

# VIETNAM: THE DRIVE TO PARTNERSHIP

## UPDATE



**An Informal Report Prepared for the Vietnam Mid-year  
Consultative Group Meeting  
Sapa, June 19-21, 2003**

## INTRODUCTION AND ACKNOWLEDGEMENTS

This volume serves as an updater to the main report *Vietnam: The Drive to Partnership* produced for the full Consultative Group Meeting in December 2002. It is the product of teamwork and partnerships in Vietnam, and brings together contributions from many of the joint Government-donor-NGO partnership groups in Vietnam. Its production was only possible through the co-operation, contributions and active support of a wide range of development partners, including Government staff, donors and NGOs. Key contacts (though not necessarily leaders) of the partnership groups, most of which have reported in this volume, are currently as detailed below. Non-inclusion in this volume does not imply non-activity on the part of a partnership group: some prefer to report on an annual basis only.

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Further copies of this report are available from the Vietnam Development Information Center, Ground Floor, 63 Ly Thai To, Hanoi, and at [www.worldbank.org.vn](http://www.worldbank.org.vn), [www.un.org.vn](http://www.un.org.vn) and [www.vdic.org.vn](http://www.vdic.org.vn)

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## POVERTY WORKING GROUP / POVERTY TASK FORCE

### *Introduction*

1. This note documents key outcomes of the partnership group in the past six months, significant changes that have taken place as a result of this partnership, and future roles of the Poverty Working Group/Poverty Task Force (PWG/PTF) (next six months). These are seen in the context of supporting Government to roll out its Comprehensive Poverty Reduction and Growth Strategy (CPRGS) to sub-national levels and to monitor and evaluate progress toward achieving the Vietnam Development Goals (VDGs). It also emphasizes success criteria or benchmarks by which the partnership group will monitor whether it is meeting its development goals.

### **Key outcomes and significant changes**

2. *Institutional arrangements for CPRGS implementation:* Following the establishment of the Steering Committee to implement the CPRGS and PRSC/PRGF under Decree No. 825/QD-TTg, a Secretariat has been established which consists of senior representatives from relevant ministries and government agencies to support the Committee. A Poverty Unit has also been established in MPI to provide support to the Secretariat.

3. *CPRGS implementation:* The Poverty Task Force (PTF) and the Poverty Working Group (PWG) met in March 2003 to discuss ways of working together to help the Government roll out the CPRGS to sub-national levels. Detailed activities under this task were discussed in the PTF meeting on June 9. These include three main activities: i) organize regional workshops to discuss the CPRGS approach and its implication for sector and local planning processes; ii) carry out regional poverty assessments focusing on specific dimensions of poverty in each region; iii) support selected provinces in a pilot to integrate the CPRGS process into local planning. The final objective is to help these provinces to develop their socio-economic development plans, which will be pro-poor with targets and policies will be developed based on strong situation analysis, especially poverty assessment, and in which budget allocation and management will be geared towards achieving prioritized targets and policies. This requires effective and much stronger coordination between central, sectoral, and local levels; without it the CPRGS will be unable to reach its potential. This will also require individual donors, NGOs and Government to work in a deeper and more sustained sense of partnership, and to be prepared to give some ground as programs are adjusted to be led by the pro-poor socio-economic development plans.

4. The Government, jointly with the PTF, held two regional workshop to discuss the CPRGS approach and its implication for sector and local planning processes, one in Vinh Phuc and another in Nha Trang, Khanh Hoa. More than 300 director-level participants attended the two workshops. In each workshop, eight papers were prepared and presented by government representatives from key agencies relating to implementation of the CPRGS, such as MPI, MOF, GSO, WU. Topics presented covered activities which should be done at different stages of the CPRGS preparation. They are poverty assessment, setting targets and policies, linking resource allocation and budget management with achieving identified targets and policies, monitoring and evaluating the progress of CPRGS implementation, and

mainstreaming gender in CPRGS implementation. In addition, the paper on introduction of the CPRGS, a study on growth and the poverty impact of large infrastructure and guidelines on the planning process were presented. The workshops provided local leaders with a systematic and serious discussion not only on how to set the vision and identify targets for their socio-economic development plans which have a strong analytical base but also on how to monitor and evaluate progress in moving toward achieving the goals and targets.

5. Concerning the regional poverty assessment, a concept note has been developed and discussed to set a common framework for carrying out RPAs. The June meeting of the PTF also discussed donor's division of labor and coordination in supporting the Government to carry out RPAs. Key donors – AusAID, UNDP, DFID, GTZ, JICA, ADB, and the WB have been involved in preparation for RPAs in summer 2003. A workshop is also planned for September 2003 to discuss findings from different studies on the poverty impacts of large infrastructure. The final objective of this workshop is to provide inputs to the Government to expand the CPRGS with a new chapter on large infrastructure. This draft chapter will be discussed at the CG Meeting in December 2003.

6. *CPRGS monitoring and evaluation:* As part of an effort to set up a monitoring and evaluation system for poverty reduction, several donors (UNDP, Sweden, and the World Bank) have been helping the GSO to promote a better data dissemination policy, carry out the Vietnam Household Living Standard Survey (VHLSS) in 2002 and to improve policy analysis capacity. The VLSHS 2002 has been completed and data have been inputted and cleaned. New household data, together with other data sources will be used to update the poverty assessment in 2003. In addition, regional poverty assessments will be conducted to provide a better understanding of poverty issues at regional level and inputs for developing provincial 2004 plans. An annual progress report for the CPRGS will be prepared by the Government and be discussed at the CG Meeting in 2003.

#### Monitoring PWG/PTF activities

Planned activity	Date	Key players
<b>Support the Government to implement the CPRGS</b>		
Support MPI to carry out 5 regional workshops on rolling out the CPRGS to sub-national levels	May - July, 2003	ADB, DFID, UNDP, WB, JICA
Support MPI to translate the sector CPRGS into action plans in key sectors	2003 - 2005	DFID, WB
Support MARD to implement, monitor and evaluate the sector's component of the CPRGS (technical assistance)	2003 - 2004	FAO
Mekong Delta Poverty Study	November 2002-	Australia

	2003	
Regional Poverty Assessment	Summer 2003	ADB, DFID, UNDP, WB, JICA, Australia, GTZ
<b>Continue to support GSO to analyze VHLSS 2002 and develop Enterprise Survey Strategy</b>		
Drafting the enterprise survey strategy	2003	WB, DFID, UNDP
Analyzing VLSHS and update poverty profile	2003	WB, DFID, UNDP

## GENDER ACTION PARTNERSHIP (GAP)

### 1. GENDER ACTION PARTNERSHIP

In late 2002 a re-structuring of the 'Gender Donor lunch group' took place to form the **Gender Action Partnership (GAP)**. The group was restructured to reflect the changing environment in Viet Nam in relation to co-ordination of efforts to support Viet Nam's development and the fight for poverty reduction.

Gender equality plays a significant role in poverty reduction and sustainable development. GAP's purpose is to focus its work around promoting support for **influencing gender equality outcomes** through dialogue, policy review and specific development on gender issues between partners and government and within government. The GAP's efforts are guided by a strategic and responsive forward work-program and supported by targeted working groups focusing on significant specific issues such as Public Finance Reform and the CPRGS.

An important aspect of this group is that it is **action oriented**, specifically targeting issues current and relevant to the context in which we are working.

#### ***Membership***

GAP is an inclusive partnership that aims to involve representatives of all key government, non-government, bilateral, multilateral and United Nations agencies that play a role in Vietnam's development.

#### ***GAP Coordination Group***

GAP efforts are coordinated by a small working group of members who represent key development agency groups (government, NGO, INGO, bilateral, and multilateral). The coordination group oversees GAP's efforts and assists in maintaining the momentum of the group's work. The coordination group generates ideas for meetings, forums, arranges guest speakers, and carries out background work on an issue.

#### ***GAP Secretariat Support - NCFAW***

The National Committee for the Advancement of Women, as the key government agency responsible for the provision of advice to government on gender equality in national policy and planning, manages the GAP membership email database. In conjunction with the hosting agency the GAP Secretariat circulates meeting records and agendas.

#### ***GAP Plans and Vision***

The GAP will spend the remainder of 2003 consolidating its new approach to supporting gender equality efforts in Vietnam. The Partnership will consider if there is sufficient demand, interest, and resources to enable it to commence new initiatives to build on its efforts; such as organizing annual/biannual Gender Forums, the production of GAP Information Brochure, and the coordination of Gender meetings.

## 2. PROGRESS AND FUTURE PLANS TO SUPPORT THE IMPLEMENTATION OF THE CPRGS

Experience shows that if Poverty Reduction Strategies do not comprehensively address the gender dimensions of poverty throughout the strategy, then it is most likely that the impact of the strategy on poverty reduction and economic growth will be inefficient, inequitable, and less successful than it could have been had gender been mainstreamed. The responsiveness of income poverty to growth reduction increases significantly as inequality is lowered – that is *‘more equal societies will be more efficient transformers of growth into poverty reduction’*.

The NCFAW was proactive in facilitating a comprehensive consultation and analysis process aimed at ensuring that the development of the CPRGS was informed by country-specific gender dimensions of poverty, and that the strategies and goals of the CPRGS would place a high priority on interventions and outcomes that were gender-responsive (that is – they will respond to the needs of women and men, and contribute to reducing gender disparities).

In the first six months of 2003, a number of important initiatives have taken place to ensure a build up of momentum in focusing on gender in the implementation of CPRGS. These include the following activities, which are also planned to continue into the second half of 2003:

### 1) Gender analysis of the CPRGS

The Royal Netherlands Embassy facilitated a working group to oversee a team of three consultants to conduct a detailed study of the CPRGS from a gender equality perspective. The results of the study are intended to inform, guide, and strengthen the implementation of the CPRGS in a gender responsive manner. The study

- Considered the CPRGS drafting process and assessed the extent to which the NCFAW CPRGS Task Force recommendations were incorporated in the final CPRGS
- Analyzed the focus of the gender equality aspects of the final CPRGS from a sectoral perspective and whether strategies were practical or strategic in nature
- Assessed the extent to which gender equality aspects of the CPRGS have been, or will be translated into action plans in key ministries with matching budgets
- Identified issues and constraints regarding the capacity of key stakeholders to conduct and use gender analysis, identify key gender equality issues, design strategies to address gender disparities and promote gender equality, and conduct gender-sensitive monitoring and evaluation
- Made clear recommendations to ensure that lessons learned from this exercise are used when the next CPRGS is produced.

The two and a half month long study resulted in a report – to be formally launched shortly before the mid term CG in June 2003 - which outlines the key findings in relation to each of the major issues outlined above, lessons learned, recommendations for strengthening the

implementation of the CPRGS from a gender equality perspective, and recommendations on gender mainstreaming mechanisms with specific reference to monitoring and evaluation mechanisms.

2) NCAFAW/UNDP Gender Mainstreaming Workshops

The NCAFAW-UNDP-RNE Project VIE 01-01-01 Gender in Public Policy successfully ran a national level 'Training the Trainers' course and will soon commence a series of eight Gender Mainstreaming workshops that will take place over the summer of 2003, which will include participants of all 61 provinces. It is intended that these workshops will equip provincial level staff (including key provincial authorities such as DPI, DARD, DOH, DSO, DOF, CFAWS and the VWU) to effectively support the mainstreaming of gender in their activities and in the implementation of the CPRGS.

- Tra Vinh Provincial Workshop on Gender-Responsive Governance

A major workshop on adjusting provincial goals, plans and strategies to implement the CPRGS and reach the Millennium Development Goals and the Vietnam Development Goals at the provincial level in a gender-responsive manner was held in Tra Vinh province in May 2003 through a joint collaboration between the Tra Vinh Oxfam GB-UNDP PRSP Project and the NCAFAW-UNDP-RNE Gender in Public Policy Project. This included a four-day gender mainstreaming workshop, facilitated by National Gender Experts trained under the NCAFAW-UNDP-RNE Gender Mainstreaming TOT. The Training was very successful in meeting its objectives, and helped provincial officials to analyze and review gender issues in the local development context, to support gender-responsive provincial plans.

- MPI-CPRGS Secretariat-Poverty Task Force Regional Workshops on Implementing the CPRGS

The Government's CPRGS Secretariat has embarked on a programme of five regional workshops aimed at equipping key staff at the provincial level with the skills they need to effectively implement the CPRGS at the provincial level. These workshops are supported by the Poverty Task Force, and include a major gender focus, facilitated by NCAFAW, the Women's Union and the World Bank, with the support of the Netherlands Gender Trust Fund. The Government intends that key officials from all 61 provinces will attend the workshops over the coming months.

## URBAN FORUM

### **Progress made in first half of 2003 with support to sector strategies and programs, and the formulation and implementation of CPRGS**

1. In the course of the first half of 2003, the Urban Forum partners led by the Ministry of Construction have continued to contribute to improve the draft Memorandum of Understanding (MOU) that would serve as a basis for broader commitments and common action under the Urban Forum. As the awareness of the importance of urban issues increases, the MoU has attracted the interest of new urban partners including government ministries, international donors, municipalities as well as civil society, which have appointed their representatives in the Urban Forum. The MoU is expected to be signed in the coming months.
2. Urban Forum partners have continued to concentrate on the issue of urban poverty, based on the Millennium targets 11 (cities without slums) and 10 (safe water supply). The Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which incorporates a strong urban poverty agenda, which Urban Forum members contributed to define, is now in the implementation process. Several methods to promote and implement CPRGS at city level are being defined and will start to be tested soon.
3. CPRGS at city level could correspond to localized versions of a "city development strategy" (CDS) approach. This approach has the support from the global Cities Alliance network as well from MoC, the World Bank, ADB and the Swiss Agency for Development and Cooperation. It will be tested first in 5 cities in Vietnam. Urban Forum partners have continued to develop a Vietnamese CDS approach, which will be implemented from the second half of 2003.
4. Urban Forum partners have also collaborated on planning new programs with MoC and the World Bank linked to millennium target 11 (urban upgrading) and 10 (district town water supply), as well as the World Bank Urban Planning Training Program, SDC Community Development and Ward Planning approach, EU Urban Environmental Program, Canadian Land Management projects, Asia-Urbs program and GTZ Rioplus Project on sustainable development.
5. Urban Forum partners engaged in local government PAR (public administration reform) have continued to share experience with and to support the PAR Master Program 2001-2010. As a first "product" of transparent, efficient, client-oriented service delivery, the One-Stop Shop (OSS) approach is now being replicated in 35 provinces, including many district towns.
6. A Report Card system is being worked out for Vietnam as a means by which citizens can provide credible and collective feedback on public agencies about their performance. This system, which has been discussed with MoHA, GSO and the municipalities involved will first be tested in six cities.

7. The Urban Forum Support Unit has been active in organizing and participating in meetings and consultations, developing a database on urban projects and contact names, disseminating information, giving regular advice to incoming missions and other secretarial duties. Major documents of the Urban Forum have been posted on the partnership page of the local UN web-site.

**Second half 2003 Action Plan including concrete actions to align donor support to the CPRGS**

8. It is important to have the MoU signed as soon as possible. MoC and its Urban Forum partners will then be able to work out an action-plan and possibly trust fund mechanisms based on a large consensus and commitment.

9. The Urban Forum second half 2003 Action Plan will include the following:

- ***Consolidation of Urban Forum partnership with government ownership***

Agreement will be reached on the organization of the Urban Forum, with MoC authorized by the government to coordinate and facilitate the Urban Forum's activities. The Urban Forum's functions and structure will be encouraged to continue to evolve.

- ***City level CPRGS implementation***

First action-plans will be developed and the elaboration of CDS will start in five cities. The roll out of CPRGS at the provincial, district and municipal levels will be supported.

- ***PAR Master Plan Implementation***

MoHA, and cities will be supported in the promotion, establishment, improvement and operation of "one stop shops (OSS)". At least 80 district town OSS will be operational by December 2003.

- ***Continued Urban Sector Definition***

"Stock taking" of urban development initiatives and programs, policy analyses, surveys and case studies, local capacity building, and information exchange activities, will continue. Emphasis will be given to finalise the "Urban Transition" studies and to formulate policy recommendations. A mission facilitated by the French Embassy (delayed due to SARS) will prepare consultations with Government Agencies and Urban Forum partners interested in this issue.

- ***Report Card System***

The report card system will be tested in five cities and recommendations for further applications made.

**Criteria to measure the success of the 2003 Urban Forum Action Plan, and implementation of the CPRGS**

- A more "formal" Urban Forum established with a revised MoU signed by the initial partners, an Executive Board and Secretariat appointed; initial workplan agreed.
- The policy implications of the study on Urban Transition in Vietnam are discussed widely and various linked policy analyses (including land management) undertaken (conclusions to be available for 2006-2010 5-year planning, if not before).
- The CPRGS is promoted by the Urban Forum as a strategic framework and for urban development activities
- Within the global CDS context 5 cities agree to review / revise city socio-economic development plans / policies to ensure a poverty reduction and even growth focus and (social, environmental and financial) sustainability / to include the MDGs, VDGs and policy measures laid out in the CPRGS.
- Strategy for the promotion of One-Stop-Shops (OSS) through the Urban Forum continues to be implemented. First information, training and management tools widely disseminated. 80 OSS operational or planned to open within 6 months. Needs analysis for capacity building for urban planning and management at central, provincial and city level agreed with a view to long term program definition.
- Consolidation of urban sector information, with the format of a common database and an updating process agreed, and establishment of the database begun.

## STATE OWNED ENTERPRISE REFORM

1. The working group on SOE reform continues to mobilize and coordinate technical assistance for the formulation of the SOE reform and equitization program, even though the frequency of meetings of the SOE reform group has been irregular.
2. A weakness of the working group previously identified has been its inability to secure representation of the Government on a regular basis, in part because relevant agencies were engrossed in developing greater consensus in the Party and re-organizing their machinery for implementing SOE reform.
3. However, the group has been very effective in disseminating and sharing information and in mobilizing assistance. Donors have used several mechanisms for spreading information. Also, they have helped to mobilize assistance for both formulation and implementation of the program.

### Meeting the success criteria and supporting the CPRGS

- The implementation of the multi-year SOE reform program continues. Whilst this is in progress, NSCERD has been coordinating a re-planning exercise whereby all Provinces, Line Ministries and General Corporations have submitted their own individual plans for SOE transformation in line with Decision 58. This process is at an advanced stage. The overall plan, when published, will show that more than 2,000 further SOEs are to be transformed in the medium term.
- The Social Safety Net set up for employees leaving SOEs has been operational throughout the last six months. So far more than 4,000 former employees have benefited.
- In January, work began at three General Corporations: Vinatex, Vinacafe and Seaprodex directed at producing restructuring plans for the General Corporations themselves and, thereafter, restructuring assistance to 12 of the SOEs at each of the three industry groupings. The restructuring plans for the three General Corporations are due to be presented in June 2003. This work is being funded by DFID.
- The initial target of conducting 30 performance assessments of 30 large SOEs has now been met and further assessments are in progress. The work has been funded by AusAID, Danida and, latterly, by PHRD funding. The performance assessments of four paper industry SOEs and, separately, four steel SOEs were the subjects of one day workshops held during the last six months. At these workshops the consultants presented the findings from their work including recommendations for future action. All stakeholders were invited to these workshops.

### Aligning support to the CPRGS over the next six months

4. The remaining agenda for SOE reform as listed in the CPRGS is being addressed.
- The Government’s implementation of the plans to transform smaller SOEs will continue.
  - It is programmed to begin the implementation of the restructuring plans for Vinatex, Vinacafe and Seaprodex and commence the reform work at other associated SOEs.
  - Further legislative work is in progress to facilitate the clearance of SOE debts.
  - Work is also in progress to improve the reporting of financial data by SOEs and to develop a set of criteria for supervising and evaluating the business performance and effectiveness of SOEs.

### Success criteria for 2003 and beyond

4. Progress measured against the criteria in the CPRGS has been good. However SOE reform continues to be regarded as a “litmus test” of reform and is frequently cited by both donors and Vietnamese officials as an area that should be given special attention. As well as tackling the remaining tasks, attention should be focused on:

- Continued implementation of SOE reform and the equitization program.
- Greater participation of Government, including a leadership role in the working group.
- Higher frequency of meetings.

### Assistance to SOE reform

Donor & Grant Amount	Purpose (Implementing Agency)	Status
ADB US\$ 1,400,000	Enhancing institutional capacity of key agencies (MOF, SAGO, SBV, SSC) in diagnostic audit of SOEs and in review and approval of SOEs seeking to equitize and obtain public listing (MOF, SAGO and SSC)	Ongoing.
ADB US\$ 1,600,000	Formulate and implement a strategy and practical method for corporatization of SOEs; Implement and enforce the adoption of international best practice in corporate governance (NSCERD).	Ongoing.
ASEM 1 European (WB administered)  US\$ 100,000	Social safety net program to deal with labor displaced by SOE reform (CIEM in coordination with NSCERD)	Completed
ASEM 4 European (WB administered) US\$ 439,000	Acceleration of equitization and restructuring SOEs in the Ministry of Transport.	Completed

ASEM 5 European (WB administered) <b>US\$ 1,470,000</b> <b>+US\$ 400,000</b>	Support implementation of SOE reform in three line ministries (industry, agriculture, and construction) and two provinces /municipalities (Hanoi and one other). (NSCERD)	Phase I completed, extended to a Phase II – ongoing
Danida (Denmark) administered <b>US\$ 3,100,000</b>	Support to Industry Restructuring and Enterprise Development by implementing equitization plans and providing post equitization assistance (Ministry of Fisheries).	Approved and ongoing. Expected completion: 2002; an extension is expected
Danida (Denmark) (WB administered) <b>US\$ 390,000</b>	Advisory services, public awareness campaign, the establishment of a MIS for SOEs, and capacity building in NERC (NSCERD)	Completed in Jan.00.
Danida (Denmark) (WB administered) <b>US\$ 340,000</b>	Advisory services on implementation of the decree on divestiture, and establishment and use of Support Fund for Equitization and Restructure (NESCERD)	Completed.
Danida (Denmark) administered <b>US\$ 1,700,000</b>	Support to capacity building in NSCERD in the SOE reform process (NSCERD).	Project started 2001 and will run through 2004.
DFID (UK) <b>UK£ 1,800,000</b>	Pilot restructuring of three general corporations – Vinatex, Vinacafe, and the Seaprodex (NSCERD)	Approved initial phase; consultants prepared inception report.
GTZ (Germany) administered <b>US\$ 5,600,000</b>	Support to restructuring SOEs in agriculture (Quang Tri Province, Tan Lam area) by providing advice in implementing equitization plans (People’s Committee Quang Tri, CREM)	Under implementation. Expected completion: 2003.
IFC administered /Danida (Denmark) <b>US\$ 410,000</b>	Dak Lak pilot project to equitize and divest 51 SOEs, using the auction process for equitization.	Ongoing
IFC administered <b>US\$ 782,000</b> AusAID & <b>US\$ 180,000, IFC</b>	Support a pilot divestiture program for small SOEs in Haiphong People’s Committee, using the auction process for equitization.	Completed, not finalized
Japanese Int’l Coop Agency -- SOE part <b>US\$ 250,000</b>	Study on Economic Development Policy in the Transition Toward a Market Oriented Economy in Vietnam (MPI)	Phase II 1997 – 1998, follow-up is ongoing.
Japan PHRD (WB administered) <b>US\$ 218,000</b>	Data collection and monitoring system for SOEs under SAC-preparation. Also financed a survey of 350 SOEs (GDMSCAE, Ministry of Finance)	Completed in June 1999.
Japan PHRD, AusAID, Danida <b>US\$ 7,900,000</b>	Diagnostic audits to assess financial health and performance of selected SOEs, and recommend restructuring plans to turn around enterprises.	Expected completion: December 2003.
UNDP <b>US\$2,145,800</b>	“Strengthening the Capacity of the General Department for the Management of State Capital and Assets in Enterprises” by setting up a MIS for SOEs and valuation (GDMSCAE, Ministry of Finance)	Ongoing.

## **BANKING REFORM**

1. The Government-donor-NGO working group on banking reform was established in late 1999 to discuss the proposed banking reform program developed by State Bank of Vietnam (SBV), to support implementation of that program, and to coordinate donor support on banking reform.
2. The partnership on banking reform is informal, but serves as an effective forum in which partners can periodically share information on the banking reform program, provide updates on current financial sector developments, and coordinate various donor reform activities. In addition, the working group serves as a forum for seeking donor assistance.

### **Meeting the Success Criteria and Supporting the CPRGS**

- Implementation of the Government's banking reform program continues with strong donor support as evidenced by an increasing number of banking sector reform projects.
- Two meetings of the working group have been held since the CG meeting in Hanoi in 2002 with strong participation from Government, donors and NGOs.
- The findings of the Vietnam Banking Sector Review were presented by the SBV and the World Bank to the working group in January and the report was formally released to the working group in May.
- At the May meeting of the working group, the SBV emphasized the importance and need for more technical assistance from the donor group to the SBV and the State Owned Commercial Banks (SOCBs), particularly VBARD.
- Also at the May working group meeting, Canada presented its proposed banking reform project, the new World Bank Financial Sector Specialist (funded by the Dutch) was introduced, an update on the World Bank's Payment System and Bank Modernization Project and plans for a follow-on operation were discussed, and the USAID-funded STAR Project provided an overview of its advisory activities on amending the financial sector laws to comply with the US-Vietnam Bilateral Trade Agreement (BTA).
- There is good accord between the sections on banking reform in the Government's CPRGS and overall donor supported technical and lending assistance in the area of banking sector reform.
- The comprehensive matrix covering the technical assistance and lending support provided by all donors on the Government's financial sector reform agenda has been updated, improved, and expanded to cover most areas of financial sector support beyond banking (such as policy lending, microfinance, and non-bank financial institutions). The Financial Sector Assistance Matrix now is organized by financial institution and then by function for easier navigation, with active links

to the appropriate contacts for each project, and it is now posted on the World Bank Vietnam Country Office website ([www.worldbank.org.vn](http://www.worldbank.org.vn)).

### **Aligning support to the CPRGS over the next six months**

- The Government's CPRGS enjoys strong backing from the members of the working group on banking reform. This is expected to continue to be the case.
- Canada is preparing for a comprehensive, long-term technical assistance program with the SBV on supervisory and regulatory capacity building. Canada will also be providing assistance in the review of the Law on the State Bank and the Law on Credit Institutions.
- The United States, through its STAR Project, has initiated technical assistance and support for amending the financial legal framework to comply with the US-Vietnam Bilateral Trade Agreement, WTO accession, and international best practices.
- Switzerland provided support to the Government through a study tour to a World Bank conference on Transforming Public Sector Banks in April 2003.
- The Asian Development Bank continued providing lending and technical assistance support to the Government on non-bank financial issues, such as capital market, insurance, and leasing development, as well as strengthening the framework for secured transactions.
- The World Bank will continue to provide technical assistance through ASEM grants to the SBV for Supervision, Regulation and Development and the Basel Core Principle Assessment as well as to the SOCBs in areas such as the International Accounting Standards (IAS) audits.

### **Sub-committee on Technical Assistance to SBV**

- At the suggestion of several donors, during 2002 the IMF organized a standing subcommittee of the Banking Sector Working Group for donors interested specifically in Technical Assistance for the SBV. This sub-group meets on a quarterly basis, and invites donors and visiting missions to share current and prospective assistance for the SBV in areas related to: reserves management, SBV organizational change, monetary policy and statistics, banking supervision, accounting, legal issues, international agreements, research and capital market developments.

### **Success Criteria for 2003 and Beyond**

- Regular meetings of the Banking Reform Donor Working Group with strong participation of donors, NGOs and representatives from State Bank of Vietnam.
- Continued implementation of the banking reform programs as outlined in the CPRGS and the corresponding policy matrix.

- Efficient information sharing and project progress reporting through the Financial Sector Assistance Matrix, which will be posted on the World Bank Vietnam Country Office website and updated as appropriate.
- The on-line matrix permits all stakeholders to identify areas in need of support, what types of assistance are currently being provided, or recently have been provided, and what donors are providing the financial sector reform support. The matrix will soon contain linkages to individual project documentation that will allow all stakeholders to understand the specific details of each assistance project, which will enhance coordination and reduce project overlap.

**Financial Sector Assistance Projects in Vietnam by Institution and Reform Area**  
**Updated: May 28, 2003**

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
<b>State Owned Commercial Banks (SOCBs)</b>					
<b>Bank Restructuring</b>	Support for implementation of restructuring plan for ICB	World Bank / ASEM Trust Fund	Completed	2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Twinning arrangement for ICB	AFD / France	Ongoing	Nov. 2001	Marc Gilbert, AFD <a href="mailto:Gilbert.Marc@afd.org.vn">Gilbert.Marc@afd.org.vn</a>
	Twinning arrangement for VCB	Dutch Embassy	Ongoing	2003	Hans Peter Verhoeff, Dutch Embassy <a href="mailto:Hans-ea@minbuza.nl">Hans-ea@minbuza.nl</a>
	Support for implementation. of restructuring plan for BIDV	World Bank / ASEM Trust Fund	Ongoing	2002	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Business strategy for VCB	GTZ	Ongoing	2002	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
	Reform internal auditing for VCB	GTZ	Ongoing	2002	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
	Plan for SOCB Restructuring	World Bank / PHRD Trust Fund	Completed	March 2000	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Bank corporate governance	World Bank / ASEM Trust Fund	Completed	Nov. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
<b>Asset Resolution</b>	Planning the establishment of a national AMC	World Bank / ASEM Trust Fund	Completed	May 2000	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Development of AMCs in each of the SOCBs	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
	Workshop and training on AMCs	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
<b>Payment System</b>	Payment System and Bank Modernization Project	World Bank	On-going	1996	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a> James Seward, World Bank <a href="mailto:Jseward@worldbank.org">Jseward@worldbank.org</a>
	Second Payment System and Bank Modernization Project	World Bank	Proposed	2005	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a> James Seward, World Bank <a href="mailto:Jseward@worldbank.org">Jseward@worldbank.org</a>
<b>Auditing</b>	Enhancing VAS for Banks (Application of IAS)	World Bank / PHRD Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Workshop on IAS Application	World Bank / PHRD Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Audit Pre-work for ICB	World Bank / ASEM Trust Fund	Completed	Sept. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	IAS Audits 2003-2004 for ICB	World Bank / ASEM Trust Fund	Proposed	2003	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	IAS Audit 2000 for ICB	USAID	Completed	Sept. 2001	Jean Gilson, USAID <a href="mailto:Gilsonjm@state.gov">Gilsonjm@state.gov</a>
	IAS Audit 2001 for ICB	USAID	Completed	Nov. 2002	Jean Gilson, USAID <a href="mailto:Gilsonjm@state.gov">Gilsonjm@state.gov</a>
	IAS Audit 2000 for VCB	Danida (Denmark)	Ongoing		Mikael Winther, Danish Embassy <a href="mailto:mikwin@um.dk">mikwin@um.dk</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
	Pilot Training Internal Auditing for VCB	GTZ	Completed	Jan. 2002	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
<b>Joint Stock Banks (JSBs)</b>					
<b>Bank Restructuring</b>	Blue print for JSB restructuring and consolidation	World Bank / PHRD Trust Fund	Completed	1999	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Management information system diagnostic	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Assessment of 10 JSBs	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
<b>Risk Management</b>	Review risk management procedures and techniques	World Bank / AusAID	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Risk management training	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Development of credit investment activities (credit assessment analysis, establishment of credit divisions at some JSBs in HCMC)	SECO (Switzerland)	Ongoing	May 1998	Dominique Jordan, <a href="mailto:vertretung@han.rep.admin.ch">vertretung@han.rep.admin.ch</a>
<b>State Bank of Vietnam (SBV)</b>					
<b>Organizational Change</b>	Banking Sector Review	World Bank	Completed	2002	James Seward, World Bank <a href="mailto:Jseward@worldbank.org">Jseward@worldbank.org</a>
	Banking Sector Review Update / Phase II	World Bank	Proposed	2003	James Seward, World Bank <a href="mailto:Jseward@worldbank.org">Jseward@worldbank.org</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
	Training in change management	Unidentified—to be coordinated by MPDF—Bankers Training Center	Proposed	Nov. 2002	Tony Jennings, BTC <a href="mailto:Tjennings@ifc.org">Tjennings@ifc.org</a>
	SBV restructuring	GTZ	Ongoing	2002	Andreas Hauskrecht, GTZ <a href="mailto:ahauskrecht@aol.com">ahauskrecht@aol.com</a> , Thomas Feidieker, GTZ <a href="mailto:thomas.feidieker@gmx.de">thomas.feidieker@gmx.de</a>
	Long-term training and technical assistance to the SBV on supervisory, regulatory and banking services issues	CIDA	Proposed	Oct. 2003	Dean Frank/CIDA <a href="mailto:Dean.frank@dfait-maeci.gc.ca">Dean.frank@dfait-maeci.gc.ca</a> Claude Goulet/CIDA <a href="mailto:Claude.goulet@dfait-maeci.gc.ca">Claude.goulet@dfait-maeci.gc.ca</a>
	SBV Capacity Building in Regulation, Supervision, and Development	World Bank / ASEM Trust Fund	Proposed	2003	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
<b>Supervision / Safety-Soundness Standards</b>	Assistance in directing Credit Manual Preparation	IMF / World Bank	Ongoing	2001	Susan Adams, IMF <a href="mailto:Sadams@imf.org">Sadams@imf.org</a> Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Review on-site inspection manual	World Bank / PHRD Trust Fund	Completed	2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Establish chair for bank auditing at Banking Institute	GTZ	Ongoing	2000	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
	Training on Bank Auditing	GTZ	Completed	??	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
	Strengthening banking supervision/auditing	GTZ	Ongoing	2000	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
	Training on U.S. financial system and money laundering regulations	Private Sector/US Government	Completed	Feb. 2003	Jennifer L. Bachus, US Embassy <a href="mailto:Bachusjl@state.gov">Bachusjl@state.gov</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
	Anti-money laundering-assessment and assistance for drafting decree, action plan for FIU establishment	ADB	Approved	Sept. 2003	Alessadro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
<b>Legal Framework for Banking</b>	Review of State Bank and Credit Institutions Laws	GTZ	Ongoing	2003	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
	Technical advice on the State Bank and Credit Institutions Laws	CIDA	Approved	June 2003	Dean Frank, CIDA <a href="mailto:Dean.frank@dfait-maeci.gc.ca">Dean.frank@dfait-maeci.gc.ca</a> Claude Goulet, CIDA <a href="mailto:Claude.goulet@dfait-maeci.gc.ca">Claude.goulet@dfait-maeci.gc.ca</a>
	Review of the Banking Sector Legal and Regulatory Framework	World Bank / ASEM Trust Fund	Completed	May 2000	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Introduction of international standards (Basel Principles)	GTZ	Ongoing		Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>
<b>Credit Information</b>	Review and development of key functions of the Credit Bureau (CIC)	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
	Workshop on CIC	World Bank / ASEM Trust Fund	Completed	Dec. 2001	Miguel Navarro-Martin, World Bank <a href="mailto:Mnavarromartin@worldbank.org">Mnavarromartin@worldbank.org</a>
<b>International Agreements</b>	Assessment of and technical workshops on the financial sector implications of the US-Vietnam Bilateral Trade Agreement	USAID-STAR Project	Ongoing	Nov. 2002	Jean Gilson, USAID <a href="mailto:Gilsonjm@state.gov">Gilsonjm@state.gov</a>
	Review and amendment of State Bank and Credit Institutions Laws in support of the US-Vietnam BTA and WTO accession	USAID-STAR Project	Ongoing	Nov. 2002	Jean Gilson, USAID <a href="mailto:Gilsonjm@state.gov">Gilsonjm@state.gov</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
<b>Reserves Management</b>	Training in Reserves Investment	Private Sector/US Government	Completed	Jan. 2003	Claire Pierangelo, US Embassy <a href="mailto:PierangeloCA@state.gov">PierangeloCA@state.gov</a> Jennifer L. Bachus, US Embassy <a href="mailto:Bachusjl@state.gov">Bachusjl@state.gov</a>
	Reserves Management Capacity Building	SIDA/Swedish Central Bank	Proposed	May 2003	Karl-Anders Larsson, SIDA <a href="mailto:karl-anders.larsson@sida.se">karl-anders.larsson@sida.se</a>
	Safeguards Assessment	IMF/Treasurer's Department	Ongoing	2001	Susan Adams, IMF <a href="mailto:sadams@imf.org">sadams@imf.org</a>
<b>Monetary Policy</b>	Introduction of new monetary policy instruments	GTZ	Ongoing	Thru 2003	Andreas Hauskrecht, GTZ <a href="mailto:ahauskrecht@aol.com">ahauskrecht@aol.com</a>
	Financial market/policies Train the trainer, HR management/appraisal, empirical research skills	Seco (Switzerland)/Graduate Institute for International Studies	Ongoing	Phase I: 1997-1999 Phase II: 2000-2002 Phase III: 2003-2005	Dominique Jordan <a href="mailto:Dominique.Jordan@han.rep.admin.ch">Dominique.Jordan@han.rep.admin.ch</a> Dr. Ulrich Camen (GHS) <a href="mailto:Camen@hei.unige.ch">Camen@hei.unige.ch</a>
	Training in Macroeconomic model-building and forecasting	INSEE/Banque de France/ ADETEF	Ongoing	2002	Alain Fontanel <a href="mailto:Afontanel@hotmail.com">Afontanel@hotmail.com</a>
	Workshops in Macroeconomic Policy Coordination	IMF	Ongoing	2002	Susan Adams, IMF <a href="mailto:sadams@imf.org">sadams@imf.org</a>
	On-site expertise	Dutch Central Bank	Proposed	Sept. 2002	Frans Makken, Dutch Embassy <a href="mailto:fa.makken@minbuza.nl">fa.makken@minbuza.nl</a>
	Staff exchange	Sida/Swedish Central Bank	Proposed	2003	Karl-Anders Larsson, SIDA <a href="mailto:karl-anders.larsson@sida.se">karl-anders.larsson@sida.se</a>
	Research / seminars on monetary statistics	JICA	Completed	July 2002	Daisuke Hosokawa <a href="mailto:d.hosokawa@fpt.vn">d.hosokawa@fpt.vn</a>
<b>Money and Capital Market Development</b>	Training SBV and Commercial Bankers, Monetary Instruments	GTZ	Ongoing	2002	Andreas Hauskrecht, GTZ <a href="mailto:Ahauskrecht@aol.com">Ahauskrecht@aol.com</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
	Money Market Development – assistance for draft the negotiable instruments law	ADB	Approved	May 2003	Alessandro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
	Assistance in development of a database for tracking money market transactions	ADB	Approved	May 2003	Alessandro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
SME Credit Policies	Pilot Study on Soft Infrastructure development for better Financial Access of SME	JBIC	On-going / Proposed	March 2003	Mr. Hiroshi Suzuki, JBIC <a href="mailto:hir-suzuki@jbic.go.jp">hir-suzuki@jbic.go.jp</a>
	SBV Capacity Building as Executing Agency for SME Credit Policies	JBIC	Ongoing	Dec. 2001	Mr. Hiroshi Suzuki, JBIC <a href="mailto:hir-suzuki@jbic.go.jp">hir-suzuki@jbic.go.jp</a>
	Pilot Study on Soft Infrastructure development for better Financial Access of SME	JBIC	On-going/Proposed	March 2003	Mr. Hiroshi Suzuki, JBIC <a href="mailto:hir-suzuki@jbic.go.jp">hir-suzuki@jbic.go.jp</a>
<b>Policy Lending Institutions</b>					
Operational Framework	Development Assistance Fund (DAF) – Assess the impact on the financial sector and recommend reform actions	World Bank	Proposed	2003	James Seward, World Bank <a href="mailto:Jseward@worldbank.org">Jseward@worldbank.org</a>
	Bank for Social Policies (VBSP) – Assess the impact on the financial sector/microfinance and recommend reform actions	World Bank	Proposed	2003	James Seward, World Bank <a href="mailto:Jseward@worldbank.org">Jseward@worldbank.org</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
<b>Microfinance Institutions (MFIs)</b>					
<b>Access to Microfinance</b>	Studies, training and technical assistance to improve low-income household access to formal financial services	CIDA	Ongoing	Dec. 1997	
	Support the establishment of the People's Credit Fund network	CIDA	Completed	1994	
	Micro-finance Institutional framework	ADB	Ongoing	Aug. 2002	Alessandro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
	Loan and technical assistance to support rural enterprise finance through VBARD and People's Credit Funds	ADB	Ongoing	Nov. 2000	Alessandro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
	Study On Rural Finance	JBIC	On-going / Proposed	Feb. 2003	Mr. Hiroshi Suzuki, JBIC <a href="mailto:hir-suzuki@jbic.go.jp">hir-suzuki@jbic.go.jp</a>
<b>Non-Bank Financial Institutions (NBFIs)</b>					
<b>Leasing</b>	Assistance in introduction of operating leases and support for drafting regulation on reposition of leased assets	ADB	Approved	April 2003	Alessandro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
	Seminars/courses on financial leasing	JICA	On-going	Jan. 2003	Mr. Daisuke Hosokawa, JICA <a href="mailto:d.hosokawa@fpt.vn">d.hosokawa@fpt.vn</a> Mr. Akira Matsumoto, JICA <a href="mailto:matsumoto@jica.org.vn">matsumoto@jica.org.vn</a>

REFORM AREA	TASK	DONOR / PROVIDER	STATUS	START DATE	CONTACT
<b>Market-Based Financial Intermediation</b>	Second Financial Sector Program Loan to support the development of alternative channels of market-based financial intermediation (insurance, leasing, securities, etc. market development)	ADB	On-going	Jan. 2003	Alessandro A. Pio, ADB <a href="mailto:Apio@adb.org">Apio@adb.org</a>
<b>Secured Transactions</b>	Capacity building for the National Registration Agency of Secured Transactions	ADB	On-going	Dec. 2002	Armes Adhikari, ADB <a href="mailto:Radhikari@adb.org">Radhikari@adb.org</a>

## TRADE REFORM

1. The donor-NGO-Government working group on Trade Reform was established four years ago. The group has had limited Government representation; donors and NGOs have on average met four times a year.
2. This group has been used to discuss mainly technical assistance support to the Ministry of Trade, to exchange information on reforms being implemented, and to apprise the working group of the numerous analytical and technical work on aspects of trade reform.

### **Meeting the success criteria and supporting the CPRGS**

- The Government continues to liberalize exports and imports and generally implement its trade reform – in some areas even faster than originally anticipated.
- Different donors have used the group to present their work programs for TA to support trade reform (e.g. Support for Trade Adjustment and Reform Project, STAR, the International Trade Center’s Trade Promotion Project in Vietnam, and the World Bank) and analytical work on issues relating to trade (e.g. joint research project between JICA and National Economics University).
- Last year a first draft of a major World Bank study on Vietnam’s export competitiveness was discussed in a Government-donor-NGO workshop; the TOR for the study had previously been introduced to the working group.
- While representatives from the Government have attended the meetings of the group, progress on strengthening their involvement and leadership has been more modest.

### **Aligning support to the CPRGS over the next six months**

- The group will continue to be a forum for exchange of ideas and presentations of planned major projects and studies, as well as dissemination of outcomes and conclusions from completed studies and other analytical work.
- Many of the planned policy changes in the CPRGS reflect recommendations from studies and analytical work stemming from work by members of the working group. These include plans for QR removal, tariff reductions, and simplification and rationalization of customs procedures.
- The Group will continue to focus on information sharing about important new policy issues and technical and analytical work on trade reform in Vietnam undertaken by members, while leaving detailed TA on e.g. WTO accession and

implementation of the bilateral trade agreement with the US to more specialized ad hoc workshops.

### Success criteria for 2003 and beyond

- Continued implementation of trade reform and broad understanding of the program in the donor community.
- Greater and more regular government participation in the working group, including a leadership role as in the working groups on banking reform and PER.

### Assistance to trade reform

<u>Donor</u>	<u>Purpose (Implementing Agency)</u>	<u>Status</u>
Action Aid	<ul style="list-style-type: none"> <li>• Research on effects of globalization on the poor and ways to cope with shocks.</li> </ul>	Completed in 2000
AFD/DREE (France)	<ul style="list-style-type: none"> <li>• Program of Enforcement of Vietnam Commercial Capacities.</li> </ul>	2003-2005
AusAID (Australia)	<ul style="list-style-type: none"> <li>• Vietnam-Australia training project on International Commercial Law providing six-month training courses for participants from various Vietnamese institutions</li> </ul>	1997 – 2002
AusAID (Australia)/ World Bank	<ul style="list-style-type: none"> <li>• Study on impact of US-Vietnam MFN status agreement on export enterprises</li> <li>• Report on Vietnam's NTBs</li> <li>• Sugar industry study</li> <li>• Petroleum price and marketing arrangement</li> <li>• Study on the distributional consequences of trade and investment liberalization.</li> </ul>	Completed in 2000 Completed in 1999 Completed in 2002 In progress
AusAID (Australia)	<ul style="list-style-type: none"> <li>• Study and support for managing Vietnam's international integration</li> </ul>	2001
Belgium	<ul style="list-style-type: none"> <li>• Assess socio-economic impact of WTO accession</li> </ul>	Ongoing
CIDA (Canada)	<ul style="list-style-type: none"> <li>• Strengthen the capacity of the MOJ in identifying and developing legislation, including amendments to existing legislation, for their conformity with WTO accession requirements.</li> </ul>	2002-2007
CIDA (Canada)	<ul style="list-style-type: none"> <li>• The Economic Integration Program (EIP) in Southeast Asia will assist six selected countries (Thailand, Philippines, Indonesia, Cambodia, Vietnam and Lao PDR) to develop their capacity to meet WTO obligations and integrate their economies into the global trading system in the following areas: trade in agricultural goods, trade facilitation and customs administration, and GATS and financial services.</li> </ul>	2003-2008
European Commission	<ul style="list-style-type: none"> <li>• Multilateral Trade Policy Assistance Program (MUTRAP)</li> <li>• Training in trade policy and WTO framework/ Studies on agriculture and services trade related issues</li> </ul>	Ongoing 2001-2004

	<ul style="list-style-type: none"> <li>• Support to the management of the WTO accession process for the Ministry of Trade</li> <li>• Research on the impact of service liberalization</li> <li>• Fostering knowledge of the Doha Development Agenda;</li> <li>• Establishment of the Technical Barrier to Trade (TBT) and Sanitary/Phytosanitary (SPS) enquiry points;</li> </ul>	
European Commission	<ul style="list-style-type: none"> <li>• Multilateral Trade Policy Assistance Program (MUTRAP-Phase II)</li> <li>• Strengthen the capacity of the government of Vietnam and Vietnamese stakeholders for managing WTO accession and meet their commitments and challenges from other international trade related agreements. (Activities similar to MUTRAP phase I)</li> </ul>	Planned 2004
European Commission	<ul style="list-style-type: none"> <li>• EU-ASEAN Intellectual Property Rights Co-operation Programme</li> </ul> <p>The general objective of this regional EC/ASEAN program is to enhance EU/ASEAN investment and trade. The specific objective is to achieve further economic co-operation by upgrading the ASEAN intellectual property rights systems, in line with the highest international standards and practices.</p>	1999-2006
Finida (Finland)	<ul style="list-style-type: none"> <li>• Capacity development for MOT, Vietnam Institute of Trade. Training of trade officials in Finland and Vietnam</li> <li>• Funding WTO experts from Finland</li> </ul>	First phase completed Second phase 2000 - 2002
France -- Ministry of Foreign Affairs	<ul style="list-style-type: none"> <li>• Training programs and technical assistance to the NCIEC and line ministries for economic integration and WTO accession</li> </ul>	2003-2006
Italy	<ul style="list-style-type: none"> <li>• Assistance to develop subsidy and countervailing policy in relation to WTO accession.</li> </ul>	2002 - 2003
JICA (Japan)	<ul style="list-style-type: none"> <li>• TA project on WTO issues</li> </ul>	2001-2002
New Zealand	<ul style="list-style-type: none"> <li>• English language training for trade policy specialists</li> <li>• Scholarships for Masters level study at Hanoi National Economic University on trade liberalization topics</li> </ul>	Ongoing  Ongoing
Sida (Sweden)	<ul style="list-style-type: none"> <li>• Technical assistance on rules of origin</li> </ul>	Ongoing
Sida (Sweden)	<ul style="list-style-type: none"> <li>• Strengthening of research capacity for Vietnam Institute of Trade</li> </ul>	Ongoing - 2005
Switzerland (seco)	<ul style="list-style-type: none"> <li>• Policy Advice towards Vietnam's WTO accession</li> </ul>	Ongoing
Switzerland (seco) (ITC executed)	<ul style="list-style-type: none"> <li>• Support to Trade Promotion and Export Development. Assistance to the Government in trade promotion both at central and local levels</li> </ul>	Phase II: in preparation mid-2003 – 2006
Switzerland (seco)	<ul style="list-style-type: none"> <li>• Technical assistance in enforcement of Intellectual Property Rights as set forth in international treaties.</li> </ul>	Ongoing
Switzerland (seco)/ UNDP-Unctad	<ul style="list-style-type: none"> <li>• WTO Accession. Capacity development for WTO negotiation and trade policy formulation</li> </ul>	Completed in 2000
UNDP	<ul style="list-style-type: none"> <li>• Equitable Management of Globalization</li> </ul>	2002 – 2005
UNDP	<ul style="list-style-type: none"> <li>• Assistance for implementation of Vietnam's commitments and obligations under trade and trade-related agreements</li> </ul>	2001 – 2002

UNDP	<ul style="list-style-type: none"> <li>• ASEAN Integration. Conducting a series of research on issues of ASEAN integration</li> <li>• Long-term vision for integration with the world</li> <li>• Stock taking of Vietnam's Economic Integration Commitments</li> </ul>	<p>Completed</p> <p>Ongoing</p> <p>Completed in 2002</p>
USAID (United States)	<ul style="list-style-type: none"> <li>• Assisting the formulation of Vietnam's Proposal for bilateral negotiation STAR Project: Support for Trade Acceleration, Assistance to the reform of trade regulations, legislation, and implementation of rules</li> </ul>	Ongoing
World Bank	<ul style="list-style-type: none"> <li>• Vietnam's exports: Challenges and Opportunities; Assessment of policy recommendations for improving Vietnam's competitiveness</li> </ul>	Completed in 2003

## SMALL AND MEDIUM ENTERPRISES (SMES)

1. The most notable activity of the SME Partnership Group during the first semester of 2003 was the “SME Cooperation Enhancement Meeting” at the Ministry of Planning and Investment (MPI) on 9 April 2003, hosted by the Department for SME Development (SMED) of MPI.<sup>1</sup>
2. The meeting was inaugurated and co-chaired by SMED, the Embassy of Japan and UNIDO with the active participation of core group members including the Asian Development Bank (ADB), the EC Delegation, the embassies of Finland and Italy, GTZ, JBIC and JICA. The composition of this group was determined—somewhat arbitrarily—by the concrete interaction of these particular donor agencies with SMED since the beginning of the year, as it was felt that dialogue with a smaller group of interested parties was more conducive to a productive outcome at this stage, particular when interacting with a relatively young institution such as SMED.
3. The meeting was aimed at further developing the cooperation in the future and building up the cooperation plan for the promotion of SMEs, based on the latest information on current and future activities of SMED with support from the donor community:
  - The National SME Support Infrastructure centred around SMED was officially established under the authority of MPI in September 2002, to fulfil the tasks assigned by the Minister of Planning and Investment and shape effective public action towards the development of the domestic SME sector. It also featured the SME Development Promotion Council (SMEDPC) created in January 2003 to advise the Prime Minister on SME institutional framework and incentives. SMED staff have been recruited and appointed; SMEPDC members appointed by the Prime Minister have had their first meeting to decide on operational procedures and a work plan for 2003. Other activities include: the drafting of an overall concept for Technical Assistance Centres (TACs) and their official establishment; and the development of a long-term SME promotion policy and related SME promotion programmes and guidelines;
  - A UNIDO Project on “Assistance to the Establishment of the National and Provincial SME Support Infrastructure” under the Vietnam–UNIDO Integrated Programme of Cooperation 2003-2006 will be jointly funded by the governments of Finland and Italy for a total budget of US\$ 3.8 million over four years. The project aims to strengthen the capacities of SMEDPC and SMED at the national level and the selected municipal and provincial authorities at provincial level;
  - SME development is one of the prioritized sectors, and also will be one of the important pillars of the forthcoming Vietnam Country Assistance Programme of Japan. The envisaged cooperation includes policy recommendations, capacity building

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<sup>1</sup> Upon instruction of MPI, Japan and the United Nations Industrial Development Organization (UNIDO) act as co-chairs of the “Partnership Group for SME Promotion and Private Sector Development” in Vietnam.

and consultation to SMED, assistance to TACs plan, financing support and management diagnosis for SMEs, and supporting industries development. The assistance of JICA includes dispatching experts to conduct training for SMED staff, the launching of SME financing instruments, SME policy advice, tax policy and administration for SMEs, analysis of the current SME environment and advice to SMEs in HCMC and in business associations. Since July 2002, 20 SME projects have been financed under the SME Finance Project of JBIC (loan amounting to JPY 4 billion) which includes supplying financial support to SMEs and building capacity of Participating Financial Institutions, and the scheme is poised to fully meet its disbursement targets before proceeding to a next phase;

- Preparatory technical assistance of ADB for a SME Sector Development Loan is scheduled to start in May-June 2003. SMED will be a focal point of the preparatory assistance and the programme loan while SMEDPC will be an effective platform for consultations in the loan preparation process. Furthermore, ADB envisages joint SME-related activities with KfW and GTZ of Germany in the future;
- The promotion of SMEs is likewise one of the main objectives of the EC's Country Strategy 2002-2005. The planned cooperation includes an SME Development Fund (SMEDF II) with a total of €20 million for loans and €1 million for technical assistance; Asia Invest II with a total of €6.5 million for the region; and the planned EU-Vietnam Private Sector Support Programme. The Programme will have two components: promoting an enabling environment in 9 provinces and the establishment of two incubators in Hanoi (food processing and packaging) and in Ho Chi Minh City (information technology);
- The next phase of the German development cooperation is under development and will feature both technical and financial cooperation. The support to SME promotion will focus on human resource development. Germany has already committed funds towards policy capacity-building in SME development in late 2001 for implementation with SMED, SMEDPC and other SME stakeholders. GTZ will pursue its work on business development services (BDS) for SMEs and is considering teaming up with the EC Private Sector Support Programme in selected provinces;
- The Government of Finland would be prepared to share experiences of its SMEs with the Government of Vietnam. The Government of Finland, in collaboration with the Government of Italy, is committed to funding the above-mentioned UNIDO technical assistance project;
- Italy was co-financing ADB in its preparatory technical assistance for the SME Sector Development Loan and has decided to support the UNIDO project together with the Government of Finland. Italy would possibly be interested in the future in other SME related projects within the Vietnam-UNIDO Integrated Programme. Currently, the Italian cooperation has a strong programme on leather and shoes and mechanical construction sectors to identify partnership opportunities for the SMEs and business associations from Italy and Vietnam.

4. SMED together with Japan and UNIDO plan to convene in September or October 2003 another meeting under the SME Partnership initiative, this time with the participation of all donors concerned with and/or interested in supporting the promotion of the SME sector. The agenda of the next meeting includes three regular items, and a theme:

- On the demand side, the vision for SME development in Vietnam articulated by SMEDPC and the role of SMED in realizing it: the Government's own programmes, partnerships with donors, the identification of possible overlaps, gaps or methodological differences in the general arena of SME promotion, and a strategy by SMED to address observed shortcomings, reduce wasteful duplication among donors, and limit the risk of confusion raised by varying terminologies or methods in technical assistance delivery;
- On the supply side, an overview of on-going and planned activities related to SME promotion in Vietnam broken down into the type and area of assistance, the level of intervention and methodology, the expected impact and contributions of the assistance to general objectives of SME development in Vietnam, as well as linkages and possible synergies amongst donors and programmes;
- Discussions on how to develop a donor matrix and provide up-to-date information on donor assistance and contributions to the promotion of SMEs in Vietnam. Furthermore, a possible database on donor assistance will be discussed in the meeting when the necessity arises. The database will allow queries by donors, sectors, national counterparts, main beneficiaries, main activities, cost and nature of activities, geographical concentration, start and end dates, etc and will be updated continuously. Donors will be encouraged to submit as much of their proprietary information on their SME programmes in Vietnam and elsewhere as their internal disclosure rules would allow, in order to enrich the knowledge base. This will become an important tool for the Government as well as for the donor community to register and better coordinate their respective interventions in favour of the SME sector;
- Discussions on topical subjects such as SME support policies and instruments, Business Development Services (BDS) for SMEs, the desirable scope of public intervention in BDS and other business-oriented lines of services, technical/technology services for SMEs, development of SME clusters, partnership and subcontracting linkages between SMEs and other domestic and international enterprises, involvement of business associations in SME development, etc. These themes will be chaired and shared by one or several core members of the SME Partnership Group who have a valuable experience to share with SME stakeholders in Vietnam.

## **PUBLIC FINANCE MANAGEMENT**

### **Background**

1. With a view to establishing a financial system secure enough to ensure a rapid and sustainable economic growth strategy, serving the industrialization and modernization process of the country, in recent years, the Ministry of Finance has been developing an overall modernization program in the financial sector.
2. The program is to serve the implementation of the fiscal – monetary strategy for the period of 2001-2010; the performance of the objectives, tasks and solutions to develop the financial sector for the period of 2001-2005; the implementation of the action plan for the financial sector under the Resolution of the 9<sup>th</sup> Party Congress; and the undertaking of international financial commitments. In terms of administrative aspects, this program helps carry out the Government's master plan on administrative reform.
3. Public finance management modernization is projected to be carried out on a nationwide basis mainly in 6 functional areas relating to the public finance system, including: state budget management; tax (including customs) policy and administration; SOE management and supervision; state asset and reserve management; public debt management; and price management.
4. Modernization activities in each area will cover three sets of work going hand – in – hand, which are: formulating and improving the fiscal policy system; enhancing institutional capacity and developing human resources; and establishing a modern public finance management information system.

### **Partnership developments in the first 6 months of 2003**

5. Working Group meetings chaired by the Government regularly reviewed progress in the implementation of public finance management reform, based on the overall modernization program prepared by Ministry of Finance.
6. Donor feedback on the overall program: Donors have enhanced cooperation and commitment of financial resources for the improvement and implementation of the overall program initiated by Ministry of Finance.
7. Increased Technical Assistance: Currently, the Ministry of Finance is receiving invaluable technical assistance from UNDP, international financial institutions (IMF, WB, ADB), and the governments of Germany, Sweden, France, Australia, Denmark and Japan. Furthermore, recently, the Government and donors have been conducting the following activities:

- The World Bank and Ministry of Finance developed the “Public Finance Management Reform Project”, which is an important part of the modernization program in the financial sector with a budget of over USD 71 million (of which USD 54 million is a soft loan from the World Bank, USD 10 million is non-refundable assistance of the UK Government, and the remaining USD 7 million is counter-capital of the Government of Vietnam). With the support of the Government of Japan via non-refundable aid managed by the World Bank and carried out by Ministry of Finance, preparatory works on the “Public Finance Management Reform” project were undertaken from September 2002 and completed in May 2003. The Prime Minister issued Decision No 432/QĐ-TTg dated 21 April 2003 officially approving the Feasibility Study of the Public Finance Management Reform project funded by the World Bank and Department for International Development of the UK. The World Bank’s Board of Directors approved this credit on May 22<sup>nd</sup>. The project comprises three major components as follows:
  - Component 1: Investing in the installation of an integrated budget and treasury management information system, with a total budget of USD 61.4 million.
  - Component 2: Supporting the modernization of state investment planning and state budget projecting, with a total budget of USD 4.1 million.
  - Component 3: Providing technical assistance for the modernization of SOE debt and debt risk management, with a total budget of USD 2.9 million.

This project will last until 2008. The Ministry of Finance is actively working with relevant government agencies and donors to make necessary preparations for the early implementation of this project.

- The Ministry of Finance and 7 bilateral donors comprising the UK, Canada, Denmark, the Netherlands, Norway, Switzerland and Sweden have come to an agreement on the documents establishing a Multi-Donor Trust Fund to support the completion and implementation of the master plan for public finance management reform (the overall modernization program in the financial sector), with committed funding of USD 5 million, to be carried out over 3 years. The Prime Minister has authorized the Ministry of Finance to work with the World Bank and other donors to finalize the project documents to be submitted to competent authorities for approval. The Fund is scheduled to enter into operation in July 2003.
- UNDP and the Government of Vietnam are carrying out a project jointly funded by the governments of Australia, Switzerland and UNDP to strengthen foreign debt management of Ministry of Finance and relevant agencies, as well as a project jointly funded by the governments of the UK, Belgium and UNDP to improve public finance supervision of National Assembly agencies and People’s Councils at all levels.

- The Ministry of Finance is making preparations for the implementation of the project funded by the government of Australia for the formulation and implementation of a fiscal policy regime to develop the private business sector by means of the Capacity Building for Effective Governance Fund (CEG) with the budget of USD 500,000.
- The Government and the EU have agreed on the contents of a Technical Assistance Program to Vietnam funded by the EU (Euro 11 million), which will be carried out in 3 years. The most important component of this program will be support for tax policy formulation and administration, for the strengthening of customs administration and development of account practice and insurance regulation.
- The Ministry of Finance has commenced implementing a project funded by the French government for capacity enhancement in public finance management and economic statistics for the Ministry of Finance, General Office of Statistics (GOS) and the Committee on Economy and Budget of the National Assembly.
- ADB is providing support to the Ministry of Finance to establish the legal framework and improve the institutional capacity for resettlements. Within the framework of the modernization program, the Ministry of Finance is proposing that ADB give support to public asset management.
- The Ministry of Finance and the IMF are developing a pilot self-assessment method of tax administration with a total budget of over USD 1.8 million. The donor group of Canada, Denmark, the Netherlands, Norway, Sweden and other donors are considering funding for this work within the framework of an individual project.

### **Achievements of the public finance management partnership**

8. The National Assembly passed the Revised Budget Law on 16 December 2002 (the revision of this Law was supported by means of the Project on Budget Reform Support funded by the Government of Germany). This Law encompasses some recommendations of the Public Expenditure Review 2000, including:

- Strengthening the power and authority of the National Assembly and People's Councils at all levels in budget approval, allocation, execution monitoring, and accounting, with a view to ensuring that budget decisions are made on a democratic and transparent basis.
- Renovating the assignment mechanism of budget management responsibilities. The Revised Budget Law only provides for the assignment of revenue and expenditure between the central and local budget, and the provincial People's Councils will be responsible for approving budgets for lower levels.

- Giving more autonomy to localities, including more authority over resources and more autonomy in determining certain kinds of fees, charges and payments, deciding certain expenditure policies, so as to make it more relevant to specific local conditions and to achieve a balanced budget. In terms of revenue, two revenue items previously made only to the central budget are now shared between the central and local budget (excise tax on domestically produced goods and petroleum charge).
  - Providing for the publication and transparency in budget management. The Revised Budget Law stipulates:
    - The projecting, accounting, auditing and inspection of the central and local budget (at all levels) of budget planning and spending units must be made transparent and publicly available.
    - The process and procedures of collecting, paying, exempting, reducing, refunding of budget revenue, expenditure and allowances must be clearly listed at the transaction points.
  - The Revised Budget Law has also demonstrated administrative reforms in all stages of the budgeting process such as: budget projecting, executing and accounting. In particular, it encompasses a reform in budget spending which moves away from quarterly allocation to annual budget projection.
  - Clearly providing for and enhancing the autonomy and accountability of ministries, branches, provinces and spending units in managing the state budget and assets; linking budget management responsibility with responsibility for carrying out political and technical functions of these entities.
9. Implementing and developing the process towards an integrated information reporting system (this is an important recommendation in the Public Expenditure Review 2000):
- Pursuant to Article 61, the Revised Budget Law, the National Assembly is officially assigning the State Treasury the responsibility for state budget accounting.
  - To implement this provision, the Ministry of Finance is actively completing the state budget accounting system (on the basis of unifying the budget accounting and treasury accounting) to be published soon for implementation from 2004.
10. Improving transparency in budget information:
- The Ministry of Finance is reviewing the budget publication in 2002, the first year in effect of Decision 182/QD-TTg dated 20 November 2001 of the Government on the revised regulations on fiscal transparency. The general assessment through control and monitoring is that provinces implemented this decision fairly well last year.
  - In March 2003, the Ministry of Finance publicized the final budget balance of 2001 and budget plan for 2003 (in the form of printed books (as per regulations) which have been circulated to donors). Ministry of Finance continues to make public the quarterly budget execution report on its website.

11. Improving pro-poor bias of public spending and intra-sectoral reallocation.

- A study is being undertaken to assess the current expenditure norms and a new budget allocation system is being proposed, taking into account certain elements to ensure the quality services for the poor, which is scheduled to be promulgated in June 2003 for adoption in budget projecting in 2004. These allocations have been set up in consultations with technical experts provided by the World Bank and other multilateral donors.
- Continuing the Government's decision on increased support for improving infrastructure, health and education services for the poor through specific programs: the program for extremely disadvantaged communes (Program 135), the program for socio-economic development for Northern mountainous provinces, Central Highland provinces and the Mekong delta.
- Having issued Decision 139/2002/QĐ-TTg of the Prime Minister on the provision of health services through the establishment of the "Health for the Poor" Fund. In 2003, the budget allocated for this purpose was VND 769 billion.

**Activities to be undertaken in the coming months**

12. Maintain on a continuous basis the exchange of information, consultation and coordination among partnership members through the Government-Donor Working Group of Public Finance Management. Establish a subgroup on coordination in taxation area.

13. Finalize documents for the establishment of a Multi-Donor Trust Fund to be submitted to the competent authorities for approval. Develop and agree on the operation plan for the first 6 months and implement this plan. In principle, the Multi-Donor Trust Fund will provide support to all components of the Overall Modernization Program in the financial sector.

14. Prepare the conditions to commence to assess public expenditure in 2003, including holding consultation and agreeing on assessment criteria.

15. Implement Project "Public Finance Management Reform", focusing on the following important activities:

- Establish a state budget management information system at the State Treasury to serve the reform in expenditure procedures as stipulated by the Revised Budget Law.
- Develop the medium-term financial framework for medium-term budget expenditure projecting in 4 ministries and 4 provinces selected by the Prime Minister for pilot.

16. Implement the project funded by the Government of Australia for developing and implementing a fiscal policy regime for the development of the private business sector.

17. Work on the Technical Assistance funded by the EU for tax policy formulation and administration, for the strengthening of customs administration, accounting practices and insurance regulation.

18. Continue to work with ADB on the support for public asset management.

19. Continue to work with IMF and other donors on the support for a project to pilot a self-assessment method of tax administration.

20. Work with JICA to develop a Technical Assistance Project on tax policy formulation and administration, with proper attention being paid to coordination with other donors.

**Monitoring indicators that ensure the success of the partnership**

21. Strengthened coordinated actions through the leading role of Ministry of Finance

22. Donors respond in a timely fashion to the need for support of the Government and coordinate closely to avoid overlapping among programs and projects of bilateral and multilateral donors (such as the Multi-Donor Trust Fund, the EU's program).

23. Ensure information sharing from the Government to the donors, including the use of the website of the Ministry of Finance, and vice versa.

## List of projects currently in effect (May 2003)

No	Title of Project	Donor	Duration	Objectives
1	State Budget Reform – Phase III	The Government of Germany	4/2000-4/2003	Support for revising the Budget Law
2	Public Expenditure Assessment – Phase II (VIE/96/028)	UNDP	10/1998-6/2003	Strengthening the capacity for public expenditure assessment Strengthening the capacity for budget projection
3	Capacity building for assignment of budget responsibilities and provision of public services	ASEM-EU Fund via WB	5/2002-10/2003	Improving the capacity for assignment of budget responsibilities and provision of public services
4	Preparations for Project “Public Finance Management Reform”	The Government of Japan via the World Bank	9/2002-6/2003	Preparing the component “Support to establish an integrated Budget and Treasury Management Information System”
5	Capacity strengthening for public finance management and economic statistics	Priority Solidarity Fund (Fond de Solidarite Prioritaire) – Ministry of Foreign Affairs, France	2/2003-2/2006	Strengthening capacity for staff engaging in public finance management and economic statistics.
6	Feasibility Study of an IT development plan of at the State Treasury	US Trade and Development Agency (USTDA)	9/2002-9/2003	Undertaking the Feasibility Study of the information technology Development Plan of at the State Treasury from 2002-2006
7	Capacity improvement for the Corporate Finance Department (VIE/97/028)	UNDP	1/1999-6/2003	Improving the capacity for the Corporate Finance Department to carry out its supervision functions - Supporting the equitisation process.

8	ASEM Support for the operation and supervision of the Social Security System for redundant workers	ASEM	5/2002-1/2003	Helping implement the social security system for SOE redundant workers. - Establishing a supervision and assessment system of the operation of the social security system.
9	Auditing 100 SOEs	The Government of Australia, Denmark and Japan via the World Bank.	7/2002-12/2003	Assessing the performance of some SOEs, making recommendations on solutions to outstanding issues.
10	Foreign debt management (VIE/01/010)	UNDP, the government of Australia and Switzerland.	9/2001-12/2004	Improving the capacity to manage foreign debt effectively and sustainably
11	Capacity enhancing for ODA management through assignment of responsibility (3722/VIE)	ADB	12/2001-6/2003	Enhancing the capacity for financial management in ODA projects commensurate with the policy of responsibility assignment
12	Improvement for resettlement	ADB	12/2001-6/2003	Supporting to develop policy on resettlement compensation and subsidy Improving the capacity to implement the resettlement compensation policy
13	Vietnam – France Financial Project	Ministry of Finance of France	3/2002-3/2003	Improving the capacity of financial officers in some essential areas
14	Capacity building for Ministry of Finance to implement ASEAN Monitoring Mechanism (RETA.59.65)	ADB	11/2002-11/2003	Improving the capacity to implement the ASEAN Monitoring Mechanism
15	Strengthening financial accountability in Vietnam (TF027408)	WB	10/2001-12/2003	Supporting reform of the legal and institutional framework for accounting and auditing

## EDUCATION

### PROGRESS SINCE LAST CG MEETING

#### 1. Government plan and coherence

- The Primary Education for Disadvantaged Children (PEDC) project was approved by the Government in March 2003. The project is co-financed by AusAID, CIDA, DFID, NORAD and the World Bank to support the Government to complete its unfinished agenda in basic education.
- Government issued a bond in May 2003 to mobilize funds for education.
- The National Education for All (EFA) Action Plan for the period of 2003-2015 prepared by the Ministry of Education and Training (MOET) with support from UNESCO, CIDA, WB and other donors was completed and submitted in March 2003 to the Prime Minister for approval.
- The Primary Education Development Program (PEDP) was approved by Minister of Education and Training in May 2002. The PEDP produced the tables of Broad Areas of Possible Interventions (BAPI) which help identify the priorities needed to meet the target of both the Education Development Strategy 2010 and the primary education part of the national EFA. The Ministry of Education and Training has set up a PMU (Program Management Unit) for developing and implementing the PEDP which acts as a coordination body in primary education sector.
- MOET has worked with the Save the Children Alliance (SCUK, SC Japan, SCUS) to prepare an Early Childhood Care for Development (ECCD) project to apply for a grant from the Japanese government via the WB. The application was submitted for final approval of the Government and the donor.
- MOET, UNESCO and Oxfam GB held a TV roundtable on education for girls with a focus on ethnic minority girls, for the Education For all Week of action. This was broadcast on VTV with a film funded by Oxfam GB on education in Sapa District, Lao Cai Province.
- Viet Nam took part in a Guinness world record attempt to break the record on the world's largest simultaneous lesson. The focus was on the importance of education especially for girl children. Over 400,000 participants from Lao Cai, Ha Tinh and Tra Vinh provinces took part in the event.
- MOET organized a meeting on 25 May to celebrate the 65<sup>th</sup> Anniversary of the Establishment of the National Language Dissemination Association and Celebration of the United Nations Literacy Decade 2003-2012, during which the National Literacy Plan was presented.
- In close cooperation with MOET and Lai Chau People's Committee, the National Federation of UNESCO Associations of Japan (NFUAJ) completed a programme to help establish 40 Community Learning Centres in Lai Chau province.

## **2. Sector co-ordination**

- The EFA Action Plan has provided a coherent framework for the development of basic education (primary and lower secondary), early childhood and non-formal education, with clearly identified EFA targets and costing. The planning process has involved key EFA stakeholders, all 61 provinces and cities and members of the donor and INGO community. EFA is an exercise in coordination and coherence across different donor-supported programs as Vietnam moves from quantity to quality in a mass education system; e.g. the ADB with a secondary education master plan, the Japan International Cooperation Agency with a primary education development program, UNESCO with planning tools, the WB with investments in primary education, UNICEF with basic education for ethnic minority children emphasizing gender and child rights, and several international NGOs with ECCD and basic education for ethnic minority groups. UNESCO has played a key technical assistance role and assembled all existing plans and documentation.
- PEDC is co-financed by five donors, the implementation arrangements require the harmonization of procurement, financial management procedures and project monitoring and evaluation between donors and government.
- The ECCD project proposed implementation mechanism is a new approach in Vietnam. It requires smooth collaboration between the implementer (Save the Children Alliance) and sector coordinator (MOET). Better cooperation and coordination among the concerned Government bodies and with UNICEF, UNESCO, NGOs and private sector sponsors are needed.
- Two regional video-conferences on EFA planning were held with support of regional UNESCO in Bangkok and WB Hanoi office. The objectives of these video-conferences were to (1) strengthen efforts to finalize national EFA plans of 2002-2015; (2) facilitate the EFA planning process; and (3) identify the best practices of EFA planning within the region. The four participating countries include Indonesia, Cambodia, Laos and Vietnam.

## **3. Education Forum**

- One forum has taken place since November 2002 on 'Financing and Management in Education'. This was a major step as it brought together the Ministry of Finance and the Ministry of Education and Training to discuss education issues and financial planning. There were opportunities for different education actors including teachers at grass roots level, district and provincial education officials, donors, international NGOs and relevant leaders of different ministries to share ideas, and plan actions for overcoming challenges to implement policies to meet education goals.

## **ACTIONS PLANNED FOR THE NEXT 6 MONTHS**

### **1. Government plan and coherence**

- Continue the implementation of the new curricula for primary and lower secondary education (grade 2 and 7 respectively).
- Implementation of PEDC and UNICEF supported Child Friendly Basic Education is a priority for the basic education sub-sector.
- Start the process of preparation of provincial EFA plans and EFA fast track initiatives.
- Plan for the implementation of ECCD. UNESCO will support MOET actions to build capacities in pilot provinces for planning and financing of early childhood care and education, and to spread know how and experience to other provinces.
- MOET is working with MOF and WB and other donors on a MTEF to provide solutions to the government to ensure its efforts in achieving the objectives in CPRGS for education are successful.
- The video-conference on EFA will continue to facilitate the planning process and identify the demand for further networking and sharing of experience across East and Southeast Asia and the Pacific region.
- UNESCO and NFUAJ will coordinate support to MOET in improving and spreading Community Learning Centres (CLCs) to disadvantaged population groups in 8 northern and 5 Central Highland provinces.

### **2. Sectoral co-ordination**

- The donors and Government will meet to explore the possibility of supporting the Government's efforts to accelerate the achievement of the EFA goals. The Government national EFA action plan, once approved, will be used by all donors to ensure coherence and coordination of external support.
- MOET, UNESCO, CIDA and WB are working together to support MOET and provinces to develop the provincial EFA plans.
- The donors and Government will work together to ensure the coherence and reinforce the implementation of Government's strategies, i.e Education Strategies, National EFA Action Plan, CPRGS, VDGs.

### **3. Education Forum**

- The forum will hold regular quarterly meetings with sessions on (a) Child friendly schooling [August 2003] (b) Primary pupil achievement and assessment of learning outcomes in reading and mathematics [November] (c) Education for All and (d) Education Management and Information systems.
- The forum planning group will explore more and varied working approaches to achieve greater continuity between meetings and greater impact on education thinking.

## HIV/AIDS

### Developments since December 2002

#### 1. *Stronger Government commitment to HIV/AIDS prevention, care and support*

- a) *The Prime Minister's Directive on HIV/AIDS issued in February 2003*, which provides a strong policy and programme framework for HIV/AIDS work. The Directive aims to: meet the challenge of the epidemic; scale-up programmes; and to strengthen HIV/AIDS policy and programmes, including through the establishment of a single focal point in the Ministry of Health.

The Directive assigns clear responsibilities for action on HIV/AIDS to six Ministries (Culture and Information; Public Security; Labour, Invalids and Social Affairs; Planning & Investment and Finance; and Health). The overall responsibility for HIV/AIDS programmes and coordination continues to be assigned to the Ministry of Health. The responsibilities of provincial and local authorities are also identified.

Important policy developments in the Prime Minister's Directive also include: a strong call for preventing stigma and discrimination; a focus on providing care and support to People Living With HIV/AIDS (PLWHAs); and policy approval for harm reduction programmes for injecting drug users.

- b) *Government report to the United Nations highlights the need for improved HIV surveillance data and establishment of Monitoring and Evaluation system*. Along with other countries, in April 2003, Vietnam completed and submitted a report to the United Nations on national follow up to the Declaration of Commitment of the UN General Assembly Special Session (UNGASS) on HIV/AIDS. While documenting existing activities, the report highlighted the need to improve HIV surveillance data systems, and to establish an effective monitoring and evaluation system.

The main challenges include:

- the establishment and effective implementation of laws, regulations and policies
- the need to strengthen the human resource base
- a lack of financial sources
- the weakness of Monitoring & Evaluation system

Support required from the country's development partners covers the issues listed above with an additional focus on the need for assistance in the development of the National Strategic Plan and establishment of a Monitoring and Evaluation system; and for support to comprehensive programmes in nine different aspects of HIV/AIDS identified in the report.

- c) *Work to amend the 1995 HIV/AIDS Prevention Ordinance*: The Government has indicated that the revised Ordinance will focus on strengthening multisectoral

involvement and coordination; access to treatment and the human rights and policy environment.

- d) *Government efforts to improve access to treatment, harm reduction, and condom social marketing:* In April and May 2003, the Government held a series of workshops on improving the access of PLWHA to treatment; harm reduction for injecting drug users; and condom social marketing. In each of these workshops, Government ministries and committees brought together Government departments, national and international NGOs, bi-lateral and UN agencies to examine national and local needs, international and national best practice, and to identify actions needed. Through these workshops, the Government is clearly identifying a number of areas for priority action, and is reaching out to provincial, national and international organizations for support in these areas.

## **2. Expanded HIV/AIDS Policy Dialogue**

The Government, United Nations system, bilateral donors, development agencies and national and international NGOs have increasingly recognized the key role of leadership in the national response to HIV/AIDS:

- The HIV/AIDS Policy Forum convened for the third time in January 2003. The meeting was co-chaired by the Vice Minister of Health and UN Resident Coordinator and included the participation of people living with HIV/AIDS (PLWHAs).
- A series of workshops was organized by the Social Affairs Committee of the National Assembly in collaboration with Ministry of Health on HIV/AIDS prevention policy with the participation of more than 300 provincial Elected Officials in Northern, Central and Southern areas and chaired by the Vice-Chairman of the National Assembly.

These meetings have jointly emphasized a number of key policy and leadership issues for HIV/AIDS programmes:

- Development of the National Strategy Plan up to 2010;
- Multisectoral involvement in the formulation process to ensure the active participation in planning processes of national and local authorities, for stronger ownership;
- Identification a set of focus and priority areas for action. The main areas suggested included care and treatment to PLWHAs, reducing the vulnerability of young people, elimination of stigma and discrimination towards PLWHAs, promotion of a supportive legal environment;
- Leadership and coordination including the endorsement of policy and legislation; the assurance of adequate budget; and translation of political commitment to action.

## **3. Mobilizing additional financial and technical resources for HIV/AIDS**

The last six months have seen major achievements and developments on the mobilization of additional resources for HIV/AIDS programmes:

- a) *The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM) for support to PLWHA, Voluntary Counselling and Testing, and Prevention of Mother to Child Transmission:* The Global Fund approved a grant to Vietnam for \$US 12 million (\$US 7.5 million for the first two years). Project components include (i) strengthening capacity and implementing at all levels of 20 provinces a comprehensive program on care, counselling and support to PLWHAs; (ii) integrating prevention and care through a programme on voluntary counselling and testing (VCT) and prevention of mother to child transmission of HIV (PMTCT);
- b) *Development Partner funding for condom social marketing, sexually transmitted infection services, and harm reduction programmes:* agreements signed in the last six months include:
- A US\$ 25 million project over five years from the UK and Norwegian Governments, with WHO's support, for (i) training, technical assistance, advocacy and research; (ii) condom social marketing focusing on sex workers and their clients, IDUs; and (iii) Behavioral Communication Change activities in 21 provinces;
  - A C\$ 4.5 million project from the Canadian International Development Agency for four years on the prevention and treatment of sexually transmitted infections in Ho Chi Minh City, An Giang, Kien Giang and Can Tho;
  - An Australian \$ 8.6 million regional project from AusAID for harm reduction activities among injecting drug users, as a part of an effort covering Viet Nam, China and Myanmar. At the early stage, the project focuses on strengthening a multisectoral approach with health, police, public security and other key stakeholders involved in managing HIV/AIDS and drug use. The project will assist countries to develop national and regional policies and alternative models for effective responses.
- c) *Discussions with the World Bank on potential funding for HIV/AIDS:* a recent identification mission from the World Bank/Government of Viet Nam has begun to identify some potential HIV areas for funding by the WB.
- d) *Increased technical support from Development Partners including International NGOs and Foundations*

The HIV/AIDS Technical Working Group consists primarily of representatives from international NGOs, but also includes staff from bilateral donors, foundations, the UN agencies and Vietnamese governmental and non-governmental organizations who share resources and experience, engage in planning and form partnerships for HIV/AIDS prevention, care and advocacy on technical issues.

During the last six months, the HIV/AIDS Technical Working Group organized four meetings to discuss technical aspects of HIV/AIDS. Main topics or issues discussed were harm reduction, Voluntary Counselling and Testing (VCT), GIPA and prevention and care interventions with 05 and 06 rehabilitation centres.

Given the growing number of people living with HIV/AIDS and the need for appropriate and responsive care and support for PLWHAs, a third working sub-group was established to focus on care and treatment for PLWHAs. This group has specifically explored approaches to introducing locally made antiretroviral (ARV) drugs. The working subgroups on Harm Reduction and on GIPA also met twice each over the past six months.

#### **Activities that will be taken in the next six months and beyond**

1. ***Support to the development of National Strategic Plan.*** The Development Partners will support the Government to organize a series of seminars for different stakeholders to discuss the practices and lessons learned in detail as well as focus on the process and content of the strategic plan in Viet Nam;
2. ***Conducting studies on HIV/AIDS social-economic impact.*** Donors are collaborating to support an assessment of the socio-economic impact of HIV/AIDS;
3. ***Participation in the amendment of HIV/AIDS Prevention Ordinances.*** Working with the Ministry of Health through small groups with different players to provide technical assistance and share experience/best practice and the relevant documents to develop and guide implementation of the new HIV/AIDS Ordinance;
4. ***Conducting GIPA research throughout Vietnam.*** The research will look at the existing laws, regulations, policies towards PLWHAs;
5. Continuing the information and technical resource network through regular meetings and communications, focusing on specific and concerned issues such as harm reduction, access to care and treatment, GIPA, and policies and strategies.

## **FOREST SECTOR SUPPORT PROGRAM AND PARTNERSHIP (FSSP & P)**

### **1. Activities over the past 6 months**

- The Annual Review Mission initiated its activities in September/October 2002 with an aim to measure the implementation progress made in the FSSP&P; identify issues to be addressed; and propose measures to improve the FSSP implementation process;
- An FSSP & P Steering Committee meeting took place in November to welcome two new donors to join the Partnership, to induct Co-chairman from the donors side and to endorse (i) the annual review report, (ii) the Guidelines on Management and Utilization of the Trust Fund of the FSSP-Coordination Office; (iii) FSSP – CO’s TOR and work plan in 2003;
- The development of the Forest Sector Manual “ the think tank of the FSSP” – one of the four implementation tools has achieved significant results thanks to strong support and contributions from the FSSP-Technical Executive Committee (TEC) and various national, international agencies. Seven prioritized chapters are now being prepared under the lead of the FSM’s Editing Board;
- To provide information about events that are and will be taking place in the FSSP&P, a Common Work Program (CWP) – another FSSP implementation tool is developed and updated monthly. Additionally, the FSSP Newsletter is published and distributed on a quarterly basis to enable accessibility of not only the FSSP&P international partners and Vietnamese institutions but also all other interested players in the sector;
- To complete the FSSP structure, a Provincial Reference Group (PRG) was set up in April 2003 constituting of eight provinces that represent different ecological zones in the country. With this additional structure, the dissemination and integration of the FSSP & P down to provincial level is taking place.
- With the aim of contributing to the implementation and monitoring of the CPRGS, under strong efforts jointly made by GTZ’s funded poverty alleviation project in MOLISA and the Project to Support the Reform of the Forestry Administration System (REFAS) in MARD, a comprehensive map which includes the poverty ratio and its links to forest coverage and different forest categories is being developed nationwide. This output will help both donors and national policy makers gain an overview on poverty and forest links and on this basis develop regional/sector action plans or design sector support projects;
- To develop forest farms in Vietnam and under strong support from FAO-RAP, a document on “Developing Forest Farms in Vietnam – from policy to technology” is being elaborated. The resulting output will provide national and international agencies a holistic picture on forest farm status in Vietnam and on this basis assist them to develop their own plans for forest farm development.

- With an aim of strengthening capacity for the FSSP stakeholders at Central level to achieve the nine result areas, an intensive training needs assessment was launched and training curricula applicable to different target groups will be elaborated on this basis.
- To fill in the gaps of the FSSP's matrix of affiliation, some project proposals have been elaborated to focus on result areas, which have not yet been committed to by any donors.
- To make further steps in donor cooperation, under the initiative of the bilaterals, a Multi-Donor Trust Fund will be set up to support the FSSP implementation process. The final draft outline of this fund is already in place.
- Based on the CPRGS outline for FSSP, some donors (e.g. KfW and GTZ) already use it as a guide to contribute with their own CPRGS study.

## **2. Major activities over the next 6 months**

- FSSP's M & E design starting in June/July;
- Partnership Steering Committee Meeting to review the past activities and decide plans for the coming period;
- Complete several prioritized chapters in the Forest Sector Manual and start to embark on other chapters;
- Initiate Study on Forestry and its links to Poverty alleviation and Rural Livelihoods;
- Initiate exercise on Harmonization of the Implementation Framework
- Start to decentralize the FSSP to provincial level with strong engagement of the PRG's members.
- Conduct Mid-term and Annual Review of the FSSP implementation progress.

## **3. Success criteria by December 2003**

- The Common Work Program is regularly updated and accessible to all the FSSP & P partners and sector stakeholders;
- Drafts of several chapters of the Forest Sector Manual are available and published on the FSSP's website;
- The FSSP's M & E system is in place and has started functioning;
- Some project proposals that filled the gaps of the FSSP's Matrix of Affiliation are approved by both Vietnamese Government and respective donors, and project preparation is initiated;
- The FSSP implementation process is widely understood by provinces and the FSSP framework is initially applied at provincial level;
- Draft reports of the Harmonization on Implementation Framework and the Study on Forestry and its links to poverty alleviation and rural livelihood are available.

## PARTNERSHIP TO ASSIST THE POOREST COMMUNES

1. The Partnership to Assist the Poorest Communes (PAC) began the second phase of its life in March 2003. Under the leadership of MPI, a renewed PAC began a program of applied research, workshops and publications to address community based development in poor communes. PAC's program is financed by an ASEM II grant mobilized by the World Bank.

2. **Objectives.** PAC has three objectives, which in summary are to:

- *Objective 1:* Improve coordination of government and donor-funded projects and programs working to reduce poverty in Vietnam's poorest communes.
- *Objective 2:* Develop unified approaches to implementation of poverty reduction and community development efforts in poor commune areas based on experience.
- *Objective 3:* Exchange the lessons of experience among practitioners and partners in order to improve future projects, programs and the policies.

3. **Links to CPRGS and Poverty Working Group.** PAC contributes to support implementation of the CPRGS by helping to identify mechanisms to mobilize people's participation in development and helping to unify approaches taken in national target programs. PAC augments the work of the Poverty Task Force by relating experience from project and program implementation and administration to broader implementation of the CPRGS.

4. **Organization.** PAC's organization consists of a Management Team, Core Group and wider Partnership Group that works under the guidance of Vice Minister Nguyen Xuan Thao of the Ministry of Planning and Investment (MPI).

5. **Work Program 2003.** PAC's program for 2003 includes:

<b>The New PAC</b> <b>March 2003</b> <b>Lead: PAC Partnership Group</b>	<ul style="list-style-type: none"> <li>• Adopt the Concept Paper</li> <li>• Agree the 2003 work plan</li> </ul>
<b>Community Contributions to Infrastructure Development</b> <b>April 2003</b> <b>Lead: UNDP/IFAD/PAC</b>	<ul style="list-style-type: none"> <li>• Assess experience of IFAD and Program 135 in four provinces: Tuyen Quang, Ha Giang, Ha Tinh and Quang Binh</li> </ul>
<b>Poverty Reduction in Poor Coastal Communes</b> <b>June 2003</b> <b>Lead: PAC/MoFi/MONRE/Oxfam GB</b>	<ul style="list-style-type: none"> <li>• Identify the special problems of poor coastal communities</li> <li>• Identify how to address them</li> </ul>
<b>Best Practices in integrated rural development</b> <b>June 2003</b>	<ul style="list-style-type: none"> <li>• Discuss manual "Best Practices in integrated Rural Development"</li> <li>• Assess the IRD experience of UNDP and</li> </ul>

<b>Lead: UNDP/IFAD/PAC</b>	IFAD in Vietnam
<b>Community Driven Development in Vietnam July 2003 Lead: World Bank/PAC</b>	<ul style="list-style-type: none"> <li>• Present study findings “How does community driven development (CDD) work in Vietnam today?”</li> <li>• What determines the outcomes of CDD?</li> </ul>
<b>Sustainable Livelihoods Training Workshop October 2003 Lead: DFID/PAC</b>	<ul style="list-style-type: none"> <li>• Explain the sustainable livelihoods approach and its relevance</li> <li>• Train people how to apply it in Vietnam</li> </ul>
<b>Making user groups effective November 2003 Lead: UNDP</b>	<ul style="list-style-type: none"> <li>• Review the institutional environment</li> <li>• Assess the experience of capacity building</li> </ul>
<b>Harmonizing government and donor procedures in poverty projects November 2003 Lead: PAC</b>	<ul style="list-style-type: none"> <li>• Identify the potential for harmony: where to look for progress? How to achieve it?</li> <li>• Link to Harmonization Group (ADB, JBIC, UN, bilaterals, World Bank activity)</li> </ul>
<b>Village Development Planning and Grassroots Democracy: Fieldwork November 2003 Lead: GTZ</b>	<ul style="list-style-type: none"> <li>• Assess the impact of village development planning on the Grassroots Decree, Programs 135, 925 and HEPR, and village-level poverty reduction.</li> </ul>
<b>Progress Report November 2003 Lead: PAC Core Group</b>	<ul style="list-style-type: none"> <li>• Summarize findings and conclusions from 2003</li> </ul>
<b>Work Program for 2004 December 2003 Lead: PAC Partnership Group</b>	<ul style="list-style-type: none"> <li>• Develop and agree program for 2004</li> </ul>

### PAC’s Core Group

- MPI – Agriculture and Rural Development Department
- MPI – Local Economy and Territory Department
- MPI – Labor and Social Affairs Department
- MPI – Economic and Foreign Affairs Department
- World Bank
- UNDP
- JBIC
- ActionAid
- Oxfam GB
- AusAid
- GTZ
- DFID

## **PAC's Partnership Group**

### **Government agencies**

- Ministry of Planning and Investment
- Ministry of Agriculture and Rural Development
- Ministry of Labor, Invalids and Social Affairs
- Ministry of Finance
- State Bank of Vietnam
- Committee for Ethnic Affairs
- Farmers' Association
- Women's Union
- HCM National Political Academy
- Ministry of Health
- Ministry of Education and Training
- Ministry of Construction
- Ministry of Natural Resources & Environment
- Center for Water Supply and Sanitation
- Ministry of Fisheries
- Government Office
- Investment Newspaper
- MPI Research Centers

### **Donors / NGOs / Centers**

- SDC
- ADB
- CIDA
- EU Delegation
- Helvetas
- New Zealand Embassy
- Embassy of the Netherlands
- NGO Resource Centre
- Sida
- World Bank
- UNDP
- JBIC
- ActionAid
- Oxfam GB
- AusAid
- GTZ
- DFID
- Coordinating Center for Poverty Reduction
- Vietnam Gardeners Association
- Various donor-assisted projects

## NATURAL DISASTER MITIGATION (NDM) PARTNERSHIP FOR CENTRAL VIETNAM

### Introduction

1. The Natural Disaster Mitigation Partnership for Vietnam (NDM-Partnership) was established with the signing of the Memorandum of Agreement in June 2001. The actual implementation of the NDM-Partnership started in April 2002 with the approval of a one-year Preparatory Assistance phase. This note provides an update on the Partnership since its last update for the 2002 Consultative Group Meeting in December 2002. The note presents the key outcomes that the Partnership has achieved over the past six months, actions for the next six months as well as success criteria for December 2003.

### Progress of the Partnership over the past six months

2. The NDM-Partnership support to sectoral strategies has been reflected in its facilitating and co-ordinating role for mobilisation of support for disaster mitigation in Central Viet Nam and all over the country. During the past six months, it has been focusing on improving its coordination functions and initiating concrete interventions in Central Viet Nam. The Partnership has also initiated discussions on how it could best support the Government in improving sectoral policies and to link its objectives and activities with other major development policy frameworks such as the CPRGS and MDGs. Major outcomes achieved include:

#### *i. Support to Sectoral strategies and other development frameworks (CPRGS and MDGs)*

##### *Mobilisation of support for disaster mitigation:*

- A Framework Document and Action Plan for the NDM-Partnership up to December 2005 has been drafted. The document gives a direction for the Partnership to further enhance its coordination and mobilization role to gradually contribute to efforts to make disaster mitigation an integral part of the policy making process in all other sectors. The document will serve as a framework to mobilize further support to disaster mitigation either directly to the sector or through different poverty reduction and sustainable development programmes.
- The Partnership Secretariat continued facilitating the donors in activities of implementing priority projects for Central Viet Nam. The Royal Netherlands Embassy (RNE) and the United Nations Development Programme (UNDP) are considering the taking up of some of the priority projects for implementation. The Partnership fielded a Start-up Verification Mission to the Central Provinces in February-March 2003 for appraising five provincial priority projects. Based on the data collected by expert teams on engineering, socio-economics, environmental and institutional analysis

feasibility study reports of provincial priority projects are being prepared. Based on the feasibility study, cost estimation and funding level, the priority projects will be selected for implementation.

- Under the Partnership's framework, the Government is preparing for a World Bank loan of approximately US\$ 150 million for natural disaster mitigation in Viet Nam. The NDM-Partnership is continuing its support to the preparation of this important project.
- AusAID's disaster mitigation project for Quang Ngai Province has commenced.

*Improve the existing national institutional arrangements for disaster mitigation*

- NDM-Partnership has initiated actions for studying the institutional capacity for disaster mitigation in Vietnam. The study will review the existing system and national capacity for disaster prevention and control in the country, identify the strengths and weaknesses and bring in successful international experience to make the most feasible recommendations for improving the effectiveness of institutional capacity for disaster management in Vietnam.
- With the aim to improve emergency needs assessment for more effective emergency relief, the NDM-Partnership has fostered co-ordination with the Disaster Management Working Group and the UN Disaster Management Team which are active in the disaster relief activities to develop a co-ordinated assessment of relief needs. Once finalised, this will be integrated in the existing mechanism of the Government for emergency needs assessment.

*ii. Supporting the implementation of CPRGS*

- The NDM-Partnership has started to map the targets set out by the CPRGS in disaster mitigation as a means to reduce vulnerability of the poor and the NDM-Partnership objectives for further discussions/agreement on actions by the Partnership members. (NDM-Partnership Newsletter, volume 1, issue 1, September 2002).

*iii. The coordination role of the NDM-Partnership has been improved*

- The NDM-Partnership is regularly publishing a quarterly Newsletter for information sharing between Government, Donors and NGOs in the field of disaster mitigation. A website for the NDM-Partnership (<http://www.undp.org.vn/ndm-partnership>) has been launched and is being regularly updated.

### **Concrete Actions for the next six months**

- Due to teething troubles, some of the planned activities of the Partnership started later than scheduled, resulting in partial achievement of the goals aimed to be completed during the one-year preparatory implementation phase. In order to fully achieve the objectives extending the preparatory phase by a few months is being considered.
- Finalise the Partnership's joint Framework Document and Action Plan for approval by the Partnership's members and the Government. Ensure that the NDM-Partnership goals set for 2003-2005 are to support the Government priorities in disaster mitigation and CPRGS implementation.
- Complete the review of institutional arrangements for disaster mitigation in Viet Nam. Present recommendations to the Government for review/approval
- Initiate the implementation of some of the priority projects in Central Viet Nam whose process will help to develop the coordination mechanism of the Partnership to support such priority interventions.
- Complete support activities to the formulation of the World Bank NDM project. Ensure complementary and synergy with other efforts in disaster mitigation.
- Continue the information sharing mechanism that supports policy dialogue for the implementation of the Framework Document and identification of further strategic interventions by the Partnership.
- Support the Government to improve the emergency needs assessment.

### **Success criteria for December 2003**

- Framework document and action plan approved and funded for implementation.
- Government and Donor/NGOs consensus reached on set goals and identified activities that help to meet the CPRGS targets. The consensus is reflected in the implementation of Partnership joint actions as well as Donor/NGOs bilateral activities in disaster mitigation.
- Government favourably considers recommendations of the institutional review. NDM-Partnership expanded to a nationwide partnership.
- Timely approval of donor and Government obtained for priority projects.
- WB NDM project approved by the WB and the Government as planned.
- Information sharing mechanism is updated regularly (Regular issues of quarterly Newsletters published and distributed; Website regularly updated, Partnership meetings organised as planned, etc.)
- Coordination mechanism established and operationalised for inter-agency assessment of disaster needs, appeal and distribution of relief material.

## WATER

1. Government reorganization has resulted in the formation of the new Ministry of Natural Resources and Environment (MONRE). The Government has issued Decree 91/2002/ND-CP on the functions and organization of MONRE and also Decision 600/2003/QD-BTNMT on the functions and organization of the Department of Water Resources Management (DWRM) under MONRE. The major effect of this reorganization is to transfer responsibility for state management of water resources from MARD to MONRE, thus bringing together the management of environment, water and other resources under one ministry.
2. Efforts are underway to transfer responsibilities, staff and resources relating to state water resource management from MARD to MONRE. MARD will retain responsibility for irrigation, drainage, flood control and rural water supply. A joint donor-supported task force has provided advice to MONRE on the development of plans for the formation of DWRM. Discussion is now underway regarding support for priorities such as review of the Law on Water Resources and initiation of priority water resource management activities by the DWRM.
3. Decree 91 stated that responsibility for support of the National Water Resource Council would be assigned to MONRE. The Government has officially announced that the Minister of MONRE will be the Standing Member of the NWRC and other changes in the Council membership. The NWRC has not met for some time, although background work has been underway in the Office of Council (ONWRC) in preparation of various documents such as a National Water Sector Profile and Atlas, NWRC Strategic Plan and other documents.
4. Decree 91 did not mention whether river basin planning management organizations (RBPMOs) would also be transferred. This issue is still under discussion between MARD and MONRE, as is the location of the water resource planning function and the Institute and Sub-Institute of Water Resources Planning which have been identified as the institutional location of the Offices of the RBPMOs.
5. RBPMOs have been formally established in the Red - Thai Binh, Dong Nai and Cuu Long (Mekong) basins. Initial meetings have been held by the Red and Mekong Delta organizations, although more effort is required to fully activate them. Support projects are underway in the Mekong Delta (AusAID-supported) and the Dong Nai basin (ADB-supported).
6. The International Working Conference on “Water Rights: Institutional Options for Improving Water Allocation” was held in Hanoi, Vietnam, from February 12-15, 2003. The Conference included around 60 international participants and 20 Vietnamese. International participants included representatives from water-related agencies from such nations as Spain, Australia, the United States of America, Mexico, India, Chile, the Netherlands, South Africa, Indonesia, China, Britain, Laos, Germany, Palestine, etc. and representatives from the above donor organizations, researchers, and practitioners involved in water policy.

The conference was successfully held, reaching its objectives, including:

- Broaden the scope and sharpen understanding of institutional options to define and implement water rights systems for equitable and efficient water management.
- Clarify the strategies and instruments available to safeguard traditional water uses and customary rights in the context of supporting equitable and efficient water allocation.
- Improve awareness and understanding of the options that various stakeholders may consider in developing water allocation institutions.
- Develop viable intervention strategies to help water managers improve water allocation through water rights systems.
- Elaborating recommendations and possible guidelines for the processes required and the obstacles that need to be overcome in implementing reforms in the water rights systems.
- Provide evidence of the outcomes from adopting or reforming water rights systems.

7. The Office of the National Water Resources Council, with the assistance of the Asian Development Bank, has drafted a “Water Sector Roadmap” for Vietnam. The purpose of the Roadmap is to present a clear and simple description of the current situation in the water sector, the targets which should be achieved in the next 10 years, the issues and constraints which must be overcome, and activities which are planned or underway to achieve the agreed targets. It is expected that the Roadmap will serve as the basis for dialogue within Government, through presentation to the National Water Resources Council, and between Government and donors, through discussion under the MARD or MONRE International Support Group.

8. Vietnamese Australia Water Resources Management Project (VWRMAP): funded by AusAID consists of 3 technical components:

- Component 1 (C1) – capacity building for senior Vietnamese personnel involved in integrated water resources management (IWRM) - i.e. members of and advisers to the National Water Resources Council (NWRC)
- Component 2 (C2) – the development of a national water resources database and water resources data directory.
- Component 3 (C3)– the development of a River basin organisation and secretariat for the Mekong Delta.

The project completed a mid-term review in March. As part of the mid-term review Component 1 was retargeted to make it more relevant to the dynamic institutional environment that currently exists for IWRM in Vietnam. Component 2 is about to begin Phase 2 in which concepts developed in phase 1, which was completed in mid 2002, will be implemented. Component 3 continues with RBO development with the RBO recently having its inaugural meeting.

Specific progress made over the past six months to support sectoral strategies and programs, and the CPRGS:

- C1 has in the last six months carried out several training activities and hosted a meeting of the Training and Awareness Raising Training Working Group. The component has been involved in the reorganization to include the Ministry of Natural Resources and Environment.
- C2 is at present in an interphase period during which preparation work for the start of Phase 2 in which the database and resource data directory will be implemented. C2 with C1 will be relocated to MoNRE from MARD in the very near future.
- C3 has completed its phase 1 work during the last 6 months. This has included setting up of very successful community consultation procedures to determine priority water resources issues throughout Mekong delta provinces allowing grass-roots voices to be heard.

Over the next six months, concrete actions to be taken:

- C1 will continue the IWRM training programme which will include overseas study tours and training activities. All the activities will take into account gender and poverty issues. Training activity is specifically addressed in awareness raising on how integrated water resources management may alleviate poverty.
- C2 will begin to implement the installation of both the National Water Resources Data Base and Water Resources Data Directory. These will both form useful tools for those needing data vital to CPRGS.
- C3 will continue to support the development of the RBO and using material gained from the community consultation process, and carry out water resources management studies based on a prioritization of the issues found. These will be directed at both poverty alleviation and environmental issues.

#### **Revised success criteria for December 2003**

- C1 taking into account the findings of the mid-term review, will implement the programme aimed at members of and advisers to the NWRC. Target groups are spread across many agencies involved in IWRM in Vietnam. Poverty alleviation

through improved integrated water resources management in Vietnam continues to be the underlying objective of the component.

- C2 Criteria will remain the same and will aim to implement concepts developed in phase 1 to improve access to water resources data for those who need it, including all those working on poverty alleviation issues. The recent formation of MoNRE is seen as a very positive step in the management of water resources data.
- C3 will continue to use the material gained from the Community Consultation process which was larger and more useful than originally envisaged, and has been considered by all parties to be a highly successful exercise.

## AGRICULTURE AND RURAL DEVELOPMENT (ISG)

### MARD International Support Group (ISG)

#### *Specific progress made over the past six months:*

- It was found that ISG has been very useful for improving coordination between MARD and donors.
- During the ISG Steering Board meeting of 18<sup>th</sup> December 2002, the members decided to review the Terms of Reference and plans of the MARD ISG and its Thematic Ad-hoc Groups (TAGs). The review was completed, the ToRs have been finalised and will be approved by the ISG Steering Board at its meeting tentatively set for 12 June 2003. There are now three TAGs, including i) international agro-economic integration and policy, ii) Support to water resources management and iii) the newly-established TAG3 “Support to implementation of the CPRGS in agriculture and rural areas”. TAG 3, in close collaboration with the CPRGS working team established in ICD MARD, will be responsible for coordinating the activities relevant to CPRGS implementation within the sector.
- ISG has been working closely with the existing partnerships and draws upon their experiences whenever possible. Coordination between MARD, other ministries, donors and other partners should be strengthened due to new challenges and opportunities. Coordination will include review and discussions of on-going and up-coming projects, policies, priorities of GoV and MARD, as well as lessons learned and best practices. Coordination will also include donor priorities, conditions etc.

#### *Main follow-up steps:*

- ISG will further strengthen policy dialogue between MARD, other ministries, donors and other partners. The policy dialogue will in particular include donor priorities and conditions, and GoV and MARD’s existing 5 and 10 year plans, other plans, priorities, policies, strategies etc. ISG will also establish dialogue provincial-level platforms between MARD, provinces and donors.
- Regular and structured monitoring of ISG progress, constraints etc. will be carried out. A full review should be undertaken of ISG, including progress, constraints, areas of special attention and recommendations.
- ISG may need to establish one additional TAG to look into how to increase agricultural production and productivity in a sustainable manner. The mandate should include subsistence farmers, smallholders as well as medium and large farming units. The TAG should also review the consequences of globalization and trade integration with particular relevance to subsistence and smallholder farmers and the CPRGS.

- TAG1 of ISG is proposed to pay a visit to China to study how China has adjusted to trade integration with global partners.
- ISG will support MARD to define how MARD will address CPRGS implementation. Exact areas of support and operational aspects will be worked out in close collaboration with provinces and donors.
- ISG will invite MONRE to participate in TAG2 as a co-chair. After a short period of time acting as a temporary mechanism to support policy dialogue co-hosted by MARD and MoNRE, TAG2 will be renamed “Support to Hydraulic Works and Rural Water Service”. ISG TAG 2 will also clarify the formal relationship between National Water Resources Council and MARD. MONRE has indicated that it intends to activate and expand its “International Support Group on Environment” (ISGE) to include natural resources such as land, water and minerals. It is expected that the MARD ISG and the MONRE group will enable better coordination, information exchange and policy dialogue between government ministries and donors. In terms of the water sector, the MARD ISG would likely focus on the investment program in irrigation, drainage, flood control, etc and related policy, whereas the MONRE ISG would likely focus more on the broader, multi-sector water resource management issues such as water allocation, protection and other state management functions.
- Main activities of TAG 3 will be: (i) to establish a clear monitoring framework for measuring progress in implementation of the CPRGS in the rural sector; (ii) to make an analysis of the poverty reduction impact of past investments as well as analysis of the various policy issues identified under the CPRGS.

***Important event:***

- The annual ISG Plenary Meeting 2003 is intended to be held on 24 June 2003 in Hanoi. This is the biggest forum for policy dialogue among all stakeholders, including Vietnamese relevant agencies, international donors’ agencies, INGOs, and provinces, who have been involved in the activities in support of the agriculture and rural development sector of Vietnam.

## **OFFICIAL DEVELOPMENT ASSISTANT PARTNERSHIP (ODAP) – HO CHI MINH CITY**

### **Progress over the last six months**

Over the past six months, the ODAP has conducted the following activities in connection with sectoral strategies and programs:

- Organizing a workshop in late 2002 with theme of low-income housing in HCMC - Standards and Solutions. This workshop discussed the flexible technical standard systems applicable to low-income groups in HCMC. The workshop also discussed the possible financial solutions to support low-income people in access to housing. The results would be brought forward to the Vietnam Urban Upgrading Project of which HCMC is the biggest sub-project.
- ODAP continued to explore new opportunities for the co-funding of the Tan Hoa - Lo Gom basin project in order to achieve a comprehensive improvement in slums in the basin.

### **Plans for the next six months**

In the next 6 months, there will be an ODAP workshop on resettlement, probably in October. The resettlement of the poor will be a major focus of the workshop.

ODAP is concentrating on activities relating to institutional improvement of the ODA PMUs and relevant HCMC departments.

## **PUBLIC ADMINISTRATION REFORM**

Since the implementation of the PAR Master Programme 2001-2010, PAR activities have focused on four key areas: Institutional Reform, Organizational Reform, Development of the Civil Servant Contingent, and Public Financial Reform. A number of successful PAR initiatives have been implemented by ministries and provinces, however a great deal still needs to be achieved in order to meet the demands of the people and facilitate social and economic development. The following report notes PAR achievements in the past six months and the direction for PAR tasks in the months ahead.

### **Development of the PAR Master Programme**

#### **PAR Progress: January - June 2003**

- 21 Ministries and 55 provinces and cities have developed, finalized and started to implement their PAR plans for the five year period (2001-2005). PAR plans for the year 2003 are also underway; however feedback activity reports are still required.
- The “Programme for Development and Enhancement of the Quality of State Officials and Civil Servants for Phase I,” (2003-2005) was approved by the Prime Minister (Decision No. 69/2003/QD-TTg dated 29 April 2003).
- Action Plans No. 1, 2, 6 and 7 for the implementation of the PAR Master Programme (2001-2010) have been submitted to the Prime Minister and are awaiting approval.
- Two studies are currently underway:
  - “Best Practices and Lessons Learned in Donor-Funded PAR Projects” to identify PAR best practice models for replication.
  - “Study of PAR Plans 2002-2005 and Annual Reports of Ministries and Provinces” to identify solutions for improving ministerial and provincial PAR planning and management.
- The PAR Advocacy Strategy has been submitted to the Prime Minister and an Information and Communication Development Plan is now being developed.

### **Directions for PAR tasks June-December 2003**

- To implement sub-programmes under the PAR Master Programme (2001-2010) following approval from the Prime Minister, with the establishment of Programme Management Boards.

### **Institutional Reform**

#### **PAR Progress: January - June 2003**

- Two amended draft legal documents (“Law on Organization of the People’s Councils and People’s Committees at All Levels” and “Law on Election of Members of the People’s Councils,” were submitted to the National Assembly for comments at its Third Session in May 2003. The proposal will be passed by the National Assembly at the fourth Session (end of this year).
- By March 2003, 35 provinces and centrally administered cities started implementing their administrative procedure reforms towards a “One stop shop” model with the engagement of 181/1281 provincial and city departments, 154/631 district-level units and 879/10594 communal-level units.

- Administrative procedure reforms towards a “One stop shop” model were piloted at the Ho Chi Minh Sea Port as per Decision No. 55 by the Prime Minister. The pilot was extended to four other sea ports of Baria-Vungtau, Danang, Haiphong and Quang Ninh as per Decision No. 178 passed by the Prime Minister. Preliminary evaluations have since been conducted in the three seaports of Ho Chi Minh City, Quangninh and Danang.

**Directions for PAR tasks: June-December 2003**

- Preparation and organization of the Government Conference (June 3<sup>rd</sup> – 4<sup>th</sup> ), on the evaluation of the “One stop shop” mechanism, administrative block grants, block staffing, and financial mechanisms for income-generating public service delivery agencies/units.
- To evaluate and assess experiences and lessons learned from pilot administrative procedure reforms at sea ports and develop appropriate rules and regulations.

**Reform of Organizational Structures of Public Administration**

**PAR Progress: January - June 2003**

- The Government issued Decree No. 23/2003 dated 12 March 2003 regarding Government Work Regulations.
- The Prime Minister signed and issued Decree No. 30/2003 stipulating functions, responsibilities, powers and organizational structuring of Government-affiliated agencies.
- The Prime Minister signed and issued:
  - 13 Decrees stipulating functions, responsibilities, powers and organizational structuring of 13 Ministries respectively.
  - One Decree stipulating functions, responsibilities, powers and organizational structuring of one Government-affiliated agency.Proposed Decrees governing the remaining Ministries and sectors have been assessed and are awaiting comments and ideas from members of the Government.
- A research project on decentralization between central and local governments has been conducted, focusing on the following key areas:
  - Economy and Finance
  - Organization and Personnel
  - Health, Education, Culture & SocietyA Government Resolution on decentralization in these areas is being prepared.
- The Prime Minister has approved proposed master plans on the restructuring of SOE’s of selected Ministries, sectors, provinces and centrally administered cities.

**Directions for PAR tasks: June-December 2003**

- To activate and implement Government Decrees on functions, responsibilities, powers and organizational structures of Ministries and sectors in provinces and centrally administered cities.
- To activate and implement the Government Resolution on decentralization of State management between central and local governments.

**Renovation of the Civil Service**

**PAR Progress: January - June 2003**

- As of January 1<sup>st</sup>, 2003, the minimum salary was increased by 38%. The new salary schedules are now under preparation.
- The amended Ordinance on Cadres and Civil Servants was passed by the Standing Committee of the National Assembly on 29 April 2003, with two new important amendments:
  - The clear distinction between administrative civil servants and public servants working in public service delivery agencies.
  - The inclusion of public servants working at grassroots levels into the coverage of the amended Ordinance.

**Directions for PAR tasks: June-December 2003**

- To activate and implement the revised and amended Ordinance on Cadres and Civil Servants.
- The Government is currently preparing Decrees to guide the implementation of the amended Ordinance.

**Public Finance Reform**

**PAR Progress: January - June 2003**

- Implementing the Decree No. 10/CP for financial mechanisms for income-generating public service delivery agencies, financial autonomy has been given to 4,277/16,000 agencies (26%) nation-wide, of which, 424 are under ministries and central organizations and 3,853 under provinces.
  - Regarding central ministries and organizations: 29/45 implemented the Decree. A number of ministries as Ministry of Industry, of Construction, of Trade, and of Labour, War Invalids and Social Affairs have applied the decree in 100% of service delivery units. Among the total of 424 agencies given financial autonomy, 104 are fully self-sustaining and 320 are partly self-sustaining.
  - Regarding provinces: according to reports from 54 provinces, 35/54 (65%) applied the decree in 3,853 service delivery agencies, of which 167 are fully self-sustaining and 3686 are partly self-sustaining.
- Three Ministries and central organizations with five affiliated units, and 36 provinces and cities with 223 affiliated units have started pilot projects to implement Decision No. 192/QD-TTg passed by the Prime Minister.
- The Prime Minister made a decision on 6 May 2003 to revise and amend Decision No. 87/2001 on piloting block grants for Vietnam Television.
- Decision No. 85/QD-TTg, dated 6 May 2003 was issued by the Prime Minister to implement financial regulations and norms for the Radio Voice of Vietnam.

**Directions for PAR tasks: June-December 2003**

- A review of the implementation of block grant and financial autonomy will be carried out in ministries and provinces for replication to all other ministries and provinces.

## LEGAL

### Updated information

#### 1. *Process:*

- Joint Formulation Mission on Legal Issues: Conducted in November, 2002 with the participation from the donor community and the government to identify the priority areas of the legal reforms that need international assistance;
- Formulation of a UNDP project document supporting the implementation of the LSDS;
- Smooth shift of the Legal Needs Assessment (LNA) to the Legal System Development Strategy (LSDS) phase: LNA fact-findings and recommendations were approved and used as the foundation for the LSDS formulation;
- LSDS finalization: LSDS cleared by the Cabinet and being submitted to the Politburo for final approval.

#### 2. *Continued reform:*

- The Law on the promulgation of the Legal Normative Documents was revised to ensure greater transparency of the law making process;
- The Draft Criminal Procedural Code (revised) with a focus on more transparent and fair investigation and trial was debated in the National Assembly;
- Decision of the Standing Committee of the National Assembly on Compensation for damage caused to victims of Injustice by Competent Persons in Criminal Proceedings adopted to enhance the accountability of the officials and institutions of the justice sectors and to better protect the rights and interests of the innocent accused or those accused who were wrongfully and illegally arrested or sentenced.
- Ordinance on Commercial Arbitration was adopted to expand the Alternative Dispute Resolutions (ADR)s for commercial disputes.

### Next Steps

- LSDS approval: Politburo will review the document.
- LSDS Management Structure will be in place.
- UNDP Project Document supporting the LSDS implementation will be signed.



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