IMF

Annex 2: Donor funding matrix Estimation of new ODA commitments for period 2013-2020<sup>12</sup> (in million Euros)

| Energy sector | EU   |       |       |      |     |      |     |       |         |       | OTHERS |      |      |         |       |
|---------------|------|-------|-------|------|-----|------|-----|-------|---------|-------|--------|------|------|---------|-------|
|               | UK   | FR    | DE    | BE   | DK  | NL   | ES  | EC*   | WB      | ADB   | UN     | US   | AU   | JP      | Korea |
| Total         | 11,0 | 208,7 | 931,7 | 30,5 | 9,5 | 12,0 | 1,0 | 490,0 | 1,969   | 573,1 | 11,9   | 28,0 | 31,3 | 1,130,3 | tbd   |
| Grant         | 2,8  | 1,0   | 87,7  | 30,5 | 9,4 | 12,0 | 1,0 | 340,0 | 4,0     | 2,8   | 11,9   | 28,0 | 31,3 | 7,3     |       |
| Loan          | 8,2  | 207,7 | 844,0 | -    | -   | -    | -   | 150,0 | 1,965,0 | 570,3 | -      | -    | -    | 1,123,0 |       |

\*excluding thematic budget lines.

| Governance sector** | EU   |     |      |      |     | OTHERS |      |      |     |     |     |       |     |     |
|---------------------|------|-----|------|------|-----|--------|------|------|-----|-----|-----|-------|-----|-----|
|                     | UK   | FR  | DE   | SWE  | EC* | WB     | ADB  | UN   | US  | AU  | JP  | Korea | SE  | CAN |
|                     | 17,7 | tbd | 12,8 | 14,3 | 45  | 4,5    | 24,1 | 8,85 | tbd | 2,5 | 3,2 | 9,8   | 5,0 | tbd |
| Grant               | 17,7 |     | 12,8 | 14,3 | 45  | 4,5    | 1,2  | 8,85 |     | 2,5 | 3,2 | 9,8   | 5,0 |     |
| Loan                |      |     |      |      |     |        | 22,9 |      |     |     |     |       |     |     |

\*excluding thematic budget lines.

\*\* excluding human rights related and public finance management related actions.

12 As the programming cycles of Donors vary in length and dates, they cannot provide their foreseen commitment up to 2020. These tables are considered as work in progress.

## Annex 3:

### Sector 1: Sustainable Energy - Logical Framework

Overall sector objective: To contribute to a more sustainable energy sector by promoting efficient, clean and renewable energy available to all citizens.

Where absent, baselines for the indicators below will be included in Action documents at the latest.

The results, indicators and means of verification specified in the present annex may be need to evolve to take into account changes intervening during the programming period.

| <b>Specific Objective 1.1:</b><br>The production and consumption of energy in Viet Nam is more efficient.   |  |   |
|---|--|---|
| Expected Results  | Indicators   | Means of Verification   |
| <i>Expected result 1.1.1</i><br>The development of green industry based on environmentally friendly structures, technology and equipment is encouraged.   | I.1.1 – Percentage of total energy saved each year (%)<br><i>Indicative baseline:</i> 2.3% of total generated energy, equal to 2,635,000 MWh (2013)<br>Source: Electricity of Viet Nam (EVN)<br><i>Indicative target:</i> 8-10% by 2020<br>Source: Master Plan 7 Ministry of Industry and Trade (MOIT) | - Report from the Electricity of Vietnam (EVN) , General Department of Energy (GDE), Electricity Regulatory Authority of Viet Nam (ERAV), Ministry of Industry and Trade (MOIT)<br>- Reports from World Bank, AFD, ADB. |
|   | I.1.2 – Total loss of electric power through transmission and distribution (MWh)<br><i>Indicative baseline:</i> 10,060,000 MWh (9.5%) lost in 2012<br>Source: EVN  |   |
| <i>Expected result 1.1.2</i><br>The quality of electricity and electricity services are improved and the electricity tariffs are adjusted according to the market mechanism in order to encourage an efficient use of electricity | I.1.3 – Energy intensity (kg oil equivalent per \$ GDP).<br><i>Indicative baseline:</i> 4.6 kgOE/\$ in 2011<br>Source: WB  |   |
|   | I.1.4 – Amount of electricity subsidies.<br><i>Indicative baseline:</i> 5.96 UScent/kWh (2011) Price of Electricity<br><i>Indicative target:</i> 8-9 UScent/kWh by 2020 Price of Electricity<br>Source: EVN  |   |

**Specific Objective 1.2:** The clean and renewable energy share of total energy produced in Viet Nam is increased.

| Expected Results  | Indicators  | Means of Verification   |
|---|---|---|
| <p><i>Expected result 1.2.1</i></p> <p>The electricity generated from renewable energy is increased by promoting investments in renewable energy projects.</p>          | <p>I.1.5 – Share of electricity generated from renewable sources in the total electricity production.</p> <p><i>Indicative baseline:</i> 3.5% (2010)</p> <p><i>Indicative target:</i> 4.5% (2020),</p> <p>Source: Master Plan 7 Ministry of Industry and Trade (MoIT)</p> | <p>- EVN, MOIT</p> <p>- Report from the Viet Nam Environment Protection Agency, MONRE.</p> <p>- Report from Department of New and Renewable Energy, MOIT.</p> |
| <p><i>Expected result 1.2.2</i></p> <p>The waste collected and treated in line with national standards and the waste used as input to generate energy is increased.</p> | <p>I.1.6 – Percentage of waste collected and treated under national standards.</p> <p>I.1.7 – Percentage of waste used as input to generate energy.</p>   | <p>- Vietnam Green Growth Strategy</p>  |

**Specific Objective 1.3:** The access to reliable and sustainable energy services is available to all citizens.

| Expected Results   | Indicators  | Means of Verification  |
|--|---|--|
| <p><i>Expected result 1.3.1</i></p> <p>Rural electrification is expanded and improved to ensure sufficient, continuous and safe supply of electricity to the whole country</p> | <p>I.1.8 – Number of rural communes and households without access to electricity.</p> <p><i>Indicative baseline:</i> 126 communes (12,140 villages) and 1,288,891 rural households do not have access to electricity (2012).</p> <p><i>Indicative target:</i> by 2020 no commune and only 64,314 households without access to electricity.</p> <p>Source: MoIT</p> <p>I.1.9 – Percentage of households with access to electricity</p> <p><i>Indicative baseline:</i> 97.6% of population has access to energy (2012).</p> <p><i>Indicative target:</i> 99.5% by 2020.</p> <p>Source: WB, MoIT</p> | <p>- Reports from EVN and from the Grid &amp; Rural Electric Department, MOIT</p> <p>- Reports from WB, SNV.</p> |

**Specific Objective 1.3:** The access to reliable and sustainable energy services is available to all citizens.

| Expected Results  | Indicators  | Means of Verification |
|---|---|-----------------------|
| <p><i>Expected result 1.3.2</i></p> <p>Where the reliable supply of electricity to rural areas cannot be achieved sustainably through the national grid, the rural access to off-grid, decentralised power generation through renewable energy solutions is increased</p> | <p>I.1.10 – Number of rural households with access to electricity generated from renewable energy.</p> <p><i>Indicative baseline:</i></p> <p><i>Indicative target:</i> 568,000 rural households in 2020</p> <p>Source: Power Master Plan 7 (MoIT)</p> |                       |

## Annex 4:

### Sector 2: Governance and Rule of Law - Intervention Logic Framework

Overall sector objective: To promote democracy, strengthen governance and rule of law and enable the business environment by building accountable and transparent institutions that are responsive to citizens' rights, and that promote access to justice, participation and a conducive business environment.

Where absent, baselines for the indicators below will be included in Action documents at the latest.

The results, indicators and means of verification specified in the present annex may be need to evolve to take into account changes intervening during the programming period.

**Specific Objective 2.1:** Access to justice for the benefit of citizens and business is increased, in particular for women, the poor and the vulnerable groups.

| Expected Results   | Indicators   | Means of Verification  |
|--|--|--|
| <p><i>Expected result 2.1.1</i></p> <p>The ability of citizens and businesses to access qualified legal services is enhanced, in particular for women, the poor and the vulnerable groups.</p> | <p>I.2.1. % of court cases where defendants and litigants are represented by a lawyer or legal counsel (baseline 2013: 9.6%)</p> <p>I.2.2. Perception of the efficiency of the judicial system: availability and affordability of legal services (Justice Index)</p> <p>I.2.3. Number of qualified lawyers (baseline 2012: 6,250; Government target 2020: 18,000)</p> <p>I.2.4. Number of people benefiting from legal aid programmes funded by the EU</p> | <p>Supreme People's Court data</p> <p>Justice Index (Viet Nam Lawyers Association/Centre for Community Support Development Studies)</p> <p>Viet Nam Bar Federation (number of members)</p> |
| <p><i>Expected result 2.1.2</i></p> <p>The capacity of state bodies to issue and enforce effective laws and fair judgements is strengthened and it is publicly monitored.</p>                  | <p>I.2.5. Number of published court judgements</p>   | <p>Ministry of Justice and Supreme People's Court data</p>   |

**Specific Objective 2.2:**The government's ability for accountable, transparent and cost-effective service delivery is enhanced.

| Expected Results  | Indicators  | Means of Verification  |
|---|---|--|
| <p><i>Expected result 2.2.1</i></p> <p>An institutionalised system for citizens' feedback on public service delivery is developed for evidence-based planning and monitoring.</p> | I.2.6. Number of targeted sub-national administrations conducting public surveys for planning and monitoring of public service delivery.  | Provincial People's Committees data  |
| <p><i>Expected result 2.2.2</i></p> <p>Public access to information on government expenditures and service delivery is improved and modernised.</p>                               | <p>I.2.7. Average Provincial Values of Transparency index in local decision-making.</p> <p>I.2.8. Average Provincial Values of Transparency and Access to information indexes (baseline 2012: 5,86/10).</p> <p>I.2.9. Budget transparency and accountability rating (Baseline: 19%, Open Budget Index, 2012).</p> | <p>Provincial governance and Public Administration Performance Index, CECODES/VUSTA/ UNDP Provincial Competitiveness Index (Viet Nam Chamber of Commerce and Industry).</p> <p>Open Budget Index</p> |
| <p><i>Expected result 2.2.3</i></p> <p>Corruption practices are reduced</p>   | <p>I.2.10. Corruption Perception Index (baseline 2012: ranking 123/174 and score 31/100).</p> <p>I.2.11. Average Provincial Values of Control of Corruption in the public sector (baseline 2012: 5.84/10)</p>   | <p>Transparency International.</p> <p>Provincial governance and Public Administration Performance Index.</p>   |

**Specific Objective 2.3:** The citizen's effective participation in public governance is strengthened.

| Expected Results   | Indicators   | Means of Verification  |
|--|--|--|
| <p><i>Expected result 2.3.1</i></p> <p>Civil society and media's capacity to play an effective role in advocacy, dissemination and monitoring of public bodies is enhanced.</p>                      | <p>I.2.12. Civil Society Organisations Enabling Environment Index – governance dimension (2013 baseline: ranking 105 out of 109).</p>  | <p>CIVICUS.</p>  |
| <p><i>Expected result 2.3.2</i></p> <p>The government's consultations and interaction with the citizens on policies and decisions is strengthened.</p>   | <p>I.2.13. Number of new laws and policies where formal consultations take place with citizens or civil society organisations.</p>   | <p>Office of the National Assembly and Institute of Legislative Studies.</p> |
| <p><i>Expected result 2.3.3</i></p> <p>Local democracy is promoted through an improved system of local elections and interaction between elected representatives and their local constituencies.</p> | <p>I.2.14. Quality of elections Index (Provincial governance and Public Administration Performance Index).</p> <p>I.2.15. Number of non-Communist party candidates/deputies and full-time National Assembly and People's Council deputies.</p> | <p>Provincial governance and Public Administration Performance Index.</p>    |



**Annex 5:****Indicative timetable for commitments<sup>13</sup>**

|   | Indicative allocation | 2014      | 2015      | 2016       | 2017     | 2018      | 2019       | 2020      |
|---|-----------------------|-----------|-----------|------------|----------|-----------|------------|-----------|
| <b>Sector 1</b>   | <b>M €</b>            |           |           |            |          |           |            |           |
| • Share of renewable energy and energy efficiency   | 256 M €               |           |           | 131        |          |           | 125        |           |
| • Support to infrastructure development   | 40 M €                | 40        |           |            |          |           |            |           |
| • Access to energy in rural areas   | 50 M €                |           | 25        |            |          |           | 25         |           |
| <b>Sector 2</b>   |                       |           |           |            |          |           |            |           |
| • Access to Justice, Law and judgement enforcement  | 20 M €                | 10        |           |            |          | 10        |            |           |
| • Accountability for service delivery   | 10 M €                |           | 10        |            |          |           |            |           |
| • Citizen's participation in public governance  | 15 M €                |           |           | 5          |          |           |            | 10        |
| • Measures To support progress in Public Finance Management                                 | 5 M €                 |           |           |            | 5        |           |            |           |
| <b>Support measures</b>   |                       |           |           |            |          |           |            |           |
| • Measures to support or accompany the programming preparation or implementation of actions | 4 M €                 | 2         |           |            | 2        |           |            |           |
| <b>Total Commitments</b>  | <b>400 M €</b>        | <b>52</b> | <b>35</b> | <b>136</b> | <b>7</b> | <b>10</b> | <b>150</b> | <b>10</b> |

<sup>13</sup> The amounts mentioned in this table are indicative.

