

# **THE NATIONAL INDICATIVE PROGRAMME**

**2005-2006**

**VIETNAM**

<b>Country/Region:</b>	<b>Vietnam</b>
<b>Budget Years:</b>	<b>2005-2006</b>
<b>Budget Lines:</b>	<b>1910</b>
<b>Legal Base:</b>	<b>ALA Regulation (Council Regulation (EEC) 443/92 of 25/02/1992)</b>
<b>Cost of Order:</b>	<b>NIP 2005 – 2006:      €34 million</b>
<b>Programming Service:</b>	<b>DG Relex H5</b>
<b>Head of Unit:</b>	<b>Pierre Amilhat</b>
<b>Co-ordinator:</b>	<b>Renate Hahlen</b>

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## ABBREVIATIONS

ALA – Asia Latin America  
APEC – Asia-Pacific Economic Cooperation  
ARF – ASEAN Regional Forum  
ASEAN Association of Southeast Asian Nations  
CG – Consultative Group  
CPRGS – Comprehensive Poverty Reduction and Growth Strategy  
CSP – Country Strategy Paper  
EFA – Education for All  
FAO – UN Food and Agriculture Organisation  
FDI – Foreign Direct Investment  
FLEGT – Forest Law Enforcement, Governance and Trade  
FSSP - Forestry Sector Support Partnership  
GAERC – General Affairs and External Relations Council  
GoVN – Government of Vietnam  
IMF – International Monetary Fund  
JAI – Justice and Home Affairs  
JC – Joint Commission (Senior officials meeting under the EC – Vietnam Cooperation Agreement)  
MARD – Ministry of Agriculture and Rural Development  
MDG – Millennium Development Goals  
MTEF – Medium Term Expenditure Framework  
MOET – Ministry of Education and Training  
MOF – Ministry of Finance  
MoFA – Ministry of Foreign Affairs  
MPI – Ministry of Planning and Investment  
MTR – Mid-Term Review  
MUTRAP – Multilateral Trade Related Assistance Project Vietnam  
NDM – Natural Disaster Mitigation  
NIP – National Indicative Programme  
NPF – National Forest Programmes  
PRSC – Poverty Reduction Support Credit  
PRSP – Poverty Reduction Strategy Paper  
RRM – Rapid Reaction Mechanism  
SME – Small and Medium Enterprises  
SOE – State Owned Enterprises  
SPSP – Sector Policy Support Programme  
TRTA – Trade-Related Technical Assistance  
TREATI - Trans-Regional EU ASEAN Trade Initiative  
WB – World Bank

# **1. PREAMBLE**

## **1.1 INTRODUCTION**

### **1.1.1 THE ALA REGULATION**

Council Regulation (EEC) 443/92 of 25 February 1992 provides for the multi-annual programming of European Community financial and technical and economic co-operation with Asia and Latin America (Article 9, to be read in conjunction with Articles 14 and 15). The multi-annual programming process consists of Country and Regional Strategy Papers (CSPs and RSPs), that cover a five-year period, and National Indicative Programmes (NIPs). Two NIPs cover the lifetime of a CSP. The first NIP covers a period of three years, while the second NIP a period of two years. While the CSPs present an analysis of the situation and needs in a partner country, and establish priorities in terms of the focus of co-operation, the NIPs enumerate areas for European Community support and are the basis for identification work to be carried out prior to the financing and implementation of projects and other forms of aid.

### **1.1.2 THE COUNTRY STRATEGY PAPER (CSP) 2002 - 2006**

The European Commission's CSP for Vietnam covers the period 2002 to 2006. An executive summary of the CSP is attached in [annex 1](#). The priorities set down in the **CSP, which carries an indicative budget of €161 million for bilateral co-operation**, are:

- The enhancement of human development, to be carried out in particular through integrated rural development targeting some of the poorest provinces, and through support in the education field;
- The integration of Vietnam into the international economy, by assisting reform towards a market-oriented economy, and Vietnam's integration into world and regional economic structures.

The **CSP implementation is front-loaded with a revised NIP 2002 – 2004** for an indicative amount of **€128 million** and a **NIP 2005-2006** for an indicative allocation of **€34 million**, thus exceeding the initial CSP allocation by €1 million.

### **1.1.3 EC-VIETNAM REGIONAL COOPERATION AND SUPPORT THROUGH THEMATIC BUDGET LINES**

In addition to actions supported through funds committed in the framework of the EC's bilateral co-operation programme with Vietnam, the Commission also finances activities through thematic budget lines (for example, for projects proposed by Non-Governmental Organisations and projects designed to protect forests) and through regional programmes such as Asia-Invest (for business co-operation), Asia-Link (for co-operation in higher education), Asia-Urbs (for co-operation among municipalities) and Asia IT&C (for co-operation in the information and communications technology). **The EC contribution to projects of this kind involving Vietnam is between € 5 and € 15 million per annum, thus bringing the overall indicative EC contribution – bilateral cooperation and through regional and thematic cooperation projects - to an estimated €200 million for the period 2002 - 2006.**

### **1.1.4 THE POLICY FRAMEWORK: THE EUROPE-ASIA STRATEGY (2001) AND THE NEW PARTNERSHIP WITH SOUTH EAST ASIA (2003)**

EC co-operation with Vietnam is also informed by the Commission Communication of 4 September 2001 “Europe and Asia: A Strategic Framework for Enhanced Partnerships” (COM (2001) 469). This defines the core objective in the framework of relations with Asia as **strengthening the EU’s political and economic presence across the region, and raising this to a level commensurate with the emerging weight of an enlarged EU and the growing economic dynamism of the Asia region as a whole**. Priorities set down in the strategy document that are of particular relevance for Vietnam include:

- Further strengthening mutual trade and investment flows;
- Promoting the development of the less prosperous countries of the region, addressing the root causes of poverty;
- Contributing to the protection of human rights and to the spreading of democracy, good governance and the rule of law.

Co-operation with Vietnam is also to be seen in the context of the Commission Communication of 9 July 2003 “A New Partnership with South East Asia” (COM (2003) 399/4). This sets down a strategy **designed to revitalise the EU’s relations with ASEAN and the countries of South East Asia through a deepening of co-operation** in a range of fields including human rights, good governance, justice, and home affairs issues. Of particular importance in the framework of relations with Vietnam are the objectives of the partnership document concerning:

- Injecting a new dynamism into regional trade and investment relations;
- Continuing to support the development of less prosperous countries;
- Human rights, democratic principles and good governance.

### **1.1.5 THE NIP 2002 - 2004**

The NIP covering the period 2002 to 2004 has, in reflecting the priorities set down in the CSP, two focal points: “*Enhanced human development*” and “*Vietnam’s integration into the international economy*”. They are complemented by *cross-sector support* activities. The following actions are underway or are still to begin implementation, subject in some cases to the approval of the EU Member States and the Government of Vietnam:

*Focal point 1: Enhanced human development:*

- A programme of support to the Ministry of Education and Training (final appraisal to take place early 2004, indicative EC contribution up to €12 million, provisions amended as described in the revised NIP; project appraisal and decision scheduled for 2004);
- A health project targeting poor communities in the Northern Uplands and the Central Highlands (provisions amended as described in the revised NIP; appraisal to take place early 2004, indicative EC contribution €18 million);
- A support for rural development and natural resource management comprising an intervention in the Northern Uplands, a contribution to a Forestry Trust Fund and support to the Government of Vietnam for the groundwork required to pass to a sector approach for rural development assistance at a later stage (identification/appraisal in 2004, indicative EC contribution € 20 million). The intervention in the Northern Uplands follows up and takes account of lessons learnt and results of the mid-term evaluations in the ongoing rural development projects in the Northern Cao Bang and Bac Kan provinces and the Son La and Lai Chau provinces. The mid-term evaluation for the Cao Bang/ Bac Kan project (in 2002) resulted in an extension of the Financing Agreement and certain

changes in emphasis. The Son La/Lai Chau mid-term evaluation was done in 2003 and was an excellent review. Relevant quotation from the executive summary: “The project is well aligned with both the EC Country Strategy and the Comprehensive Poverty Reduction and Growth Strategy with its focus on poverty alleviation and food security and its location in the Northern mountainous region where ethnic minority groups predominate.”

- A vocational training initiative (“Labour Market Project”), for which a Financing Agreement was signed with the Government of Vietnam in 2003; tender scheduled for launch in 2004 (EC contribution €10 million);

*Focal point 2: Vietnam’s integration into the world economy:*

- A project providing technical assistance to financial intermediaries giving loans to small and medium-sized companies (Financing Agreement signed in 2003, EC contribution € 995,000; project implementation to begin in Spring 2004);
- A private sector development programme to improve the administrative and regulatory environment for SME development at provincial level and support to the development of business associations and creation of new enterprises (SME incubators), approved by the EU Member States in November 2003 (EC contribution € 9.05 million; signature of Financing Agreement with GoVN expected for Spring 2004, followed by tendering for technical assistance);
- A project assisting Street Children, seeking to alleviate the social consequences of reform (Financing Agreement Signed in 2003, EC contribution €990,000; project to begin operations Spring 2004);
- An Urban Environmental Planning Programme, approved by the EU Member States in October 2003 (EC contribution € 10 million; signature of Financing Agreement with GoVN expected Spring 2004, followed by tendering for technical assistance);
- A programme to train Vietnamese conference interpreters (ongoing since 2002, EC contribution €850,000);
- An institutional development programme for the introduction of administrative and legal reforms, targeting the National Assembly and the judiciary (appraisal to be completed early 2004, indicative EC contribution €8 million; implementation to start in 2005);
- A programme providing assistance in multilateral trade negotiations and preparation for accession to the World Trade Organisation (MUTRAP II) (approved by the EU Member States in October 2003, EC contribution €5.1 m; signature of Financing Agreement with GoVN expected Spring 2004, followed by tendering for technical assistance); the assistance should complement EU’s regional policy within Southeast Asia, including co-operation under the Trans-Regional EU ASEAN Trade Initiative (TREATI) and, where appropriate, promote regional integration within ASEAN;
- A programme of support to improve economic and social development by facilitating decision making in the public administration in particular providing support to the Ministry of Finance, primarily in customs and taxation, and the Ministry of Planning and Investment (Financing Agreement signed in 2003, EC contribution € 11.034 million; signature of Financing Agreement with GoVN expected Spring 2004, followed by tendering for technical assistance);

*Cross-sector support:*

- A contribution to the World Bank-led Poverty Reduction Support Credit (PRSC) III, combined with technical assistance in public financial management (provisions amended as described in the revised NIP; to be prepared in 2004, indicative EC contribution €20 million).
- A “Small Projects Facility”, to provide grants for small-scale activities (approved by the EU Member States in November 2003, EC contribution €2 million; Financing Agreement to be signed with the Government in Spring 2004, followed by beginning of implementation).

A full list of bilateral projects (ongoing and pipeline) is attached in annex 2.

## 1.2 THE MID-TERM REVIEW (MTR)

The General Affairs and External Relations Council (GAERC) of March 2003 fixed four criteria for assessing the validity of the Country Strategy Papers and the need for possible changes: (a) Main political, economic and social developments in the country, (b) New EC/EU Policy Objectives and Commitments, (c) Results, Performance and Lessons Learnt, and (d) Quality improvements.

**A mid-term review (MTR) of the Country Strategy Paper 2002 to 2006 concluded that no modifications to the CSP were necessary, that some changes in the NIP 2002-2004 were required, and that the latest developments in Vietnam would be reflected in the NIP 2005-2006.** The conclusions of the MTR have been shared both with the EU Members States’ representatives in Hanoi and with the Vietnamese Government (see 1.4 below). The findings of the MTR of the CSP can be summarised as follows:

### 1.2.1 MAIN POLITICAL, ECONOMIC, AND SOCIAL DEVELOPMENTS IN VIETNAM

The **political situation** in Vietnam remains **stable**. Following National Assembly elections in May 2002, the President, Communist Party Secretary General, and the Prime Minister all had their mandates extended. A full Government re-shuffle was completed in August 2002, strengthening the position of the Prime Minister. The Government announced a new drive to eliminate endemic **corruption** in public administration.

Upon accession of Vietnam to the Association of Southeast Asian Nations (**ASEAN**), the Council of the European Community (EC) agreed to extend the EC - ASEAN Cooperation Agreement to Vietnam (see OJ L 117 of 05.05.1999, page 30). Vietnam is an increasingly active member of ASEAN and also participates in other regional groupings such as **ASEM** (Asia-Europe Meeting), ARF (ASEAN Regional Forum) and APEC (Asia-Pacific Economic Cooperation). ASEM is an informal process of dialogue and cooperation bringing together the EU Member States and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). The ASEM dialogue addresses political, economic and cultural issues, with the objective of strengthening the relationship between our two regions, in a spirit of mutual respect and equal partnership. The first ASEM Summit was held in Bangkok in March 1996, giving rise to an ongoing process including Summit-level meetings every second year, Ministerial-level meetings in the intervening years (although now normally once a year) plus a range of meetings and activities at the working level. **Vietnam will host the next ASEM summit in autumn 2004 in Hanoi. Vietnam wants to be elected to the UN’s Security Council in 2008.**

Vietnam's **most important bilateral partners** are **Japan** (important trade relations; largest bilateral provider of FDI, largest ODA provider), **China** (geo-strategic and economic role; growing regional economic and political influence, and party to the dispute of the Parcel and Spratly archipelagos; 3<sup>rd</sup> largest exporter to Vietnam), **USA** (geo-strategic and economic role (main global power and balance to China, large prospective export market following entry into force of Bilateral Trade Agreement in 2002; main base of political opposition by Vietnamese living in exile; **Singapore, South Korea and Taiwan** (economic interests as main bilateral FDI sources after Japan), **Australia** (strong in political analysis and follow up of the whole region); the **EU as a whole** has for a long time by far been Vietnam's main export market with €4.4 bn and largest FDI provider and remains Vietnam's largest grant donor). Due to past involvement in the region, **France** carries largest political influence and is the EU's second largest source of FDI (USD 819m) after the **Netherlands** (USD 1 bn.) and the largest individual development assistance donor within the EU. **Sweden** is also influential, due to its support to Vietnam during and after the war and important development assistance. **Germany** is Vietnam's main EU trading partner. Other important FDI sources: **United Kingdom** USD 712m, Sweden USD 360m.

The **human rights situation** continues to fall short of international standards and is an **area of deep concern** for the Commission, the EU Member States, and the European Parliament. An area of particular concern is the Central Highlands (poverty, rights of minorities, religious freedom). The EU's position remains that Vietnam's reform policies aimed at alleviating poverty and fostering sustainable economic growth should progress in parallel to **good governance** and the promotion and protection of human rights, since they are interdependent and interrelated. The related analysis of the CSP is still valid. Since the latter was drawn up, however, there has been a **reinforcement of the local EU human rights dialogue** with the Government of Vietnam. Moreover, in the framework of the **EC-Vietnam Co-operation Agreement** the EC-Vietnam, the Joint Commission of November 2003 agreed to establish a **new sub-group on "Co-operation in institution building, administrative reform, governance and human rights"**.

With regard to both poverty reduction and **economic growth**, Vietnam continues to perform very well. In 2003 growth is expected to have been around 7%, making Vietnam one of the **fastest growing economies in the world after China** and certain African countries (Chad, Equatorial Guinea and Botswana). The World Bank (WB) estimates that similar growth rates will be maintained in the medium term ("Taking Stock", published by the World Bank in December 2003). The WB expects sustained economic expansion driven by export growth and buoyant domestic activity, and rapid growth of the private sector. However, **slow progress on state-owned enterprise and state-owned commercial bank reform** may lead to misallocation of capital investment and impair long-term growth.

Partly thanks to the strong growth in exports, Vietnam is increasingly integrated into the global economy, and **negotiations** with a view to **joining the World Trade Organisation by 2005** have continued. The EU participates in the Working Party for Vietnam's WTO accession, which held two meetings in 2003. In addition it has held four rounds of bilateral consultations with Vietnam. However, while Vietnam's latest offers and the most recent rounds of multilateral and bilateral negotiations have brought some progress, **Vietnam must enhance its efforts in particular in the field of services** if the 2005 goal is to be met. **Bilateral EC-Vietnam trade negotiations**, focussing on improved market access for Vietnamese textile products and other liberalisation measures resulted in a **new agreement entering into force in February 2003 and into provisional application in September 2003**. Integration into the global economy needs to go hand-in-hand with reforms establishing a level-playing field for business, and the Government

of Vietnam is making progress, with the adoption by the National Assembly **foreseen for 2005** of a **uniform legislative framework for all enterprises**.

Household survey data indicate that Vietnam has managed to reduce **poverty** impressively: in 2002, 29 % of the Vietnamese population fell below the international poverty line, as opposed to 37 % in 1998, and 58 % in 1993. Nevertheless, evidence suggests that poverty did not decrease at the same pace in rural areas, especially in areas with a considerable population of ethnic minorities. In the Central Highlands, poverty seems to have even increased. Further achievements in poverty reduction require sustained socio-economic reform. In 2002, the Government **adopted the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)**, which is Vietnam's version of a Poverty Reduction Strategy Paper (PRSP), **continued Public Administrative Reform, and approved a legal needs assessment** as well as a related **ten-year action plan for broad judicial reforms**. **Corruption** remains a widespread phenomenon in Vietnam, and could pose a threat to sustainability of poverty reduction, as some types of corruption impact directly on the poor. The Government has proposed an Ordinance on Corruption and introduced some measures to fight corruption (for example, rotation obligation for civil servants in high-level posts in central and provincial governments). However, additional steps are required, such as the creation of a comprehensive legal framework for anti-corruption, public administration reform, enhanced transparency and accountability of decision making processes; a more significant role of the media; SOE and financial sector reform. These issues are an essential part of the policy dialogue of partner countries with the Government of Vietnam (e.g. in the context of the Consultative Group meetings).

The majority of donors in Vietnam, including the EC, align their co-operation strategies to the CPRGS. The CSP is fully compatible with the CPRGS, the main elements of which were already known when the CSP was being drafted in early 2002. The CPRGS, as its name suggests, consists of a comprehensive strategy for growth and poverty reduction, with a focus on rapid and sustainable economic growth, the creation of a level playing field for business for all types of enterprises, structural economic reforms (such as the reorganisation of state-owned enterprises), the development and expansion of social protection, and public administrative reform. A new chapter on large-scale infrastructure was added to the CPRGS in 2003. The progress report of the GoVN on the CPRGS implementation at the Consultative Group meeting in December 2003 revealed that implementation is so far proving successful. Immediate challenges pertain to the "rolling out" of the CPRGS into the provinces to ensure that it becomes the key reference document for decision making at central government as well as at provincial government and district levels. The EC emphasised that the CPRGS and the Government's 10 year socio-economic development strategy should be merged over time to ensure the coherence and consistence of Government policies.

All the above developments are in line with the descriptions and assumptions presented in the CSP. The MTR concluded that **CSP** country analysis and response strategy, including the identified medium-term challenges, are **still relevant and appropriate**.

In the light of the particular problems of the **Central Highlands** – both politically and because of the high prevalence of poverty - and taking account of different EU Troika missions and a pre-identification study - the **MTR advised that under the NIP 2002-2004 specific action under the focal point "enhanced human development" should be taken to deal with the poverty related issues of this particular region**.

The Vietnam development indicators, contained in the CSP 2002 – 2004 have been updated based on available statistical data by end of 2003 (see [annex 7](#)). Moreover, comparative

development statistics for Vietnam, compared to other Mekong countries (Cambodia, Laos, Thailand) are enclosed (see [annex 8](#)).

### 1.2.2 NEW EC/EU POLICY OBJECTIVES AND COMMITMENTS

The CSP was analysed and the policy dialogue with GoVN extended in the light of new priorities for EC/EU policies:

- TRTA was confirmed as a priority sector for EC co-operation with Vietnam in the CSP and NIP 2002-2004.
- The CSP is in line with the priorities agreed at the Johannesburg Summit on Sustainable Development. The cross-cutting nature of sustainable resource management is a key concern in the context of integrated rural development as well as in the framework of the alleviation of the social consequences of reform.
- The importance of the fight against AIDS, tuberculosis, and malaria is stated in the CSP as an issue for both regional and bilateral co-operation.
- A modification of the CSP is not necessary to accommodate a discussion of Justice and Home Affairs (JAI) issues through a policy dialogue with the GoVN. Some JAI issues are dealt with through regional EC co-operation of ASEAN and ASEM (e.g. migration and combating terrorism). No comprehensive reference to JAI issues in the CSP is required. However, the Commission introduced these themes into the policy dialogue with Vietnam at the JC meeting of 2003 and agreed with GoVN on further consultations and on the exploration of enhanced dialogue and co-operation.
- The Commission presented the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) at the EC-Vietnam JC meeting of 2003 and agreed with GoVN that further dialogue on FLEGT should take place in the framework of the Forest Sector Support Partnership, the informal local consultation and co-ordination group of interested donors and the GoVN.
- The CSP's call for closer co-ordination with EU Member States remains highly relevant with regard to the EU Council decision of 2002 to take concrete steps in the area of EU co-ordination of policies and harmonisation of procedures before 2004. **Vietnam** is a **pilot country** for this initiative, and in May 2003 EU donors represented in Vietnam agreed on an **EU Action Plan for co-ordination and harmonisation** (see [annex 3](#)). At the beginning of 2004 a working group of representatives of different harmonisation initiatives in Vietnam was created to search for the best way for GoVN and donors to work together for the implementation of the **GoVN Harmonisation Action Plan** unveiled in December 2003.

In the light of these new EU/ EC policy initiatives the CSP remains pertinent.

### 1.2.3 RESULTS, PERFORMANCE, AND LESSONS LEARNT

The MTR concluded that overall EC-Vietnam co-operation was progressing smoothly and that the general direction of co-operation is still relevant given the progress and results to date. Despite some delay in 2002-03 in implementing some actions of the NIP 2002-2004 compared to initial planning, the total indicative fund allocation is very likely to be committed by 2004, subject to availability of budget credits. Delays had been mainly due to (1) the SARS crisis in the

first half of 2003 and (2) the difficulty of mobilising suitably qualified experts for identification and preparation work.

Regarding the **education sector**, progress in institutional reforms necessary to accommodate a sector approach has been slower than expected. The MTR advised that the EC should support the **necessary groundwork for a sector approach / budgetary support**, without rushing into such forms of aid before safeguards are in place and Vietnamese partners are ready.

The MTR advised therefore **to reduce the indicative allocation for education under the NIP 2002 – 2004**, but to keep education as a priority for the NIP 2005-2006 in anticipation of an emerging sector approach by that time.

A weakness of the NIP 2002-2004 is its provision for a large number of individual actions of limited size under the two focal points of the CSP, exclusively designed as “traditional” projects, which has stretched the implementation capacities of the EC as well as of the Vietnamese counterparts, notably the Ministry of Planning and Investment. A **concentration on few priorities and actions under the NIP 2005-2006**, based on an intensified policy dialogue with GoVN is required to enhance aid effectiveness, depending on the availability of budget resources.

#### **1.2.4 QUALITY IMPROVEMENTS**

Vietnam is a privileged partner for ODA-co-operation of almost all EU Member States and a large and increasing number of international donors. Most continue to provide aid through “traditional” projects. The capacity of GoVN to manage the considerable amounts of aid coming into the country, particularly at the provincial and local level, is limited and overall ODA disbursement rates are falling.

This is an issue of particular concern since the GoVN’s ownership of, and commitment to, the development process is particularly strong. Against this background, increasing numbers of donors in Vietnam as well as the GoVN are wishing to move towards innovative types of support, such as multi-sector or targeted budget support.

The **WB-led Poverty Reduction Support Credits (PRSC) to assist with the implementation of the reform agenda defined in the CPRGS** is a form of multi-sector budget support, to which several EU Member States have contributed since 2002. The PRSC process increases government ownership of CPRGS implementation, reduces transaction costs, and provides a forum for the GoVN to discuss reform with, and benefit from the consolidated advice of, a group of different donors.

In order to move away from a purely project-based approach the Commission intends to join this multi-annual process with support under the revised NIP 2002-2004 and the NIP 2005-2006. Along with other donors, the Commission will advise on the prioritisation of policy measures pertaining to poverty alleviation and promotion of economic growth (e.g. definition of prior actions before allocated funds can be disbursed, monitoring and influencing performance). EC-involvement in the PRSC is expected to bring about the following improvements in the EC – Vietnam co-operation programme: **(1) increased poverty focus, (2) enhanced co-ordination with other donors, especially with those EU Member States also contributing to the PRSC, (3) more efficient EC cooperation portfolio (balance between “traditional” projects, sector approaches and budget support operations).**

Moreover, the MTR concluded that in line with the overall EC policy to introduce a **Small Projects Facility** into all bilateral cooperation programmes with Asian countries, such a facility should also be created for Vietnam.

It is to be noted that, thanks largely to the devolution of responsibility to the EC Delegation in Hanoi for projects financed by the EC from thematic budget lines (e.g. for NGO financing etc.) and regional programmes (Asia-Invest, Asia-Link, Asia-Urbs etc.) – foreseen for mid-2004 - attention will be paid to **ensuring that synergies with the bilateral programme are exploited to the full**. Although **thematic budget lines and regional programmes are not programmed by the CSP and NIP**, actions supported by them **fall within the CSP/NIP priorities or are complementary to them**, and there can be much beneficial sharing of information and other forms of collaboration, as well as benefits for the EU/EC in terms of visibility.

### 1.3 CONCLUSIONS

#### 1.3.1 THE PRIORITIES OF THE CSP 2002 – 2006 ARE STILL VALID

The basis on which the CSP was designed remains pertinent and no modifications to the CSP are necessary. While annual growth rates continue to be high, Vietnam still faces the twin challenges of poverty reduction/human development and integration into the international economy, reflected in the priorities of the CSP. Vietnam is still in transition towards a market economy, with a considerable agenda of administrative, financial, and governance-related reforms to be implemented. The political situation remains unchanged, with the issue of human rights still high on the agenda for the European Union and the donor community at large.

#### 1.3.2 SUMMARY OF ADJUSTMENTS TO THE NIP 2002-2004

The proposed amendments to the NIP 2002 – 2004 are described in detail in the revised NIP 2002 – 2004 document.

The modifications to the NIP 2002-2004 allow the EC to provide support in the **Central Highlands**, an area of importance politically and in the context of poverty reduction. They also **allow for groundwork to be done in the rural development and education sectors to prepare for a sector approach**, before the EC provides support in that framework (only for the education sector) in the NIP 2005-2006. Moreover the aspect of natural resources management through contribution to a **Multi Donor Forestry Trust Fund** could be included into the NIP 2002 – 2004.

The modified NIP 2002-2004 gives the EC Delegation a new financing tool to support **small initiatives** in line with the CSP (Small Project Facility), and enables the EC to provide budgetary support, and accompanying technical assistance in the financial field, through the **performance-based Poverty Reduction Support Credit (PRSC) III, linked to the implementation of the Comprehensive Poverty Reduction and Growth Strategy**.

The table hereafter summarises the interventions planned within the revised NIP 2002 – 2004:

<b>Focal point 1: Vietnam's human development</b>	<b>€60.0 million</b>
Action 1: Integrated rural development and natural resources management	€20 million
Action 2: Support to Rural Health in the Northern Uplands and Central Highlands	€18 million
Action 3: Support for improved sector management of education and training (initially: Support to the Ministry of Education and Training)	€12 million
Action 4: Vocational Training	€10 million

<b>Focal point 2: Vietnam's integration into the international economy</b>	<b>€46 million</b>
Action 1: Public administration, institutional reform, and good governance	€30 million
Action 2: Support to the private sector	€10 million
Action 3: Integration into global and regional economic arrangements	€6 million
<b>Cross-sector support:</b>	<b>€22 million</b>
Action 1: Support for the Poverty Reduction Support Credit:	€20 million
Action 2: Small Project Facility	€ 2 million
<b>Total:</b>	<b>€128 million</b>

### 1.3.3 PRIORITIES FOR THE NIP 2005-2006

The NIP 2005-2006 will **enhance the poverty reduction focus of the CSP**, while ensuring a concentration and consolidation of EC support and enabling the EC to continue the drive to provide the bulk of its support, if possible, through sector approaches and budgetary support. The new NIP will build on EC experience and expertise in the selected focus sectors.

The new NIP will also consolidate co-ordination and harmonisation with other donors, particularly the EU Member States.

### 1.4 CONSULTATION

Against the background of the large number of international donors active in Vietnam, continuous co-ordination among donors is a pre-condition for improved aid effectiveness. More than 20 informal “sector partnerships” have been established during the past several years. These are co-ordination and sector policy discussion fora for the interested donors and the GoVN. The European Commission, via its Delegation in Hanoi, actively participates in these partnerships, which include: the Forest Sector Support Programme and Partnership, Health Sector Working Group, Education Sector Working Group (newly created), Education Forum, Natural Disaster Mitigation (NDM) Partnership, Agriculture and Rural Development Partnership, Financial Sector Partnership, SME Partnership, International Support Group in the environment, Trade Reform Partnership, and the Harmonisation and Aid Effectiveness Working Group.

The policy dialogue forum encompassing the entire donor community and the GoVN is the **Consultative Group, for which there is** one formal and one informal meeting per year. The EC is part of the group advising the GoVN and the World Bank in preparing the agenda of the CG meetings. The EU as a whole presents a joint policy statement and a joint ODA pledge at the CG.

#### 1.4.1 CONSULTATION WITH THE MEMBER STATES IN HANOI

The Commission’s preliminary concepts for the NIP 2005-2006 were presented to the EU Development Counsellors in Hanoi on 6 November 2003 (see Minutes of meeting in [annex 4](#)) and to the EU Heads of Mission in advance of the December 2003 Consultative Group meeting. The CSP MTR and intended modifications to the NIP 2002-2004 were discussed at a meeting of EU Development Counsellors on 23 May 2003. The minutes of the Development Counsellors’ meetings are attached [in annex 5](#)).

#### 1.4.2 CONSULTATIONS WITH THE GOVERNMENT OF VIETNAM

After informal discussions with the Ministry of Planning and Investment in Hanoi since June 2003, the NIP 2005-2006 outline was discussed and endorsed by the Dialogue and Co-operation

Working Group held prior to the EC-Vietnam JC meeting in November 2003, with the agreed minutes stating, *inter alia*:

“With reference to the National Indicative Programme 2005 – 2006, which needed to be seen in the framework of the Country Strategy Paper, the EC side stated that it was considering the inclusion of support to the Poverty Reduction and Support Credit and funds for targeted budgetary support in education. The Vietnamese side supported these ideas and requested in addition consideration for capacity building in the context of international economic integration. It also urged inclusion of support for rural development, for the improvement of living conditions and livelihoods in the context of the Comprehensive Poverty Reduction and Growth Strategy, as well as to strengthen provincial capacity. If possible a sector approach should be adopted, using a government rural development/poverty reduction programme as a vehicle. The Vietnamese side favoured close co-ordination between future rural development activities and initiatives in other fields such as education. It also felt that consideration should be given to the inclusion of health in the new Indicative Programme.”

GoVN was represented at the Working Group meeting by the Ministry of Planning and Investment, together with the Ministry of Finance and several line ministries, including the Ministries of Health, Education and Training, and Rural Development.

#### **1.4.3 CONSULTATION WITH CIVIL SOCIETY**

There are currently few, if any, civil society organisations in Vietnam that are in a position to give a truly independent opinion of the Government or the Communist Party. The Commission Delegation has therefore not carried out a formal consultation. However, civil society actors (chambers of commerce, municipalities, higher education institutions etc) are considerably involved in activities supported by the EC through some of its bilateral projects and through its regional programmes.

## **2 THE NATIONAL INDICATIVE PROGRAMME (NIP) 2005-2006**

### **2.1 SUMMARY OF THE NIP 2005-2006 PRIORITIES**

Based on the CSP focal points (enhanced human development, integration of Vietnam into the international economy), the findings of the MTR and the dialogue with partners, the NIP 2005 – 2006 will focus on three priorities: (1) education, and (2) support to the Poverty Reduction Support Credit process. Moreover, a small amount will be reserved for possible cross-sector support for institution building, administrative reform and improved governance, while retaining some flexibility to meet emerging new priorities relating to trade-related technical assistance needs.

The overall objective of the **education** action is to expand access to universal basic education and support the improvement of education quality. The specific objectives are to increase the number of schools achieving “Fundamental School Quality Levels” (FSQL) and to support the establishment of an enabling environment for expanded education access and improved service delivery through continued development of a policy framework in education, planning, and governance. Taking account of the adoption of the National Education for All Plan in 2003 by the GoVN, the revised NIP 2002-2004 provides €12 million to be spent on groundwork for a sector approach in education through technical assistance support to the Ministry of Education and Training (MoET). This shall facilitate the move towards a sector-based management of basic education.

The general objective of the **Poverty Reduction Support Credit** process is to ensure satisfactory progress in the implementation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS). Specific objectives include the completion of Vietnam's transition to a market economy, making development inclusive and building modern governance.

The objectives and details of any support for Institutional Strengthening and Governance are to be defined at a later date, subject to the progress and outcome of discussions in the framework of the EC-Vietnam Sub-Group on "Co-operation in institution building, administrative reform, governance and human rights", set up by the EC-Vietnam Joint Commission in November 2003.

Since the € 5.1 million Multilateral Trade Assistance Project Vietnam II (MUTRAP II) was approved in October 2003 and will be implemented in the next four years, no specific action has been foreseen in the field of Trade Related Technical Assistance (TRTA). Given the Commission's continued commitment to TRTA, within the MUTRAP II programme, a comprehensive needs assessment for future TRTA will be carried out, focusing in particular on Doha Development Agenda issues and Vietnam's commitments pertaining to its WTO accession, as well as facilitation of bilateral trade and investment and practical assistance for Vietnamese exporters. This needs assessment will enable identification of priority activities. The Commission is willing to cover new priority activities, which are neither covered by the 2002-2004 NIP nor require implementation in the next CSP/NIP 2007-2011, within the flexibility foreseen under the current NIP 2005/6, which would be revised to this effect, if necessary.

During 2005 – 2006, additional actions will be supported through specific regional projects and thematic and horizontal budget lines, the programming of which is established on a yearly basis. These thematic and horizontal budget lines include co-financing with NGOs, and support in the fields of human rights and democracy, gender, drugs, uprooted people, tropical forests, reproductive health, food security, and other areas. Additional resources may be mobilised through specific instruments such as the Rapid Reaction Mechanism (RRM) or humanitarian aid.

## 2.2 INDICATIVE BUDGET

	MEUROS*
<b>TOTAL</b>	<b>34</b>
• <b>Education</b>	<b>16 – 18</b>
• <b>Poverty Reduction (PRSC IV and V)</b>	<b>14 - 16</b>
• <b>Support for Institution Building, Administrative Reform, Governance and Human Rights</b>	<b>1 – 2</b>

The EC believes that the continuation of its contribution to the PRSC process as well as the preparation of sector approaches and to the participation in the related policy dialogue with GoVN on a regular basis during the NIP 2005 – 2006 period is crucial. Depending upon the availability of additional funds during the programming period the support to the PRSC or specific sectors, sufficiently prepared for a support delivered along with other donors, could be further reinforced.

\* The margins given allow the European Commission to take absorptive capacity and pace of reform into account during the finalisation stage of programme design.

## 2.3 PRIORITIES AND ACTIONS

Despite rapid economic growth, human development remains a fundamental challenge for Vietnam and its co-operation partners. The gap between the poor and the well-off is increasing (with a likely reduction in social cohesion). In spite of considerable successes in reducing poverty, Vietnam still has a large number of highly impoverished people, many of them being ethnic minorities living in rural areas, especially in the Northern Uplands and Central Highlands. This is borne out by the World Bank's Vietnam Development Report 2004 produced in December 2003 for the Consultative Group Meeting, which states, *inter alia*, "it is fair to say that in the case of ethnic minorities, growth will not be enough. Specific policies targeted to them will be needed."

For this reason, the European Commission decided to strengthen the poverty reduction focus under the NIP 2005 – 2006. The priorities of the new NIP concentrate on the CSP focal point of *enhanced human development*. However, the cross-sector character of the PRSC IV and V, for which support is envisaged to enhance Vietnam's capacity to implement the CPRGS, also covers objectives related to CSP focal point of *support for Vietnam's integration into the international economy*.

**A number of actions from NIP 2002-2004 specifically targeting key challenges of Vietnam's economic transition will be under implementation during the remaining lifetime of CSP 2002 – 2006 so that no additional actions are envisaged under NIP 2005 – 2006 (see annex 2 list of NIP 2002 – 2004 projects).**

### 2.3.1. EDUCATION

#### (a) Strategy context/ justification

Support to the education sector, especially the improvement of basic education, is a core priority of the CSP 2002 – 2006. While access to education in Vietnam is almost universal at primary level, quality of education is still low and requires significant improvement if the development and growth of Vietnam are to be sustained. EC programming builds on positive experience from ongoing project support (decided prior to CSP 2002-2006) to the Ministry of Education and Training (MoET, EC contribution of €7.6 million), which has been particularly successful at strengthening the institutional capacity of the MoET at central and decentralised levels. Further experience and assistance from co-operation under the revised NIP 2002 – 2004 (€12 million for education) will facilitate the move towards a sector based management of basic education in key areas through support primarily to the MoET at central and decentralised levels, but as well to the Ministry of Finance (MoF) and the Ministry of Planning and Investment (MPI). The NIP for 2002 – 2004 had initially planned to explore the possibility of providing support to the Government of Vietnam in the framework of a sector approach. However, the EC, sharing the views of other donors, concluded in the CSP mid-term review that more progress was necessary in the area of institutional reform to accommodate a sector approach. However, progress has been slower than expected, meaning that EC assistance could not be financed through full budgetary support during the life time of NIP 2002 - 2004.

In 2003, the Government of Vietnam adopted the national Education for All plan to advance towards meeting the Millennium Development Goals in the education sector. In the same year,

the “Education Sector Working Group” was launched as a coordination forum between interested donors and the Government of Vietnam. In light of these achievements, it was agreed that under the NIP 2002 – 2004 €12 million will be spent on groundwork for a sector approach through the provision of technical assistance at central and provincial levels aimed at capacity building and the development and implementation of management and planning tools.

An essential element for the move towards a sector approach is the finalisation of a medium-term expenditure framework (MTEF) for the education sector, expected to be completed by 2005. Support to education under the NIP 2005-2006 will be in the context of the Government of Vietnam’s Education for All (EFA) plan, established in 2003. The EC will join forces with other donors for a major initiative within this framework.

## **(b) Objectives**

### General

To expand access to universal basic education and support the improvement of education quality.

### Specific

- to increase the number of schools achieving “Fundamental School Quality Levels” (FSQL)
- to support the establishment of an enabling environment for expanded education access and improved service delivery through continued development of policy framework in education, planning, and governance.

## **(c) Expected Results**

- Within the framework of the National Education for All plan, the meeting of FSQL in a number of targeted provinces, and the sustaining of quality performance over time.
- Greater coherence in sector budgeting, planning, and spending.
- Strengthened capacity for public expenditure resource allocation, administration, and performance.

## **(d) Activities**

To be defined, but may include the selection of provinces in need of support through the development of a targeting mechanism, establishment of FSQL, calculation of financing needed to raise schools to FSQL in targeted areas, allocation of funds through GoVN top-up transfer mechanisms, technical assistance for capacity building, monitoring of implementation.

Preparation for the initiative, which is currently being undertaken within the framework of the NIP 2002 – 2004, will be supported by the EC’s Sector Management of Education and Training programme, and carried out jointly by the donors involved in the Education Sector Working Group and the relevant Government stakeholders.

## **(e) Implementation**

To be implemented through pool financing or budgetary support.

## **(f) Cross-cutting issues**

These will include poverty reduction, gender and governance.

## **(g) Risks and conditions**

- Agreement of modalities of financing with donor partners and the Government.
- Time schedule for the commitment will not only depend on the EC.

- Ownership by the Government.
- Adoption of FSQL as official policy.
- MTEF finalised.
- Fiduciary risk in terms of the transparency of budget execution.

**(h) Main indicators**

-Output indicators: pupil-teacher ratio, pupil textbook ratio, primary teachers with equivalent secondary education qualification as a percentage of teacher population, numbers of contact hours per week.

-Outcome indicators: achievement of FSQL, gross enrolment rate, net enrolment rate, completion rate (grade 6), average repetition rate, average drop out rate (all disaggregated by gender, ethnicity, and geographical area)

*Plus indicators set down in the CPRGS.*

**(i) Estimated EC contribution**

Between €16 - 18 million.

**(j): Co-ordination with Member States**

The implementation of the project will be overseen not only by the partner ministries and the European Commission, but also by a committee of donors involved in the education sector and in the Education Sector Working Group, all of which have an interest in institutional strengthening particularly in preparation for a sector approach and budgetary support. EU Member States involved are UK, France, and Belgium. Education is a target sector in the framework of the EU Action Plan for Co-ordination and Harmonisation in Vietnam.

Regardless of whether the modalities of implementation involve budgetary support or pool financing, the initiative will be prepared and implemented together with other donors. The lead donor has yet to be identified. Donors already committed or interested include the World Bank, UK, Belgium, Canada, and Norway. Education is one of the focus sectors for EU harmonisation and co-ordination in Vietnam.

**(k) Indicative timeframe**

Implementation is to begin in 2005 or 2006, depending on a number of factors such as the availability of an MTEF for the education sector.

**2.3.2 POVERTY REDUCTION (SUPPORT TO PRSC IV AND V)**

**(a) Strategy context/ justification**

Sustainable human development requires:

- (a) an equitable society that is successful in caring for all its members and in allowing them to fulfill their potential. This demands the building of a modern public administration, legal and governance system, with reforms in, public finance, legal development, and access to information.
- (b) an equitable, socially inclusive and sustainable pattern of growth, with appropriate sectoral and social policies and programmes.

- (c) sustained economic growth. The transition to a market economy in Vietnam needs to be completed, with reforms in foreign trade, state owned enterprises, the financial sector, and private sector development.

The objectives of Vietnam's **Comprehensive Poverty Reduction and Growth Strategy (CPRGS)** coincide with the above three requirements (see 1.2.1 above). The **Poverty Reduction Support Credits (PRSC)** cover three areas of reform: completion of the transition to a market economy, making development inclusive, and building modern governance. The **PRSC is a World Bank-led performance-based, result-oriented budget support instrument, linked to the objectives of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)**. Funds are disbursed subject to the successful completion of a range of **reform-related prior actions** by the Government. The prior actions are established in agreement with the Government by the donors supporting the PRSC. **Funds** are provided **in the form of loans** (by e.g. the World Bank) **and grants** (by e.g. bilateral donors such as the UK and the Netherlands).

The Commission will provide funds to the PRSC III (2004) through the framework of the revised NIP 2002-2004 (€20 m). Should this operation prove successful, further support to the PRSC is envisaged under NIP 2005-2006, as the implementation of the CPRGS is a long-term challenge and requires constant support from the donor community. For this reason, the PRSC instrument is designed to assist this process over several years and follows annual cycles.

The World Bank and other donors have already supported the reforms linked to the CPRGS within PRSC I in 2002 and PRSC II in 2003. Both operations have been fully and punctually implemented. The EC feels confident about entering the PRSC process in its third phase, following the adoption of the CPRGS by the Government of Vietnam in 2002 and the continuing implementation of CPRGS related policy and regulatory changes since then.

The provision of budget support is a new departure for the EC in Vietnam. It shall strengthen the EC's partnership with the GoVN by helping to set the reform and development agenda in Vietnam through strengthened policy dialogue, the establishment of prior actions and in monitoring their implementation. This approach leads to more intense co-ordination with other donors contributing to the PRSC process, including EU Member States. The move away from "traditional" project aid shall also reduce transaction cost of cooperation and improve ODA effectiveness.

## **(b): Objectives**

### General

Progress in the implementation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)

### Specific

- completing the transition to a market economy;
- making development inclusive;
- building modern governance.

## **(c): Expected Results**

The results consist of prior actions defined by the donors in collaboration with the Government of Vietnam during the preparation of the PRSCs, and building on experience gained during the implementation of PRSC III (see revised NIP 2002 – 2004, chapter 5.1). Funds are disbursed when prior actions have been successfully carried out by the Government. There are likely to be around forty prior actions, in fields such as such as trade liberalisation, state-owned enterprise

reform, financial-sector reform, private sector development, health, education, environmental sustainability, public administration/governance, public financial management, and anti-corruption measures. The EC will focus its attention on approximately four areas of interest, for which prior actions will be set, implementation monitored and their relation to the CSP and bilateral projects examined. For the PRSC III (to be supported within the framework of the revised NIP 2002-2004), the focal areas are likely to be financial reform, public financial management, private sector development and social development.

The exercise of establishing prior actions will be carried out twice, once for the PRSC IV (2005) and again for the PRSC V (2006).

**(d) Activities**

Establishing prior actions and monitoring performance. Funds, which are fully fungible, are to be disbursed upon the completion of prior actions. Possibly technical assistance to assist the government in the reform agenda.

**(e) Implementation**

Funds will be paid to the World Bank and via the World Bank into the consolidated account of the GoVN at the State Bank of Vietnam.

**(f) Cross-cutting issues**

Gender, environment, governance, HIV/AIDS are all likely all to feature among the prior actions.

**(g) Risks and conditions**

- A loss of momentum in the reform process, and resistance from vested interests, could entail a risk of slippage, especially in the area of public sector reform.
- The reform costs could be higher than estimated if the resolution of non-performing loans proceeds at a slower pace, or if policy lending by the Government goes into unviable projects.
- Fiduciary risk and a failure to ensure that adequate progress is made with budget transparency and tackling corruption could defeat the attempt to build modern governance.

**(h) Main indicators**

Monitoring indicators will be linked to the advancement in the reforms agenda. They will be discussed with the government and all donors participating in the operation and will be aligned with the Comprehensive Poverty Reduction and Growth Strategy.

**(i) Estimated EC contribution**

€14 – 16 million, e.g. €7 – 8 million for PRSC IV and V respectively. As a function of the availability of additional funds the contribution to the PRSC process could be increased.

**(j) Co-ordination with Member States**

Certain EU Member States (the Netherlands, UK, Denmark, Sweden) have already supported PRSC I and or PRSC II. For PRSC III (to be supported by the EC in the framework of the revised NIP 2002-2004) Member States involved are likely to be the Netherlands, UK, Sweden and Denmark. Belgium has also indicated interest. The same EU Member States are likely to support PRSC IV and PRSC V, and more may join.

**(k) Indicative timeframe**

Preparations for PRSC IV are likely to begin in late 2004, with World Bank board decision in May 2005. EC funds should be committed shortly afterwards. The same pattern is likely to be followed in 2005/2006 for PRSC V.

**2.3.3 SUPPORT FOR INSTITUTION BUILDING, ADMINISTRATIVE REFORM, GOVERNANCE AND HUMAN RIGHTS**

An indicative €1 – 2 million shall be reserved for activities emerging from the EC-Vietnam sub-group on “Cooperation in institution building, administrative reform, governance and human rights”. The sub-group, newly created under the EC-Vietnam Cooperation Agreement (see above 1.2.1), foresees annual formal meetings of senior officials and side meetings (seminars, workshops, round tables, visit programmes). The active work of the sub-group is expected to start in 2004. The sub-group shall suggest future cooperation activities in institution building, administrative reform, governance and human rights to improve Vietnam’s track record in these fields. The objective of the proposed EC support is to facilitate the implementation of decisions and guidelines developed by the sub-group. The details of the actions are subject to progress in the sub-group’s work and can only be determined at a later stage.

The Commission will endeavour to mobilise additional funds from other budget lines, notably the European Initiative for Democracy and Human Rights (EIDHR), under which Vietnam has, however, so far not been a focus country and only marginally benefited.

## **Annex 1 Country Strategy Paper 2002 – 2006 Executive Summary**

Vietnam is a Socialist Republic of about 80 million people, of whom 30 million live below the national poverty line and around 25 million are unemployed or underemployed. GDP per capita is €419.

After decades of war and a difficult reunification struggle, Vietnam launched in 1986 "Doi Moi", a renovation policy that embraced economic reform, the reshaping of foreign policy and renovation of the internal political system.

Since 1986, the country has gone through various stages of economic growth that led to the doubling of its GDP between 1991 and 2000. Though reform has progressed at uneven speed, it is perceived as irreversible. A new breed of managers is taking over from the previous generation of leaders in the political system.

The Communist Party of Vietnam discussed at its 9th Congress in April 2001 a strategy for the socio-economic development of Vietnam for the period 2001-2010, aimed at transforming a rural society into an industrialised one by 2020. Vietnam has little time to modernise its socio-economic system before it has to compete on equal terms with other countries in the region where reforms have been ongoing for decades. Non-implementation or ineffective implementation of reforms is -by and large- the major risk Vietnam is facing.

Key factors to monitor include agricultural development, a sensitive sector given that 90% of the poor live in rural areas working mainly in agriculture and the external sector. Exports represent 44% of GDP, and AFTA, Vietnam's planned accession to WTO and implementation of the US-Vietnam BTA will have a direct impact on Vietnam's exports and investment performance. Structural reform, facilitating private sector development, is also a major issue, as SMEs face stiff and largely unfair competition from SOEs.

Principal challenges faced by Vietnam therefore lie in transforming its rural economy, enhancing its human capacity (e.g. through better access to health and education), creating a supportive climate for enterprise, providing efficient infrastructure services, improving environmental quality, enhancing human rights and civil society participation in decision making processes, and building modern governance.

Many of the challenges faced by Vietnam are similar to those of other developing countries. For Vietnam to overcome them effectively, it is likely to need to develop a more responsive, open and participatory decision-making system.

Special attention is being paid in Vietnam to ensuring a high level of co-ordination among the EU Member States and the Commission to maximise coherence of strategies and complementarity of actions. Government-donor co-ordination and co-operation are relatively effective, assisted by an increasingly inter-active Consultative Group Meeting, a poverty working group, and sectoral partnerships for development.

In the light of the above considerations, the overall aim of European Commission co-operation with Vietnam is to facilitate and accelerate the reduction of poverty in a sustainable manner. EC co-operation (for the period 2002-2006) will have an indicative budget of 162 million € and will focus on the following two priorities:

- Enhancement of human development. This will be done in particular, through integrated rural development targeting some of the poorest provinces, and through support in the education field;
- Integration of Vietnam into the international economy, by assisting reform towards a market oriented economy, and Vietnam's integration into world and regional economic structures.

Crosscutting themes, as an integral part of EC-Vietnam co-operation, will include environmental protection, culture and education, gender equality, the promotion of human rights, and good governance.

In the framework of the three-year rolling National Indicative Programme for 2002-2004 an indicative EC grant of 101 million € is earmarked to implement the proposed co-operation strategy:

- Focal point 1, (55 million €) "human development": an integrated rural development action in the Northern Uplands and two actions in education, one supporting the Ministry of Education and Training, and another on vocational training.
- Focal point 2, (46 million €) "Vietnam's integration into the international economy": three complementary actions aiming to provide support to institutional reform in public administration, and good governance; to the private sector; and to integration into global and regional economic arrangements.

## Annex 2 Ongoing and pipeline EC-Vietnam Co-operation Projects (bilateral and thematic budget lines)

Projects endorsed by ALA cttee and decided by COM should be considered "ongoing" projects. The "duration" should reflect the end of project activities as indicated in the financing agreement. For most projects a project n° should be available.

Budget Line	Sectors/Project's Title	DURATION		COMMITMENTS	
		Starting	Ending	TOTAL (Euro)	C.E. (Euro)
<b>Ongoing</b>					
B7-3000/ALA/VIE/94/24	Social Forest Conservation in Nghe An	mai-97	déc-04	18.700.000	<b>17.500.000</b>
B7-73000/ALA/VIE/96/20	Strengthening of Veterinary Services in Vietnam	mars-98	mars-04	9.500.000	<b>9.000.000</b>
B7-3000/ALA/VIE/97/12	Health System Development Programme	oct-98	mars-05	30,095,195	<b>23.095.195</b>
B7-3000/ALA/VIE/97/17	Cao Bang/Bac Can Rural Development Project	févr-99	déc-04	21.250.000	<b>19.350.000</b>
B7-3000/ALA/98/0124	Support to the Ministry of Education and Training	janv-00	avr-04	7.943.000	<b>7.600.000</b>
B7-3010/97/294	MUTRAP - Multilateral Trade Policy Assistance	août-00	mars-04	3.100.000	<b>3.100.000</b>
B7-3000/ALA/VIE/97/18	Son La/Lai Chau Rural Development Project	nov-00	nov-05	21.450.000	<b>19.940.000</b>
B7-3010/Relex/2001/032	EC-Vietnam Cooperation in the Audio-Visual Sector	oct-01	oct-04	1.500.000	<b>950.000</b>
B7-3010/97/0176	European Studies Programme - ESP	nov-01	nov-04	1.078.000	<b>998.000</b>
B7-3010/97/234	Human Resources Development in Tourism	janv-04	janv-09	12.000.000	<b>10.800.000</b>
B7-3010/97/0298	Training conference Interpreters for VN Ministries	Nov-02	nov-05	850.000	<b>850.000</b>
<b>Pipeline (NIP 2002-2004)</b> Project implementation on the ground has not yet started/ projects under preparation					
VNM/AIDCO/2000/2469	SMEDF 2 - Institutional Support to Lending Institutions			2.395.000	<b>995.000</b>
VNM/AIDCO/2002/0589	ETV 2 - European Technical Assistance Programmes for Vietnam			12.024.800	<b>11.034.800</b>
VNM/AIDCO/1999/0027	Assistance for street children			6.815.220	<b>990.000</b>
VNM/AIDCO/2002/0484	Labour Market Project			11.200.000	<b>10.000.000</b>
	Support to Private Sector				<b>9.050.000</b>
	Urban Environmental Planning Programme				<b>10.000.000</b>
	Small Project Facilities				<b>2.000.000</b>
	MUTRAP II				<b>5.100.000</b>
	Institutional Support				<b>8.000.000</b>
	Support to Rural Health Sector in Northern Uplands & Central Highlands				<b>18.000.000</b>
	Support to Education Sector				<b>12.000.000</b>
	Rural Development and natural resources management				<b>20.000.000</b>
	Poverty Reduction Support Credit				<b>20.000.000</b>

## VIETNAM AIDCO/F February 2004

Numéro contrat	CRIS	Intitulé	Date signature contractant	Date échéance	Contractant	Montant	Payé	Solde	Etat	Zone géographique
ENV/AS4/1999/037 2/000001	54229	Advancing policy reform for mitigating the adverse impact of forest fires in south east asia	31/12/1999	31/12/2003	WORLDWIDE FUND FOR NATURE	986.496	926.040	60.456	A clôturer	SE Asia
ENV/ASE/2001/019 3/000001	54457	Community Forestry Support Project 2000 for Southeast Asia	1/01/2001	31/12/2004	ASIA FOREST NETWORK FOUNDATION	1.979.230	1.752.724	226.506	En cours	Cambodia, Indonesia, Philippines, Thailand, Vietnam
ENV/ASI/1999/0158 /000001	54200	Tropical Forestry Small Grants	26/12/2000	31/12/2007	UNITED NATIONS DEVELOPMENT PROGRAMME	15.132.500	2.400.000	12.732.500	En cours	Cambodia, Indonesia, Laos, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam
AIDCO/B7- 6200/01/0374/ENV	59122	Toward Sustainable Practices and Effective Biodiversity Management: A Databank and Network for Conservation and Monitoring of Southeast Asian Mammal Biodiversity	12/09/2002	30/04/2006	Istituto di Ecologia Applicata (IEA)	927.296	362.906	564.390	En cours	ASEAN countries
ENV/VNM/2000/234 7/000001	54430	Creating Agarwood supplies in Vietnam	8/01/2001	8/01/2006	STICHTING THE RAINFOREST PROJECT	1.731.850	1.305.367	426.483	En cours	VN
AIDCO/B7- 6200/01/413/TF	59146	Community-based conservation of the Hoang Lien Son Mountain Ecosystem	31/12/2002	30/06/2006	Fauna and Flora Preservation Society (FFI)	834.940	260.596	574.344	En cours	VN
DRG/AS1/2000/233 7/000001	54426	B7-6210/00/04 - ASEM Anti Money Laundering Initiative	20/12/2001	19/12/2004	INTERNATIONAL DEVELOPMENT	610000	171500	438500	En cours	TPS
ONG- PVD/2000/113/VN	11357	SYSTEMES D'ADDUCTIONS D'EAU DANS LES VILLAGES MONTAGNARDS,CENTRE-SUD,VIETNAM	31/01/2001	1/12/2005	APPEL - AIDE AUX ENFANTS VICTIMES DE CONFLITS	94.518	75.614	18.904	En cours	VN

ONG-PVD/2000/126/VN	11363	TEA IPM DEVELOPMENT AND TRAINING PROJECT - THAI NGUYEN AND PHU THO PROVINCE - VIETNAM	12/12/2000	1/07/2004	BROEDERLIJK DELEN	293.576	264.219	29.357	En cours	VN
ONG-PVD/2000/865/VN	11638	THANH SON COMMUNITY DEVELOPMENT PROJECT, VIETNAM	31/01/2001	1/01/2005	JUST WORLD PARTNERS	204.045	172.938	31.107	En cours	VN
ONG-PVD/2001/373/VN	11765	NAPA QUANG BINH (INCOME AND EMPLOYMENT GENERATION PROJECT, QUANG BINH PROVINCE) - SECOND PHASE (2001-2005) - VIETNAM	4/01/2002	1/01/2006	STICHTING INTERKERKELIJKE ORGANISATIE VOOR ONTTWIKKELINGS SAMENWERKING	998.553	340.737	657.816	En cours	VN
ONG-PVD/2001/600/VN	11845	Développement Institutionnel et Associations Locales pour l'Organisation et la Gestion de Services collectifs - DIALOGS, Vietnam	23/12/2002	1/11/2006	GROUPE DE RECHERCHE ET D'ECHANGES TECHNOLOGIQUES (GRET)	2.649.389	507.838	2.141.551	En cours	VN
ONG-PVD/2003/019-880/VN	19880	AN INTEGRATED COMMUNITY-BASED DEVELOPMENT STRATEGY IN PHU THO PROVINCE - VIETNAM	16/01/2003	1/05/2009	UNITY AND COOPERATION FOR DEVELOPMENT OF PEOPLE	748.969	164.090	584.879	En cours	VN
ONG-PVD/2003/020-019/VN	20019	Early Childhood Development in remote mountainous ethnic minority communities in Northern Vietnam	26/02/2003	1/05/2009	ENFANTS ET DEVELOPPEMENT	1.495.771	312.914	1.182.857	En cours	VN
ONG-PVD/2003/020-200/VN	20200	Health Services Initiative in Four Re-Education Schools for Adolescents in Conflict with the Law in Vietnam	21/02/2003	1/05/2008	WORLD POPULATION FOUNDATION-NE	524.765	165.331	359.434	En cours	VN
Total 12 Projects										

## **Annex 3 Action Plan for Closer Co-ordination and Harmonisation among EU Donors in Vietnam**

### **1. Statement of Purpose**

The European Union (EU) in Vietnam recognises that the totality and wide variety of donor requirements and processes for preparing, delivering, and monitoring development assistance are generating unproductive transaction costs for, and drawing down the limited capacity of, partner countries. The EU is aware of Vietnamese concerns that donors' practices do not always fit well with its national development systems, including their budget, programme, and project planning cycles and public expenditure and financial management systems. The EU in Vietnam recognises that these issues require urgent, coordinated, and sustained action to improve our effectiveness on the ground. The key element that will guide the EU's harmonisation work in Vietnam is a country-based approach that emphasises country ownership and government leadership, includes capacity building, and recognises diverse aid modalities (projects, sector-wide approaches, etc).

### **2. The context**

2.1 Harmonisation, co-ordination and integration are at the heart of the European Union and have been practised for four decades. The European Union has been a pioneer in mainstreaming development policies since the first Lomé convention (1975). Furthermore, by the present EU-treaty the Member States and the Commission are bound, among other things, to operate in co-ordination and complementarily in the field of development co-operation. It goes without saying that the importance of this will increase even more in the near future when the Union will be expanded to ten new member states (who are expected to become new donors as well).

2.2 Donors and partner countries recognise that major gains in aid effectiveness and efficiency, as well as significant reductions in transaction costs, can be attained through harmonisation. Much work has been carried out in this area by the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC), groups of donors such as Multi-lateral Development Banks (MDBs), and by the European Union. The Monterrey Consensus of March 2002 provided a significant impetus to the harmonisation initiative.

2.3 A High Level Forum on Harmonisation took place in Rome on 24 and 25 February 2003. This brought together multilateral and bilateral development institutions, representatives of the International Monetary Fund (IMF), other multilateral financial institutions, and partner countries (including Vietnam). The Forum reaffirmed the commitment of the development partners to harmonisation and set down a number of priority steps to be taken. The Rome Declaration states, inter alia: "Our deliberations are an important international effort to harmonise the operational policies, procedures, and practices of our institutions with those of partner country systems to improve the effectiveness of development assistance and thereby contribute to meeting the Millennium Development Goals (MDGs)."

2.4 With regard to the harmonisation initiative of the European Union, the General Affairs Council, in its Conclusions on the Effectiveness of the Union's External Action of 9 October 2000, called on the Commission "in conjunction with the Member States, to continue and to intensify the work on operational co-ordination so as to ensure effective co-ordination of external assistance efforts and to reinforce their coherence and complementarity". This resulted in "guidelines for strengthening operational co-ordination between the Community, represented by the Commission, and the Member States in the field of External assistance" (adopted by the Council on 18 January 2001), which made far-reaching commitments in relation to most areas of aid delivery and in terms of coherence, co-ordination, and complementarity ("the three Cs").

2.5 In preparation for the Monterrey Conference, the Council of the European Union agreed in Barcelona in March 2002 to take concrete steps in the area of co-ordination of policies and harmonisation of procedures before 2004. This commitment was reinforced through the insertion of a similar element into the Monterrey Consensus. In order to prepare the implementation of this political commitment, EU Member States decided in June 2002 to ask the Commission to launch a pilot initiative. The mission analysed four country cases: Morocco, Nicaragua, Mozambique and Vietnam.

2.6 The conclusions of the pilot initiative in 2002 were presented in a report. Although it noted some progress it pointed to challenges in the operational implementation of EU co-ordination on the ground. In addition there are considerable differences in the application between the regions and countries concerned. The conclusions of this pilot initiative, which were discussed by EU Directors General for Development at their October informal meeting, also tie in with most of the findings of the work carried out at the DAC special task-force on donor practices.

2.7 The EU Directors General for Development agreed that, in addition to a global action plan for harmonisation and co-ordination being drawn up, the country-specific action plans for the four pilot countries should be proposed jointly by the EU (Member States and EC) delegates in the field and presented as the result of the efforts of the local community of EU donors.

### **3. EU Co-ordination and Harmonisation in Vietnam: achievements so far**

3.1 Co-ordination and harmonisation among EU donors (twelve active Member States and the European Commission) in Vietnam have already reached good levels. Specific achievements include the following:

- formal monthly meetings among development counsellors and frequent ad hoc meetings on a range of issues;
- the establishment in 2001 of EU Guidelines for financing of local costs in development co-operation with Vietnam;
- the annual publication of a directory of all European Union Development Co-operation Activities in Vietnam (the "Blue Book");
- the establishment in 2003 of a joint Country Fact File
- collaboration on progress towards Sector-wide Approaches and Budgetary Support
- use of the Vietnam's Comprehensive Poverty Reduction and Growth Strategy (which adapts the MDGs to the local context) as a central reference point for co-operation activities
- the drafting and delivery of Joint EU Statements at major events such as Consultative Group meetings
- combined EU pledging at Consultative Group meetings
- joint work on Human Rights issues, through, for example, the Troika format
- involvement of a number of EU Member States in the Like-Minded Donor Group (LMDG), working closely with the Ministry of Planning and Investment (MPI) on harmonisation;
- involvement of EU Member States in the harmonisation activities carried out by development banks.

### **4. Considerations for the future**

4.1 Co-ordination among EU donors is already strong, but there is still considerable scope for harmonisation across a range of issues.

4.2 EU embassies and the EC Delegation need to make the necessary resources available in order to strengthen harmonisation and co-ordination and to ensure that this Action Plan is carried out.

4.3 EU donors must seek harmonisation with the Government of Vietnam in the first place, and not only among themselves, but also with other donors.

4.4 Harmonisation efforts must take fully into account and build on EU experience, strengths, and common interests.

4.5 Given that the EU (Member States and Commission combined) is Vietnam's most important development partner in terms of grant aid, as well as being Vietnam's biggest trading partner, a collateral benefit of closer co-ordination and harmonisation would be enhanced visibility for the European Union.

4.6 Through closer co-ordination and harmonisation the European Union can act more effectively to complement the efforts of other donors.

4.7 The EU should draw on the lessons learnt by Member States, the EC, and other donors in harmonisation efforts, and should built on achievements, while avoiding pitfalls. It should concentrate on harmonisation in fields where gains are likely to be the most significant and progress rapid.

4.8 EU harmonisation should be the natural result of closer co-ordination and collaboration. The EU should take a practical approach and seek harmonisation in the planning and carrying out of new activities. It should not seek to force on an ad hoc basis artificial harmonisation of procedures for harmonisation's own sake.

## **5. The Plan for Vietnam**

5.1 EU co-ordination and harmonisation in Vietnam is at two levels: at the strategic/ policy level and at the operational level.

5.2 At both of these levels the EU in Vietnam will seek to intensify co-ordination and harmonisation across the board, and will focus their harmonisation activities in five sectors of co-operation: HEALTH, EDUCATION, PRIVATE SECTOR DEVELOPMENT, TRADE, and GOVERNANCE, and on one geographical area: THE CENTRAL HIGHLANDS.

### **5.3 General Co-ordination and Harmonisation**

5.3.1 At the strategic/policy level, the EU in Vietnam will:

- a) continue to make joint statements at Consultative Group meetings and in other appropriate contexts;
- b) develop common policy frameworks for different fields of co-operation;
- c) seek to establish a common framework agreement for co-operation with Vietnam (covering e.g. benefits for consultants);

5.3.2 At the operational level, the EU in Vietnam will:

- a) continue to publish the directory of all European Union Development Co-operation Activities in Vietnam (the "Blue Book");
- b) update the EU Guidelines for financing of local costs in development co-operation with Vietnam;
- c) work together to identify areas, among the different phases of the project cycle, for possible harmonisation and harmonise them to the maximum extent possible, and make reference to DAC/OECD Good Practice papers in project preparation and implementation;
- d) organise joint training courses for EU and partner country staff.

### **5.4 Co-ordination and Harmonisation in Target Sectors and Geographical Areas**

5.4.1 The four sectors are chosen because:

- they are fields in which the European Union has particular interests and strengths,
- the European Commission has ongoing or planned co-operation activities;
- several Member States have ongoing or planned co-operation activities.

5.4.2 The Central Highlands is selected as a target geographical area because:

- several Member States and the EC have ongoing or planned co-operation activities;
- the European Union has a keen interest in helping to address the political problems and to improve the well-being of the people in the region, one of the poorest in Vietnam. Two troika fact-finding missions took place there in 2002 in view of the need to monitor rights;
- there is considerable scope for new donor activity in a range of fields.

5.4.3 With reference to the co-operation sectors Health, Private Sector Development, Trade, and Governance, and the Central Highlands the EU donors will seek closer co-ordination and harmonisation through:

#### 5.4.4 Joint policy development

- the establishment of a common policy framework;
- sharing and exchange of information on ongoing activities, perceptions and experiences, and future plans through monthly sector meetings, facilitating joint analysis and thereby reducing numbers of donor missions and reports;

#### 5.4.5 Joint project management

- the development of new harmonised models for project management through
- joint project identification and appraisal;
- the exploration of every opportunity for close collaboration on activities/projects through parallel financing/co-financing/pooled financing/, and through innovative approaches;

#### 5.4.6 Budgetary Support/Sector Wide Approaches (SWAPs)

- exploration of possibilities for budgetary support/SWAPs;

#### 5.4.7 Joint monitoring and evaluation

To include joint meetings with the Government of Vietnam and other Vietnamese partners to review progress and to present common policy advice.

## **Annex 4: Consultation of EU Member States on NIP 2002 – 2004 revision**

### **Minutes from the meeting among EU Development Counsellors on harmonisation and revision of the EC's NIP 2002 - 2004**

23 May 2003

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#### **Attendances:**

**Pietro Sequi (Presidency-Italy), Marcus Leroy (Belgium); Philippe Orliange (France); Alan Johnson (United Kingdom); Andrew Jacobs, Francisco Fontan and Colette Seyler (European Commission)**

#### **Item 1: Harmonisation Issues**

The meeting discussed the draft Action Plan and made a few changes to the text. Education was added to the target sectors for harmonisation and co-ordination. The modified text of the Action Plan was agreed.

It was agreed that a timetable needed to be drawn up for the Action Plan in order to make it effective. It was also agreed however that the Commission Delegation should send the agreed Action Plan to Commission Headquarters in Brussels for the information (and possibly endorsement) of the EU Directors General for Development. The EC would then begin work on a time-table to accompany the Action Plan, and seek the agreement of the MS.

It was agreed that it was important to make available human and financial capacity in the EU embassies and the EC Delegation in order to realise the goals of the co-ordination and harmonisation excessive.

The EC asked the meeting whether *Trade* should not rather be changed to *Trade Related Technical Assistance*. It was agreed that this would be too limiting.

#### **Item 2: CSP and NIP**

The EC informed the meeting that after considering an update of the Country Strategy Paper. The Commission had come to the conclusion that the changes proposed were not major enough to justify a revision, but the National Indicative Programme would need to be changed. In order to provide money for a new project in the Central Highlands the amount of €20 M originally foreseen for Education would be reduced to €12 M, so that €8 M would be available. It was apparent that a Sector-wide Approach in education was not yet feasible, and so the EC would in principle earmark substantial funds for this in the NIP 2005/2006, while a new project in education would help to do the groundwork necessary for a SWAp. Furthermore a new programme (Small Project Facility - SPF) was foreseen that would need €3.5 M, money that would be taken from the amount foreseen for rural development in the Northern Uplands, reducing that money available from €15 to €11.5. The MS accepted the proposed changes to the NIP.

UK suggested that some money could be foreseen to address the activities foreseen in the harmonisation action plan. The EC responded that most planned EC interventions were already in the areas foreseen in the Harmonisation Action Plan and that for example necessary studies on harmonisation would not be considered by Brussels as qualifying for development money, but that the necessary fund could be made available elsewhere. BE expressed its concern with SPF as it can be very much on an ad-hoc basis and serving rather the public relations of an embassy than the long-term benefit of the country. The EC informed that the proposal would have to be within the scope of the CSP and NIP, that the Delegation would do a yearly planning with clearly defined areas and call for proposals. BE proposed that in the upcoming and possible joint BE-EC project on health, part of the budget (10 to 20 %) could be set aside for more flexible ad-hoc initiatives.

### **Item 3: Any Other Business**

The UK informed that the Cost Norms had been discussed at the Like Minded group and that they would welcome an update and a broader agreement in order to make them more binding and try to find a way to build them also into consultancy contracts. The EC informed that meeting that it was working on the update of the norms and that it will send a new proposal around soon. BE suggest that also other donors should be able to comment on the norms.

Concerning the Blue Book, IT informed that it was trying hard to get it finalised in time for the Sapa meeting. The quotations received for the printing seemed quite reasonable. The common text should be produced shortly.

## **Annex 5: Consultation of EU Member States representatives in Hanoi on NIP 2005-2006**

### **Agreed Minutes of the EU Working Group (WG) meeting of the Development Counsellors 06<sup>th</sup> November 2003**

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#### **Attendees:**

**Mr Pietro Sequi (Presidency - Italy), H.E. Ambassador Anton Hajduk (Slovakia), Mr. Alain Freynet (France), Mr. Leo Faber (Luxembourg), Mr. Oskar Andesner (Austria), Ms. Jane Rintoul (DFID), Ms. Kathrin Oellers (Germany), Mr. Ramon Molina (Spain), Ms. Maria Paz Ramos (Spain HCMC Office), Mr. Markus Leroy (Belgium), Mr. Karl-Anders Larsson (Sweden), Ms. Meria Sundberg (Finland), Mr. Martin Pelikan (Czech), Mr. Imre Simon (Hungary), Mr. Francisco Fontan Pardo (European Commission).**

**Observers: Ms Ida D'Alessandro (UNDESA Fellow, Italian Embassy), Ms Laurence Assous (French Embassy)**

**The Agenda of the Meeting is herewith attached (Attachment 1) for ease of reference to the items listed below.**

**Item 1: Circulation of the Draft Minutes of the Meeting on the 14<sup>th</sup> October;  
The Presidency circulated the Draft Minutes and asked for comments and/or approval.**

**Item 2: Monthly Donor Group Forum on the 31<sup>st</sup> of October on the CG Meeting: outcome, discussion on;**

**The Presidency introduced point 2.a): Vietnam Harmonization Action Plan and its implication for the EU “Action Plan for Closer Co-ordination and Harmonization among EU Donors in Vietnam” and asked Mr. Markus Leroy (BE) who was present at the Forum to report on the outcome of the meeting. Mr. Leroy summarized the outcome of the meeting.**

- 1. The World Bank and MPI presented a revised Agenda (Attachment 2) for the forthcoming CG Meeting incorporating the suggestions made by the WG of the Development Counsellors during the 14<sup>th</sup> of October meeting. The revised agenda received favourable review by the Forum and was approved;**
- 2. As far as the Vietnam Harmonization Action Plan, Mr. Leroy proposed to change the wording of the draft EU Common Statement concerning the EU Harmonization Plan to take into account the issuance of this new document and propose to organize early next year a smaller WG to study the implication of this new Plan. Ms Jane Rintoul (DFID) reported on the meeting held at DFID office with UNDP, WB, ADB, LMG, EC Delegation, Embassy of Japan, to present the Vietnam Harmonization Action Plan. The Presidency proposed to fix a date in the next week or so for an *ad hoc* DC WG meeting dedicated to discuss the impact of this new document in view of the EU presentation on its own Coordination and Harmonization Plan at the forthcoming CG Meeting.**

**Item 3: EU Common Statement for 2003 CG Meeting, final review and approval before sending it to the HoMs;**

The Presidency circulated two different revisions of the Statement: the first one as originally sent and revised by the EC Delegation and the second one incorporating all the suggestions made so far only by the Dutch Ambassador and the Italian Ambassador on the previous revision and asked for comments:

- Mr. Markus Leroy (BE) proposed to change the wording of the EC Common Statement on the Harmonization taking into account the new Vietnam Action Plan on Harmonization;
- Ms. Jane Rintoul (DFID) circulated the DFID suggestions herewith attached (Attachment 3)
- Ms Merja Sundberg (FI) proposed to modify the wording to separate at pg. 3 the economic, social and cultural rights from the civil and political ones;
- Ms Katrin Oellers (DE) proposed to remove from the first page the reference to Decree 88 as there is a mention to it in the paragraph dedicated to Human Rights;
- Mr Karl-Anders Larsson (SE) proposed to have a stronger mention to Public Finance management transparency and to be less positive on the environmental issues.

The Presidency took note of all the suggestions and volunteered to redraft the Statement, before the end of the day, taking all of them into account and to have it circulated by the Italian Embassy to all the HoMs, for the final approval before sending it to the Capitals.

Mr. Louis Arzac (FR) asked if at the CG meeting, after the Common Statement is read by the Presidency, other interventions by the MS were allowed. The Presidency answered that, based on the DC WG agreement, after the presentation by the Presidency of the Common Statement and the highlights of the EU ODA in Vietnam, MS statements will be allowed on specific issues only and reminded that after the Common Pledge no other bilateral statement should take place. The Presidency also reported on the format of the table for the pledge derived from the previous year. It was agreed that the Pledge Table needed some clarifications and the Presidency offered to work on an improved revision of the Pledge Table that follows OECD-DAC criteria and circulated as soon as possible among MS.

**Item 4: Presentation of “The EC’s National Indicative Programme 2005/2006” for comment;**

Mr Francisco Fontan Pardo (ED) reported that, tentatively and still under discussions, for 2005/2006 “EC’s National Indicative Programme” (NIP) would receive 61 million Euro. (20 million Euro for PRSC 4 and 5, 20 million Euro for Educations, 10-15 million Euro for Rural Development, 2-3 million Euro for Forestry Trust Fund.

**Item 5: EU Development Report 2002: feedback after its Launch Press Conference;**

The Presidency asked the WG Counsellors to report on the feedbacks that they may have had on the Press Conference for the launch of the Blue Book and reported on the articles published on the Vietnam News and Vietnam News Agency. It was reported that also Le Courier du Vietnam had published an article on the Blue Book.

**Item 6: EU Cost Norms Approval;**

Mr Francisco Fontan Pardo (ED) briefly reported on the EU Cost Norms Approval and asked if there were additional comments beside the Netherlands’ ones. None was made.

**Item 7: News from Member States and the European Commission;**

- Mr Leo Faber (LU) informed about the visit of the Vietnamese Delegation to Luxemburg on the 17<sup>th</sup> of November for bilateral talks;

- Mrs Katrine Oellers (DE) informed that on the 18<sup>th</sup> of November there would be a meeting with Dr. Hung for the negotiations of the bilateral programme;
- Mr. Francisco Fontan Pardo (ED) informed of the meeting in Brussels with a Vietnamese delegation on trade and Investment;
- Mr. Markus Leroy (BE) explained that, due to the visit of the new Belgian Minister of Development Cooperation to Vietnam on the 14-19 December, the bilateral talks would be held on the 15<sup>th</sup> of December;
- Mr. Imre Simon (HU) informed of the visit of both the Director General and the Deputy General Director from Hungary on the occasion of the CG Meeting, he also added that the draft Cooperation Agreement between Hungary and Vietnam is being prepared and will be ready by the end of the month.

**Item 8: Any other business;**

- Mr. Francisco Fontan Pardo (ED) reminded of the ASEM Trust Meeting on the 7<sup>th</sup> of November.

## **Annex 6 Proposed Indicative Allocation for NIP Vietnam 2005 - 2006**

<b>Action (NIP point) / Million euro in year</b>	<b>2005</b>	<b>2006</b>	<b>TOTAL</b>
1. Education	<b>16 - 18</b>		<b>16 - 18</b>
2. Poverty Reduction (PRSC IV (2005) and V (2006))	<b>7 - 8</b>	<b>7 - 8</b>	<b>14 - 16</b>
3. Support for Institutional Strengthening and Good Governance	<b>1 - 2</b>		<b>1 - 2</b>
<b>TOTAL</b>			<b>34</b>

## ANNEX 7 DEVELOPMENT INDICATORS VIETNAM

INDICATOR	VALUE	YEAR	SOURCE
<b>Economic well-being</b>			
Incidence of Extreme Poverty: Population below \$1 Per Day , \$2 Per Day	12%, 55.8%	2003	World Bank, East Asia and Pacific Region (2003)
<i>Proportion of people with per capita expenditures under the total poverty line VND1.8 million=US\$128</i>	<i>37%</i>	<i>1997-1998</i>	<i>World Bank, Vietnam attacking poverty, p.2</i>
Inequality: Poorest Fifth's Share of National Income or Consumption	7.8%	2002	Government of Vietnam
Child Malnutrition: Prevalence of Underweight under 5 years old	30.1%	2002	Government of Vietnam
	33%	2000	Asian Development Bank 2003
<b>Social Development</b>			
Net Enrolment in Primary Education	95.4%	2000	World Bank Education Statistics
	90.1%	2002	Vietnam Living Standards Survey
<i>Completion of 5<sup>th</sup> Grade of Primary Education</i>	<i>75.5%</i>	<i>1998-1999</i>	<i>The EFA 2000 Assessment: Country Reports (www.unesco.org)</i>
Adult literacy rate (% age 15 and above)	92.7%	2001	Human Development Report 2003
Infant Mortality Rate (per 1000 live births)	30	2001	Asian Development Bank 2003
	26	2002	Vietnam Demographic Changes Survey
Under 5 Mortality Rate (per 1000 live births)	38	2001	Human Development Report 2003
Maternal Mortality Ratio	95 per 100,000 births	2000	Human Development Report 2003
Births Attended by Skilled Health Personnel	70%	2000	Asian Development Bank 2003
Contraceptive Prevalence Rate	75%	2001	Human Development Report 2003
HIV/AIDS prevalence (age 15-49)	0.30%	2001	UNICEF
HIV prevalence among IDUs	24%	2001	UNAIDS

Proportion of seats held by women in national parliament	26%	2002	Asian Development Bank 2003
<b>Environmental sustainability and regeneration</b>			
Population with sustainable access to an improved water source- Total	77%	2000	Human Development Report 2003
Population with Access to safe water:			
- Total	48.5%	2002	Vietnam Households Living Standards Survey
	56%	2002	World Bank Vietnam Environment Monitor
- Rural	39.6%	2002	Vietnam Households Living Standards Survey
- Urban	76.3%	2002	Vietnam Households Living Standards Survey
Biodiversity: Land Area Protected	3.5%	2002	Asian Development Bank 2003
Carbon Dioxin Emissions	0.6 metric tons/capita	1999	Human Development Report 2003
Forest Area as % of Land Area	35.2%	2000	VN Statistical Yearbook 2000
	30.2%	2000	Asian Development Bank
<b><i>Mangrove Areas</i></b>	<b><i>0.4%</i></b>	<b><i>1992-1993</i></b>	<b><i>UNEP Land cover assessment:1992-1993</i></b>
	<b><i>0.11%</i></b>	<b><i>1995</i></b>	<b><i>Report of Vietnamese delegation at the fourth conference of the parties to the convention of biological diversity, Bratislava, Slovakia, May 4-15, 1998 (mangrove forest=34,700 ha)/ total area (32,924,100ha – VN Statistical yearbook 2000)</i></b>

<b>General Indicators</b>			
GNI per Capita	US\$ 430	2002	World Bank , Vietnam at a Glance 2003
Total Fertility Rate	2.3	2000-2005 - projection	Human Development Report 2003
Life Expectancy at Birth (years)	70	2002	World Bank, Vietnam at a Glance - 2003
External Debt as % of GNI	38.4%	2001	Asian Development Bank 2003
Gross Domestic Investment as % of GDP	32.1%	2002	World Bank, Vietnam at a Glance 2003
Trade in goods as % of GDP	93.6%	2001	World Development Indicators Database 2003

## Annex 8

### **Current Development Statistics for Vietnam, compared to Mekong countries (except Burma)**

#### ***GNI Per Capita***

Figures available for 2002

(World Development Indicators Database, World Bank, July 2003)

<b>Country</b>	<b>(US Dollars)</b>
Cambodia	280
Laos	310
Thailand	1980
Vietnam	430

#### ***Net Official Development Assistance***

(World Development Indicators 2003, Asian Development Bank [ADB] Key Indicators 2003)

<b>Country</b>	<b>(US\$ Million)</b>	
	<b>1996 (ADB)</b>	<b>2001 (ADB)</b>
Cambodia	422 (418.5)	409 (399)
Laos	332 (383.6)	243 (245.8)
Thailand	830 (751.3)	281 (243.4)
Vietnam	939 (616.9)	1435 (1485.6)

#### ***Education***

Figures available for 2002

(EdStats World Bank 2003, UNESCO 2002, ADB Key Indicators 2003)

<b>Indicator</b>	<b>Country</b>			
	<b>Cambodia (ADB)</b>	<b>Laos (ADB)</b>	<b>Thailand (ADB)</b>	<b>Vietnam (ADB)</b>
Literacy Rate 15-24 yrs %				
Male	n/a (85)	n/a (86)	n/a (99)	n/a (95)
Female	n/a (76)	n/a (73)	n/a (99)	n/a (96)

Figures available for 2001

<b>Indicator</b>	<b>Country</b>			
	<b>Cambodia (ADB)</b>	<b>Laos (ADB)</b>	<b>Thailand (ADB)</b>	<b>Vietnam (ADB)</b>
Adult illiteracy rate (age 15+) %	31.3 (n/a)	34.3 (n/a)	4.3 (n/a)	7.3 (n/a)

**Figures available for 2000**

Indicator	Country			
	Cambodia (ADB)	Laos (ADB)	Thailand (ADB)	Vietnam (ADB)
Gross enrolment ratio PRIMARY %	110.1 (117M; 103F)	113.1 (121M; 104F)	94.8 (97M; 93F)	105.6 (109M; 102F)
Net enrolment ratio PRIMARY %	95.4 (n/a)	81.4 (n/a)	95.4 (n/a)	95.4 (n/a)
Gross enrolment ratio SECONDARY %	18.7 (24M; 13F)	37.6 (44M; 31F)	81.9 (84M; 80F)	67.1 (70M; 64F)
Net enrolment ratio SECONDARY %	16.7 (n/a)	30.2 (n/a)	n/a (n/a)	62.5 (n/a)
Gross enrolment ratio TERTIARY %	2.8 (4M; 2F)	3.3 (4M; 2F)	35.3 (39M; 32F)	9.7 (11M; 8F)
Net figures unavailable				
Education spending as % total govt expenditure	10.1 (n/a)	8.8 (n/a)	31 (n/a)	~
Total public spending as % of GDP	1.9 (1.3)	2.3 (1.0)	5.4 (4.5)	~
Trained teachers in PRIMARY education as % of total	95.9 (n/a)	76.2 (n/a)	~	84.9 (n/a)
PRIMARY pupil-teacher ratio	53 (n/a)	30 (n/a)	21 (n/a)	28 (n/a)

**Health****Figures available for 2001**

(World Bank 2003, Asian Development Bank [ADB] 2003, UNAIDS 2002)

Indicator	Country			
	Cambodia (ADB)	Laos (ADB)	Thailand (ADB)	Vietnam (ADB)
Life expectancy at birth, total (M/F), years	54 [2002] (52M; 55F)	54.5 [2002] (54M; 56F)	69.2 [2002] (66M; 72F)	69.7 [2002] (67M; 72F)
Mortality rate, infant (per 1,000 live births)	97 (97)	87 (87)	24 (24)	30 (30)
Mortality rate, under-5 (per 1,000 live births)	138 (n/a)	100 (n/a)	28 (n/a)	38 (n/a)
Child Malnutrition (% of under age 5)	45 (46 [2000])	40 (40 [2000])	n/a (19* [2000])	34 (33 [2000])
Health spending as % of total govt expenditure	n/a (16.9)	n/a (8.1)	n/a (23.4 [2002])	~
Total public spending as % of GDP	2 (0.9 [2000])	1.3 (1.0 [2000])	2.1 (1.3 [2000])	1.3 (n/a)
Adult HIV-1 seroprevalence (% of pop aged 15-49)	2.6 [2002] (n/a)	0.05 [2002] (n/a)	1.8 (n/a)	0.3 (n/a)
Contraceptive Prevalence Rate (% of women aged 15-49)	23.8 (n/a)	n/a (29 [2000])	n/a (72 [1996])	75 (74 [2000])

## **Health (continued)**

### **Figures available for 2000**

(World Development Indicators Database 2003, Asian Development Bank 2003)

<b>Indicator</b>	<b>Country</b>			
	<b>Cambodia (ADB)</b>	<b>Laos (ADB)</b>	<b>Thailand (ADB)</b>	<b>Vietnam (ADB)</b>
Births attended by skilled health personnel (%)	34 (32)	21 (17)	n/a (98 [2001])	70 (70)
Population with access an <i>improved</i> water source (%)	n/a (Urban 54; Rural 26)	n/a (Urban 61; Rural 29)	n/a (Urban 95; Rural 81)	n/a (Urban 95; Rural 72)
Population with access to <i>improved</i> sanitation (%)	Urban 56; Rural 10	Urban 67; Rural 19	Urban 96; Rural 96	Urban 82; Rural 38

\* Differs from standard definition / pertains to only part of the country

## **Poverty**

### **Figures available for 2001**

(UNDP 2002, 2003)

<b>Indicator</b>	<b>Country</b>			
	<b>Cambodia</b>	<b>Laos</b>	<b>Thailand</b>	<b>Vietnam</b>
Population living below \$1 a day (%)**	36 [2000]	26.3	<2	17.7
Share of poorest 20% in national income or consumption (%)**	6.9	7.6	6.1	8.0
Human Development Index (HDI) [rank]	0.556 [130/175]	0.525 [135/175]	0.768 [74/175]	0.668 [109/175]

### **Figures available for 1997-8**

(UN Statistics Division 2003, Asian Development Bank [ADB] 2003)

<b>Indicator</b>	<b>Country</b>			
	<b>Cambodia (ADB)</b>	<b>Laos (ADB)</b>	<b>Thailand (ADB)</b>	<b>Vietnam (ADB)</b>
Percentage of population below national poverty line, rural	40 (40.1)	41 (41)	n/a (17.2)	n/a (45)
Percentage of population below national poverty line, urban	21.2 (25.2 [1999])	26.9 ( 26.9)	n/a (1.5)	n/a (9)

\*\* Refers to data available for year most recent to 2001

## ANNEX 9 : DONOR MATRIX

### EC and Member States with cooperation with Vietnam

The EU is the country's biggest grant donor (approximately 20 % of ODA disbursements in 2001). The EU's strategy is to support Vietnam's development goals aims at sustaining the country's own efforts in integrating into the international economy, enhancing human development and eradicating poverty.

### Planned disbursements for 2003 (EUR millions)

#### Countries

Sectors	EC	B	DK	D	E	F	I	L	NL	A	FI	S	UK
Education	3.5	3.8		1.8		9	0.8		5	NA			8.2
Health	12	0.3		6	12.4	0.7	1.6	5.4	5		0.5	3	3.9
Water supply and sanitation		1.5	14	0.3		2.4	2.7	1.3			2.2		
Government and Civil Society	2	0.5	6	4		2.7		0.1			1.1	9	4.7
Transport and storage			1.2	6.7	2.5								6.6
Communications	0.5				3.7								
Banking and financial services				2.3		23.3		0.2	1.5			2	
Business/Private sector	0.5	2	3	7.9							1.1		2.7
Energy						2.5						7	
Agriculture, forestry, fishing	17	1.5	14	2.4		15.6	1.4	1.4	5		3.5	8	
Industry, Mining and Construction				0.3	0.7								
Trade and tourism	2					0.6	0.7	1.7					
Environmental Protection	3	1.5	6		3.5	0.6		0.1			0.8		
Gender		1											
Commodity aid							1.6						
Budget support /SAP			5.6						10				11
Food aid													
Debt relief							2.6						
Emergency assistance								0.2					
Support to NGOs		1.2				1.2	0.5	0.3	1		0.2		0.7
Others	1			0.2		31.2	0.7	0.1	1			5	8
<b>Total</b>	<b>41.5</b>	<b>13.3</b>	<b>50</b>	<b>32</b>	<b>22.8</b>	<b>85.2</b>	<b>12.5</b>	<b>10.8</b>	<b>28.5</b>	<b>NA</b>	<b>9.4</b>	<b>34</b>	<b>45.8</b>

N.B. No disbursements by Greece, Ireland, and Portugal. Figures for Germany relate to 2002

A **Consultative Group Meeting** takes place annually in Vietnam, as does a **Mid-Year Meeting**. These give the Government of Vietnam and donors the opportunity to review the country's development and to tackle challenges together. **Over 20 sectoral Partnership Groups** exist in Vietnam, bring together donors, government, and other stakeholders. **EU development counsellors** meet at least once per month to exchange views and information, to plan joint EU responses to situations, and to work on harmonisation. The EU donors make joint statements (and pledges) at Consultative Group and other important meetings.