DEVELOPMENT CO-OPERATION BETWEEN THE UNITED KINGDOM AND VIETNAM: HISTORICAL OVERVIEW

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Landell Mills
DEVELOPMENT CONSULTANTS

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Executive Summary

Development co-operation between the United Kingdom (UK) and Vietnam dates back to the early 1960s. It entered a new phase in 1998 when UK-DFID opened an office and with the 1999 appointment of a Head of Office in Hanoi. Shortly thereafter the level of development assistance provided by DFID to Vietnam was substantially scaled up, with the UK being among Vietnam's principal bilateral official development assistance (ODA) donors over the last 15 years. The UK has allocated £481 million bilateral ODA to Vietnam since 2001. UK bilateral ODA reached its highest annual level of £54 million in 2009.

Almost the entirety of DFID ODA to Vietnam has been allocated under three so-called pillars: (i) Millennium Development Goals (MDGs); (ii) Governance; and (iii) Wealth Creation. The MDG pillar is by far the largest in terms of expenditure, with 55 per cent of total DFID bilateral support for Vietnam during the period 2001 to 2013 being allocated under it.

DFID will exit Vietnam as a bilateral donor in 2016 and it is this that has prompted this evaluation. The overall purpose of the report is to provide an historical overview of development c-operation between Vietnam and the UK since 1999.

It commences by examining the broad development context in Vietnam around the time DFID established its office and began to scale up its bilateral support. This examination takes into account the broad policy and institutional setting, Vietnam's development achievements, support from the international donor community and various emerging development challenges and problems being faced by the GoV and its donor partners. Against this background, the report then looks at Vietnam's development achievements during the period DFID has had on office in Hanoi. It focuses mainly on Vietnam's MDG progress, but also the record with respect to economic growth, governance, inequality and sub-national living standards disparities.

The preceding examination is largely quantitative. The report then moves into more qualitative investigation through and examination of activities that DFID supported under each of its MDG, Governance and Wealth Creation pillars. This involves a mix of (i) case study material, including information obtained from key informant interviews and (ii) review of relevant documentation (relating to previous evaluations, research papers, completion reports and the like) for the MDG Pillar. The examination of the Governance and Wealth Creation Pillars involves relying on the second of these sources of information.

Key conclusions emerging from this examination are as follows.

- Vietnam was well positioned to continue to make strong development progress in the late 1990s and early 2000s. In particular it was in a good position to embrace the MDGs as development policy objectives, having a high level of government commitment to MDG type objectives, been on a very strong upward development trajectory since the mid- to late 1980s with respect not only to the MDGs but development achievements in general and having received high levels of support from the international donor community. This is notwithstanding a fall in economic growth in the late 1990s owing to the East Asian financial crisis.
- There were, however, emerging inequality and governance challenges. There were, in particular, high disparities in living conditions between geographic areas and ethnic groups within Vietnam. More generally, evidence was emerging of overall development context in Vietnam becoming much more complex and challenging than had been the case during the first decade after Vietnam's Doi Moi economic reforms that commenced in the mid-1980s.
- Vietnam's development performance from the early 2000s onwards has been exceptionally good by international standards. It has achieved most MDGs and likely to achieve all except the environmental MDG, MDG7, by 2015. Its performance against the income poverty reduction target of MDG1 (poverty reduction) has been particularly impressive. This target was to half income poverty

from its 1990 level by 2015. It achieved this target in the mid-2000s and will by 2015 have reduced income poverty by more than three quarters.

- Vietnam was a darling of the international donor community throughout the 2000s, being among the top ten aid recipients internationally in terms of ODA volume. It is considered internationally to be an aid effectiveness success story. The aid architecture in Vietnam did, however, become more congested throughout the 2000s both in terms of the number of donors operating in the country and, in particular, the number of activities they fund.
- Throughout the 2000s ODA became in purely quantitative terms a relatively small source of development finance in Vietnam. Private remittances, mainly from Vietnamese living abroad, and FDI were more than twice the level of ODA toward the end of the first decade of the 2000s.
- While ODA flows to Vietnam might have become low relative to other forms of development finance, they remain high by international standards relative to its population size and GDP. They also are sufficiently high for one to expect that they have had observable development impacts at the national level, good or bad.
- ODA to Vietnam tended to be focused on its relatively well-off provinces, which has the potential to increase already large gaps in living conditions between provinces. This applies to the overall donor effort in Vietnam and does not necessarily apply to any one donor, nor does it apply to particular types of ODA, such as that focused directly in poverty reduction.
- Vietnam's impressive MDG performance was accompanied by a number of increasingly pressing challenges. Economic growth per capita remained high by international standards, but trended downward from the mid-2000s. Governance levels continued to slide downward. During the 2000s poorer provinces fell further behind others. Poorer ethnic minorities experienced improvement in their average living conditions (although the number of poverty living in some increased) but fell much further behind the Kinh ethnic majority and many remained very poor. Environmental vulnerability was assessed to be of an alarmingly high level, with Vietnam judged to be among the most environmentally vulnerable countries in the world.

Looking at broad details of DFID support, the report notes the following.

- DFID has been among Vietnam's largest bilateral donors, being ranked fifth among bilateral agencies in terms of ODA grants between 2001 and 2012. In the broader scheme it is though a relatively small donor in a quantitative sense, providing 2.5 per cent of Vietnam's total ODA receipts over this period. It does, however, have a reputation of being a particularly vocal and visible donor, 'punching above its weight' in this regard.
- DFID has had quite a poverty focused bilateral program in Vietnam, with approximately 55 per cent of it being devoted directly to the MDGs through its MDG pillar, all of which is devoted to reductions in poverty and other dimensions of development including health and education. The program has also been very focused in terms of the number of activities is has supported, which is very small by the standards of most donors. This bodes well for the development effectiveness of DFID support.
- Consistent with its 'working with and through others' policy priority, the vast majority of its DFID activities have been delivered either through multilateral agencies or Government of Vietnam (GoV) entities. This is good according to the aid effectiveness criteria of harmonisation and alignment. It is, however, a risky attribute as it means that DFID is heavily reliant on others to achieve its own operational objectives
- DFID entered Vietnam at a particularly challenging time. Vietnam had made tremendous development achievements throughout the last 1980s and 1990s. But in the late 1990s and early 2000s a number of strains became apparent. These strains are the 'increasingly pressing challenges' noted above. These challenges make it more difficult than would otherwise be the case for development partners in Vietnam, including DFID.

Following the more detailed examinations of the activities supported under the DFID MDG, Governance and Wealth Creation pillars, the report identifies three document characteristics of bilateral development co-operation between the UK and Vietnam since 1999. They are: strategic consistency involving a focus on working with and through others and poverty reduction, longitudinal programmatic focus, and spatial portfolio selectivity.

In the context of long term development cooperation, strategic consistency is the extent to which a donor exhibits long term commitment to a consistent set of development cooperation organising principles. This not only includes formal commitment through planning documents and partner-level agreements, but also to the operationalisation of such principles in everyday interactions.

Longitudinal programmatic focus is the extent to which a donor exhibits long term sectoral commitment, 'staying the course' in a sector despite the challenges, and building on previous achievements while tackling systemic issues.

Spatial portfolio selectivity refers to the focus of the DFID portfolio at the activity and sectoral levels.

In the team's view of the Landell Mills team that produced this report, each of these characteristics are necessary, although not sufficient, conditions for effective development co-operation. The sufficient condition is that the 'others' through which DFID worked have the capacity to deliver the results that are consistent with DFID's operational priorities.

Considering the quality of DFID bilateral support to Vietnam over the evaluation period, this report notes the following.

- The DFID portfolio has had in broad terms an appropriate focus, addressing pressing development needs in Vietnam. Its focus on the MDGs and poverty reduction has aligned with the GoV's priority affording to these international goals and their closely related local counterpart, the Vietnam Development Goals. DFID's focus on Wealth Creation and Governance has also been appropriate. DFID established its office in Hanoi and scaled up bilateral support to Vietnam at a time when it was becoming clearer that sustaining high levels of economic growth was becoming much more difficult, and that part of the reason for this were governance challenges.

- DFID and other donors recognised that certain provinces and ethnic minority groups had much lower living standards than others, and had extremely high poverty rates by any standards. DFID addressed this pressing development need through its support for poor provinces and ethnic groups, although it is not clear that they were the very poorest provinces and ethnic groups.

- DFID recognised the need to build the capacity of the GoV to deliver development results. This was crucial owing to the DFID policy priority of working with and through others; the GoV was prominent among the others with and through it worked. It had success in building this capacity, but there are clear examples where a lack of capacity in sub-national government was an impediment to DFID achieving its desired development results for the MDG Pillar. A lack of capacity in certain GoV ministries also had adverse impacts on activities supported within the Wealth Creation Pillar.

- DFID also addressed other pressing development needs in Vietnam through its bilateral portfolio. The focus on Governance and Wealth Creation was clearly consistent with the recognition that throughout the 2000s and beyond that Vietnam had entered into a much more complex and demanding phase of its development path.

- DFID work with and through the World Bank was a clear case of successful development co-operation, especially in the area of poverty measurement and analysis. Evidence of the success of support provided through the ADB is less robust.

- Activities supported under DFID MDG pillar resulted in an impressive array of outputs. It seems to have been the most successful DFID Pillar in this regard. The Wealth Creation and Governance pillars had notable successes in support for trade reform and public-private partnerships and accountability and anti-corruption and economic management, accountability and social protection, respectively.

- DFID support was highly consistent with established aid effectiveness criteria, as embodied in the Paris Declaration principles. Owing to the working with and through others operational priority, it was aligned with priorities of the GoV, it promoted mutual accountability and sustainability and was harmonised with the activities of other key donors.

The extent to which UK bilateral development co-operation with the GoV delivered through DFID contributed positively to sustainable poverty reduction efforts requires further analysis. The extent of this contribution will depend on the strengths on the many positive development effectiveness attributes of and outputs achieved by this support relative to the adverse impacts of the capacity constraints to which it was subject.

Acronyms

3GC	Vietnam Pilot Restructuring Project for 3 General Corporations
ABP	Area-based Program
ACSF	Anti-corruption Strategic Fund
ADB	Asian Development Bank
AQEF	Aid Quality Evaluation Framework
BWTO	Beyond World Trade Organisation
CAP	Country Assistance Plan
CDB	Commune Development Board
CDBC	Commune Development Budget Component
CEMA	Committee on the Ethnic Minority Affairs
CIEM	Central Institute for Economic Management
CoST	Construction Sector Transparency Initiative
CPMU	Central Project Management Unit
CPIA	Country Policy and Institutional Assessment
CPO	Central Project Office
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPRD	Country Poverty Reduction Diagnostics
CRLIP	Central Region Livelihood Improvement Program
CSF	Community Support Funds
CSO	Civil Society Organisation
CSP	Country Strategic Partnership
DARD	District Agriculture and Rural Development Departments
DFID	Department for International Development
DOT	Department of Transport
DPA	Development Partnership Agreement
DPI	Development of Planning and Investment
EFA	Education for All
EITI	Extractives Industry Transparency Index
EMCC	Economic Management and Competitiveness Credit
FDI	Foreign Direct Investment
FSQL	Fundamental School Quality Levels
GBS	General Budget Support
GDP	Gross Domestic Product
GNI	Gross National Index
GSO	General Statistics Office
HCS	Hanoi Core Statement
HDI	Human Development Index
HPP	HIV/AIDS Prevention Program
HTPAP	HA Tinh Poverty Alleviation Project
IDA	International Development Association
I-PRSP	Interim Poverty Reduction Strategy Program
M4P1	Making Markets Work for the Poor 1
M4P2	Making Markets Work for the Poor 2
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MeTA	Medical Alliance Transparency Initiative
MOET	Ministry of Education and Training

MoF	Ministry of Finance
MOH	Ministry of Health
MoLISA	Ministry of Labour- Invalids and Social Affairs
MoNRE	Ministry of Natural Resources and Environment
MOPS	Ministry of Public Security
MOT	Ministry of Transport
MOTI	Ministry of Trade and Industry
MPI	Ministry of Planning and Investment
MPII	Ministry of Planning and Investment Inspectorate
MSM	Men who have Sex with Men
MTDP	Medium Term Development Plan
MTEF	National Target Program to Respond to Climate Change
MTR	Mid-term Review
NGO	Non-governmental Organisation
NMPRP	Northern Mountains Poverty Reduction Program
NTP-RWSSP II	National Targeted Program for Rural Water Supply and Sanitation II
NTPRCC	National Target Program to Respond to Climate Change
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Co-operation and Development-Development Assistance Committee
PAPAP	Poverty Analysis and Policy Advice Program
PER	Public Expenditure Review
PEDC	Primary Education for Disadvantaged Children project
PFM-MP	Public Financial Management Modernisation Project
PFMRP	Public Financial Management Reform Project
PHP	Preventing HIV in Vietnam Program
PLWHA	People Living with HIV/AIDS
PPA	Participatory Poverty Assessment
PPC	Provincial People’s Committee
PPMU	Provincial Project Management Unit
PPP	Purchasing Power Parity
PPPSF	Public-Private Partnership Support Fund
PRSC	Poverty Reduction Support Credit
PTA	Parents-Teachers Association
PTDP	Primary Teacher Development Project
PWID	People Who Inject Drugs
RT1	Rural Transport Phase 1
RT2	Rural Transport Phase 2
SEDS	Socio-economic Development Strategy
SEDP	Socio-economic Development Plan
SEQAP	Secondary Education Quality Assurance Program
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
SPVB	Social Policy Bank of Vietnam
TA	Technical Assistance
TABMIS	Treasury and Budget Management Information System
TBS	Targeted Budget Support
TI	Transparency International
TT	Towards Transparency
ToC	Theory of Change
ToR	Terms of Reference

UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
VAAC	Vietnam Administration of HIV/AIDS Control
VACI	Vietnam Anti-corruption Initiative
VBCF	Vietnam Business Challenge Fund
VDGs	Vietnam Development Goals
VEAP	Vietnam Empowerment and Accountability Program
VGEMS	Vietnam Governance, Economic Management and Social Protection Program
VIHEMA	Vietnam Health Environmental Management Agency
VNCLIP	Vietnam - DFID-World Bank Climate Change Partnership
WAVES	Wealth Accounting and Valuation of Ecosystem Services
WHO	World Health Organisation
WTO	World Trade Organisation

1. Introduction

Development co-operation between the United Kingdom (UK) and Vietnam dates back to the early 1960s. It entered a new phase in 1998 when UK-DFID opened an office and with the 1999 appointment of a Head of Office in Hanoi. Shortly thereafter the level of development assistance provided by DFID to Vietnam was substantially scaled up, with the UK becoming one of Vietnam's principal bilateral official development assistance (ODA) donors over the last 15 years. The UK has allocated £481 million bilateral ODA to Vietnam since 2001. UK bilateral ODA reached its highest annual level of £54 million in 2009.

Almost the entirety of DFID ODA to Vietnam has been allocated under three so-called pillars: (i) Millennium Development Goals (MDGs); (ii) Governance; and (iii) Wealth Creation. The MDG pillar is by far the largest in terms of expenditure, with 55 per cent of total DFID bilateral support for Vietnam during the period 2001 and 2014 being allocated under it.[1]

Owing to Vietnam achieving middle-income status in 2011 and a desire to have a greater global focus for its development assistance program, the UK has commenced the winding down of its ODA program in Vietnam. The UK will close its DFID office in Hanoi and exit the country as a bilateral donor in 2016, but will continue a broader partnership with Vietnam especially on trade, private sector development, education and culture documented in the UK-Vietnam Partnership Arrangement.

Taking into account the long-run nature of, and the significant amount of British taxpayer funds allocated to, bilateral development co-operation between the UK and the GoV (GoV), DFID has commissioned Landell Mills to assess results of this co-operation over time. This task will involve Landell Mills seeking to identify the extent of DFID's support for and contribution to sustained multidimensional poverty reduction in Vietnam, paying attention to the 17 year period of 1999 to 2016. It also involves providing an historical overview of development c-operation between Vietnam and the UK since 1999. It is this overview that this document provides.

This document commences by examining the broad development context in Vietnam around the time DFID established its office and began to scale up its bilateral support. This examination takes into account the broad policy and institutional setting, Vietnam's development achievements, support from the international donor community and various emerging development challenges and problems being faced by the GoV and its donor partners. Against this background, the report then looks at Vietnam's development achievements during the period DFID has had on office in Hanoi. It focuses mainly on Vietnam's MDG progress, but also the record with respect to economic growth, governance, inequality and sub-national living standards disparities.[2]

The preceding examination is largely quantitative. The report then moves into more qualitative investigation through and examination of activities that DFID supported under each of its MDG, Governance and Wealth Creation pillars. This involves a mix of (i) case study material, including information obtained from key informant interviews and (ii) review of relevant documentation

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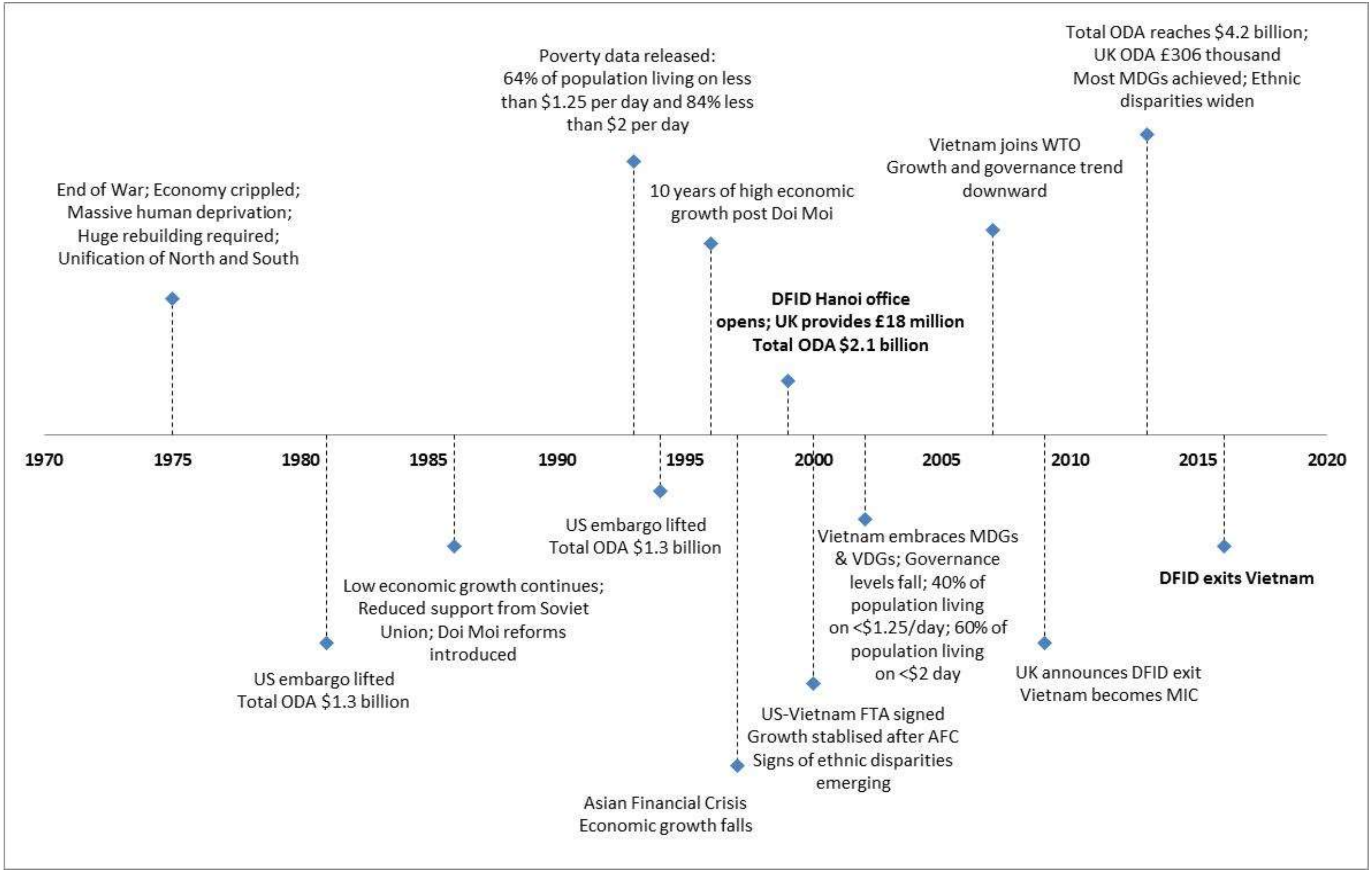
[1] We note that the full title of this pillar is actually "MDGs and Poverty". We refer to this as the MDG pillar purely for the sake of brevity and that poverty reduction is one of the MDGs. It is not because we do not intend to focus on poverty reduction per se.

[2] This report is one of four major written outputs produced by Landell Mills for DFID under this assignment. The others are an inception report, an evaluation report focused specifically on DFID support for the MDGs in Vietnam and a final evaluation report. The inception report includes details of the evaluation questions addressed by Landell Mills, and the methodology, evaluation framework and theory of change used to guide the evaluation. This evaluation framework, called the Aid Quality Evaluation Framework (AQEF) will be used in Section below to provide a general assessment of the quality of DFID bilateral support for Vietnam. Parts of the MDG report are reproduced below, in Section 4. The final evaluation report has not been written at the time of preparing this report.

(relating to previous evaluations, research papers, completion reports and the like) for the MDG Pillar. The examination of the Governance and Wealth Creation Pillars it involves relying on the second of these sources of information.

This report consists of eight sections. Section 2 commences with an examination of the economic and political context in Vietnam from 1999, including evidence of the Vietnamese government's commitment to the MDGs, relevant institutional and policy settings and its development trajectory prior to the embracing of these goals. It then looks at progress towards the achievement of the MDGs in Vietnam and at donor support for this progress, including that from DFID. DFID support for the MDGs in Vietnam needs to be understood in this broader context if it is to be meaningfully evaluated. Section 2 concludes with some stylised facts about this support and its relationship to MDG progress in Vietnam. Section 2 is primarily quantitative in nature.

Section 3 looks at the broader agency-wide DFID policy context and how it shaped development co-operation between the UK and Vietnam. This discussion serves as a backdrop to the qualitative analysis, which commences in earnest in Section 4. This section looks in detail at activities supported under the DFID MDG Pillar. Sections 5 and 6 look respectively at support provided under the DFID Governance and Wealth Creation pillars. Section 7 distils the key characteristics of DFID bilateral support for development in Vietnam. Section 8 concludes.


Total ODA reaches $4.2 billion; UK ODA £306 thousand Most MDGs achieved; Ethnic disparities widen
Poverty data released: 64% of population living on less than $1.25 per day and 84% less than $2 per day
Vietnam joins WTO Growth and governance trend downward
End of War; Economy crippled; Massive human deprivation; Huge rebuilding required; Unification of North and South
10 years of high economic growth post Doi Moi
DFID Hanoi office opens; UK provides £18 million Total ODA $2.1 billion
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
US embargo lifted Total ODA $1.3 billion
Vietnam embraces MDGs & VDGs; Governance levels fall; 40% of population living on <$1.25/day; 60% of population living on <$2 day
DFID exits Vietnam
Low economic growth continues; Reduced support from Soviet Union; Doi Moi reforms introduced
US embargo lifted Total ODA $1.3 billion
UK announces DFID exit Vietnam becomes MIC
US-Vietnam FTA signed Growth stablised after AFC Signs of ethnic disparities emerging
Asian Financial Crisis Economic growth falls

2. Vietnam’s National Development Profile

2.1. Introduction

No bilateral donor agency is unaffected by broad national development environment of the partner country in which they are located. It defines the operating context for these agencies, imposing constraints and challenges but also providing opportunities to contribute to the development achievements of the partner country. This section initially examines this environment, as it existed in Vietnam, both in the years leading up to and shortly after the establishment of the DFID office in Hanoi but also during the years that followed.

This examination in sub-section 2.2 commences by looking at policy and institutional settings in Vietnam leading up to the late 1990s and early 2000s, focussing on the GoV’s preparedness for the MDGs and the effectiveness with which it had been working with donors. This is appropriate given the all-embracing nature of the MDGs, and that the early focus of DFID after establishing its Hanoi office turned to the MDGs and aid effectiveness. The examination then turns to support Vietnam received from the international donor community, both bilaterally and multilaterally, its development trajectory up to the late 1990s and early 2000s and various significant challenges that had emerged.

Sub-section 2.3 looks at Vietnam’s development achievements since the early 2000s, focusing on the MDGs and also on some challenges including maintaining rates of economic growth, governance, and sub-national living standards disparities.

Sub-section 2.4 looks at overall donor support for Vietnam. Sub-section 2.5 looks specifically at support from the UK, providing details of the DFID bilateral portfolio Vietnam portfolio for each of the MDG, Wealth Creation and Governance pillars. Sub-section 2.6 concludes, providing some stylised facts for overall donor and DFID support for development in Vietnam since 1999.

2.2. Economic and Political Context

2.2.1. Policy and Institutional Settings

Many developing countries were daunted by the adoption of the MDGs by the international community at the Millennium Summit of September 2000. In these countries, the nature and extent of MDG targets were not incorporated into national development plans, and often there was a lack of local ownership of the sorts of goals that were included among the MDGs. There was also an anticipation of increased development aid and many of these developing countries lacked capacity to be able to efficiently absorb such increases. Vietnam was certainly not among these countries in the early 2000s. This is not to say that it did not face challenges in these areas, just that among developing countries it was in a better position in a policy and institutional sense to tackle the MDG targets. This was not only due to the success of the Doi Moi reforms of the 1980s but due to the presence of a broadly similar Vietnamese government strategy, which provided Vietnam with a platform to both adopt and pursue the MDGs as policy objectives owing to the existence of broadly similar development plans and the ability to work relatively effectively with the international donor community in Vietnam in seeking to achieve these goals.

A. Development Planning in Vietnam

Vietnam has a long history of development planning dating back to the late 1950s. Six months prior to the Millennium Summit, in April 2001, the Ninth Congress of the Communist Party of Vietnam adopted the Socio-Economic Development Strategy (SEDS) 2001-2010.[3] Within the SEDS were two five year plans, the Socio-economic Development Plans of 2001 to 2005 and 2006 to 2010. It was through the implementation of these plans that the objectives if the SEDS were to be achieved. The overarching objective of the SEDS was "to bring our country out of underdevelopment; improve noticeably the people's material, cultural and spiritual life; and lay the foundations for making ours basically a modern-oriented industrialized country by 2020".[4] The SEDS 2001-2010 adopted a number of targets that were of a similar orientation to the MDGs. In addition to 'substantially' raising Vietnam's Human Development Index (HDI) they included: (i) eradicating hunger and a rapid reduction of the number of poor households; (ii) reducing urban and rural unemployment to 5 per cent and 15-20 per cent, respectively; (iii) achieving universal lower secondary education; (iv) reducing the malnutrition rate of children to be reduced from around one-third to around 20 per cent, and; (v) increasing life expectancy to increase from 68 to 71 years (GoV, 2001, United Nations, 2001).

That Vietnam was in a strong position to tackle the MDGs was reflected by the UN in 2001 providing a positive assessment of Vietnam's ability to achieve the MDGs, based not only on the impetus provided by Doi Moi but also on the adoption of the SEDS and its associated policy strategies. The UN assessment was that Vietnam would either probably or potentially achieve all of the first seven MDGs, although is considered the achievement of one component of MDG3 (achieving equal access for boys and girls to upper secondary education by 2005) unlikely.[5] Key to these assessments was United Nations judgements of the "supportive environment" in Vietnam, which is the capacity of the GoV and to achieve the first seven MDGs. This environment was rated as strong or fair for all MDGs, except for the hunger and malnutrition component of MDG1 and the HIV/AIDS component of MDG6, for which the environment was rated as "weak but improving".6 Interestingly, the United Nations flagged differential living standards and access to services between Vietnam's regions and ethnic groups as issues that needed to be addressed.

The GoV in late 2002 adopted its own version of the MDGs, the Vietnam Development Goals (VDGs). The VDGs consisted of 11 goals in total, the first seven of which were based directly on the MDGs, sharing largely the same titles. The main differences between the first seven MDGs and VDGs were that specific targets and variables on which they were based differed for most of the goals, and the deadline for achieving most was 2010 instead of 2015. VDG8 through to VDG11 were as follows: (i) VDG8 – reducing vulnerability (of the poorest groups); (ii) VDG9 improving governance for poverty reduction; (iii) VDG10 – reducing ethnic inequality (in incomes and other respects); (iv) VDG11 – ensuring pro-poor infrastructure development.[7] The GoV issued a number of documents to guide the implementation of both the MDGs and VDGs. They included the 2002 Comprehensive Poverty Reduction and Growth Strategy (approved in 2002), and 2004 Orientation for a Sustainable Development Strategy. The United Nations assessment of the VDGs in 2003 was that they were "integrated into the national socio-economic development strategies and program and also translated into specific targets" and "provide a basis to facilitate the implementation of MDGs in a timely and effective manner".

The GoV's commitment to the MDGs and similar or related outcomes continued well beyond 2002 and 2003. The Eleventh Congress of Vietnam Communist Party in January 2011 approved SEDS 2011-2020. Building

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[3] The SEDS was preceded by the Socio-Economic Stabilisation and Development Strategy for 1991 to 2000, and the Socio-economic Development Plan for 1996 to 2000. The latter were a little different to the SEDS in that they were more focussed on economic outcomes and less on achievements in health and education. In this sense, the SEDS and the two SEDPs that were part of it were much closer in orientation to the MDGs. See Ministry of Planning and Investment (2001) for further details.

[4] United Nations, 2001, p.7

[5] In the case of one target of MDG5 (reducing maternal mortality ratio by three-quarters by 2015), the United Nations was unable to make an assessment owing to a lack of data.

[6] The assessments of the likelihood of achieving the MDGs ranged according to the following scale: probably, potentially, unlikely or lack of data. The equivalent scale for the supportive environment was: strong, fair, weak but improving and weak (United Nations, 2001).

[7] United Nations (2003) provides a comprehensive description of the VDGs and the targets on which they were based which is taken from various Government of Vietnam documents.

on its immediate predecessor, the SEDS 2001-2011, the SEDS 2011-2020 aims were for Vietnam by 2020 to have inter alia achieved an HDI that would rank it among the medium to high human development nations, a stable population growth rate of 1.1 per cent per annum, life expectancy of 75 years; nine doctors and 26 hospital beds per 10,000 people, health insurance for all of its population, more than 70 per cent of the working age population to have had training, vocational trainees accounting for 55 per cent of total working age population of the society, there being 450 students per 10,000 head of population, the rate of poor households will decrease by two to three per cent per year on average, social security and welfare and community health care will being guaranteed, real income per capita being 3.5 times higher than that of 2010, and a narrowing of the income gap between geographic areas and groups of population.[8]

B. Working with Donors

Vietnam had well prior to DFID establishing its Hanoi office a strong reputation for working effectively with aid donors to achieve strong development outcomes, with the GoV assigning a high priority to aid effectiveness.9 An early example of this was its co-operation with Sweden in the provision of technical assistance to support the Doi Moi reforms in the mid-1980s (McGillivray et al, 2012). There were relatively few donors supporting Vietnam in the 1980s. In 1986 and 1987, for example, five donor supported Vietnam, funding 16 and 22 activities in these respective years.[10] The level of ODA was relatively low, averaging US$334 million per year from 1980 to 1989.[11]

This changed in the early 1990s, when increasingly more donors established development co-operation programs with Vietnam and ODA levels rose significantly. The level of ODA, as is shown in Figure 1, rose dramatically, from US$ 267 million in 1990 to in US$ 2,312 million in 2001.[12] This rise was primarily driven by bilateral donors, although multilateral ODA increased markedly, too. The number of bilateral OECD-DAC and official multilateral donors supporting Vietnam increased from 11 in 1990 to 29 in 2001, indicating a particularly crowded aid architecture. The UK was a relatively small donor, in purely quantitative terms, from 1990 to 2001. During this time it provided 0.08 per cent of Vietnam's total ODA receipts and ranked between eighth and 17th annually among bilateral donors.[13]

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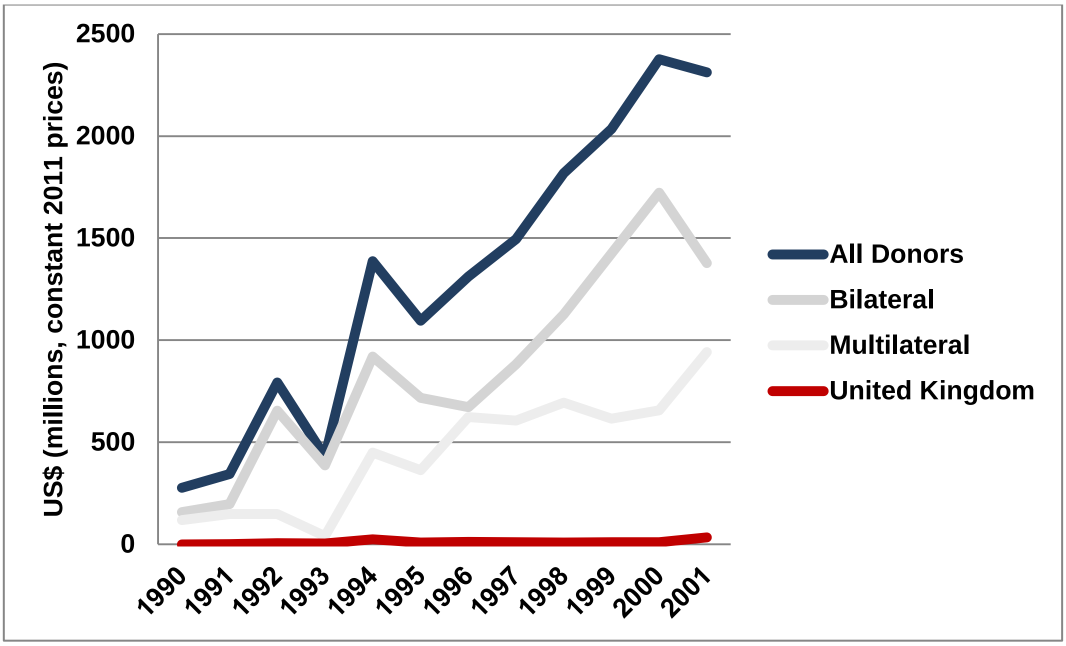
[8] Government of Vietnam, 2001
[9] This, combined with its background in development planning bids well from an AQEF perspective, being consistent with partner country development capacity, alignment, ownership, mutual accountability and managing for results.
[10] OECD, 2014a
[11] The ODA numbers quoted in this section are in constant 2011 prices (OECD, 2014b)
[12] The data in Figure 3 are taken from OECD (2014b).
[13] OECD (2014b).

Figure 1: ODA to Vietnam, Disbursements,1990 to 2001



Not only could Vietnam reasonably expect to continue to receive high levels of support from the international community beyond 2001, it seemed determined to make the best use of this support. This was perhaps most clearly evident from its response to the OECD Paris Declaration on Aid Effectiveness in 2005. Within months of the Paris Declaration, the GoV with its development partners adopted the Hanoi Core Statement on Aid Effectiveness (HCS). The HCS was essentially an attempt to implement the five Paris Principles at the Vietnam country level. It sets out 28 partnership commitments and 14 corresponding targets to be achieved by 2010. These commitments were grouped under the five Paris Principles. For example, among the commitments under the Paris Principle One (Ownership) were to exercise leadership in developing and implementing the SEDP and to strengthen GoV leadership in coordinating aid at all levels. Included under Paris Principle Two (Alignment) was to base donor assistance on the SEDP 2006-2010 and related plans and the avoidance of creating parallel structures for aid-finance projects using instead GoV systems (Cox et al., 2007).

The HCS was both an effort to improve aid effectiveness in general, by building on the momentum created by the Paris Declaration, but also to address a number of issues that had emerged within Vietnam. Whilst there were many examples of the GoV working well with donors, and an acknowledgement that as a country that was non-aid dependent and saw aid as important but not essential, meaning that it could exercise ownership through strong leadership and a more balanced relationship with donors, there were questions over state capacity to manage increased aid flows and more donor partners. This was evident in relatively low ODA disbursement rate owing to delays in project commencement and implementation, which was in turn attributed to inconsistencies in Vietnam's legal and institutional framework for ODA management and weaknesses in planning and budgetary processes. Concerns were heightened owing to the on-going decentralisation push, with the GoV increasingly moving project implementation away from central to local government. This push posed great challenges for local authorities in many locations owing to the serious capacity constraints they faced.[14] We briefly return to these issues, in the context of increasingly crowded aid architecture in Vietnam, below. This is important for our evaluation, since a crowded aid architecture limits development capacity and this according to AQEF is not a characteristic of quality aid.

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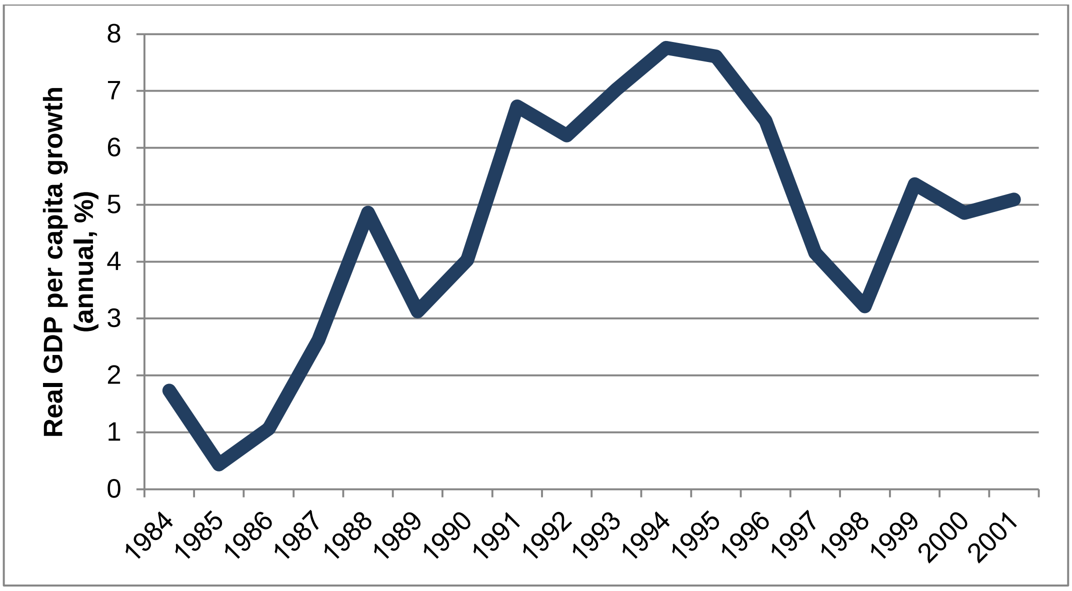
[14] *Cox et al., 2007*

2.2.2. Vietnam's Pre-2000 Development Trajectory

Vietnam's economic and development performance leading up to the early 2000s is well documented. This placed Vietnam in an enviable position to tackle the MDGs, recognizing that the baseline for most MDG targets is 1990.[15] Much emphasis has rightly been given to the transformative nature of Vietnam's Doi Moi reforms launched in 1986. These sweeping reforms intended to facilitate the transition from a socialist command economy to what was described as a "socialist-oriented market economy". Combining government planning with free market incentives, Doi Moi involved the abolition of agricultural collectives, removal of price controls on agricultural goods and allowing of farmers to sell their goods in the marketplace. It encouraged the establishment of private businesses and foreign investment, including foreign-owned enterprises.

Periods of profound economic reform in developing countries are often associated with significant decreases in economic growth over a number of years. This was not the case with Doi Moi, which is widely regarded as the most successful economic reforms ever implemented in a developing country. As shown in Figure 2, real per capita GDP growth increased in 1987 and over the five years after the introduction of Doi Moi averaged more than five per cent per annum.[16] Growth actually trended sharply upwards from 1986 to 1997, reaching a high of 7.8 per cent in 1994.

Figure 2 Real GDP per capita Growth, Vietnam, 1985 to 2001



Vietnam's economic performance has remained strong throughout the late 1990s and into the early 2000s. This is notwithstanding the adverse impact of the East Asian financial crisis in 1997. This resulted in the rate of growth falling in 1998 and 1999, although still remaining strong by international standards. Vietnam achieved a real per capita GDP growth rate of 5.1 per cent in 2001. As a result of its growth performance, Vietnam's GDP per capita more than doubled between 1984 and 2001, as is shown in Figure 3.

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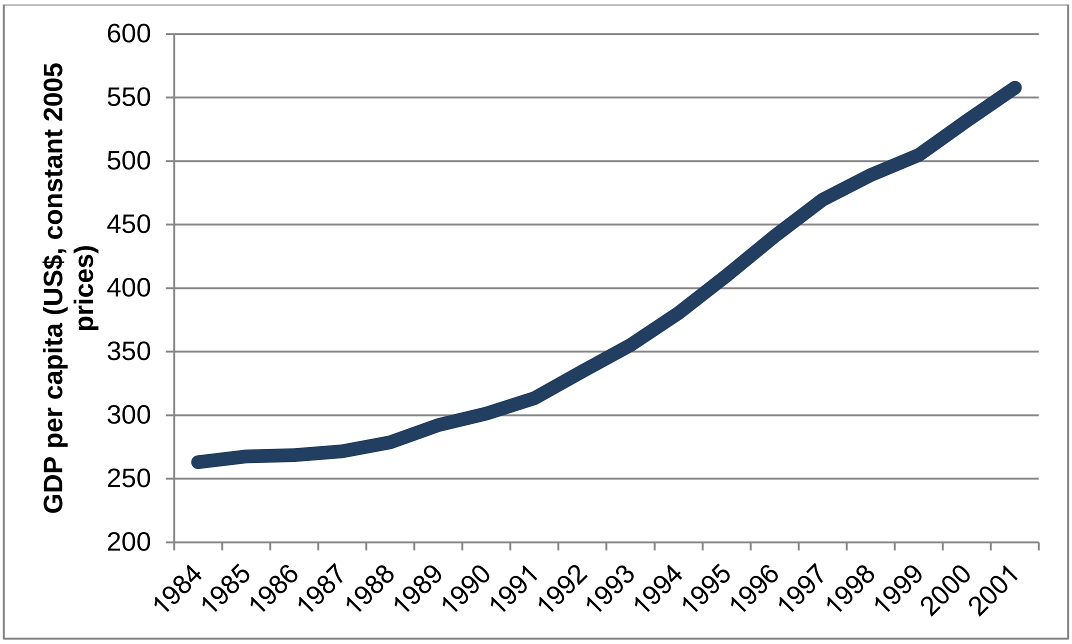
[15] The poverty reduction target of MDG1, for example, was for there to be a halving by 2015 of the percentage of people living in poverty from its 1990 level. The MDG3 target was for child mortality in 2015 to be two-thirds lower than its rate in 1990.

[16] The data shown in Figures 1 and 2 were taken from the World Bank Open Data website. Data for earlier years are not shown as the earliest statistically credible GDP annual growth data for Vietnam are for the year 1985. It follows that the first year for which statistically credible GDP data are available is 1984.

Figure 3 GDP per capita, Vietnam, 1985 to 2001



Economic growth is alone not sufficient to achieve the MDG goals, but it is certainly necessary, especially in the case of the income poverty component of MDG1. It also provides in particular additional resources to fund increased public and private expenditure on health, education, and water and sanitation necessary to achieve MDG2 through to MDG7. It follows that Vietnam's economic growth achievements in the decade and a half leading up to Millennium Summit in 2001 put it in an extremely strong position to achieve the MDGs.

Vietnam's economic growth performance is reflected in its poverty reduction achievements.[17] These achievements up until the year after the Millennium Declaration are shown in Figures 4 and 5.[18] MDG1 requires halving by 2015 the percentage of people living below the PPP$1.25 in 1990. The number of Vietnamese living below this poverty line in 1993 equated to 63.75 per cent of the country's total population. It had fallen to 40.05 per cent in 2002. The percentage of the Vietnamese population living below the PPP$1.25 poverty line in 1990 would have almost certainly been higher than in 63.75 per cent, but even if it was the same level as in 1993 Vietnam was only 8.18 percentage points from achieving the MDG poverty reduction goal in 2002.[19] Put differently, it only had to achieve a further 8.18 percentage point reduction over the next 12 years, until 2015, to achieve this goal. Broadly similar reductions up to 2002 were experienced in all other poverty measures shown in Figures 4 and 5, although it should be noted that urban poverty fell by a larger proportion than rural poverty, more than halved during the period in question.

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[17] The earliest poverty data for Vietnam are for the year 1993. These data are based on the international poverty lines of $PPP1.25 and $PPP2.00 day. The former is the extreme income poverty line, on which the MDG poverty reduction target is based. The earliest year for which poverty data based on Vietnamese poverty lines is 1998. The closet year to that of the Millennium Summit for which Vietnamese poverty data are available, irrespective of which poverty lines are used, is 2002.

[18] The data shown in Figures 4 and 5 were taken from the World Bank Open Data website, except for the last two years of the data shown in Figure 6, which were supplied by the Mekong Development Research Institute.

[19] Half of 63.74 is 31.87. With a poverty rate in 2002 of 40.5 percent, it mathematically follows that Vietnam needed to achieve a further reduction of 8.18 percentage points by 2015 to achieve the MDG poverty reduction gaol.

Figure 4 Income Poverty in Vietnam based on International Poverty Lines 1993-2002

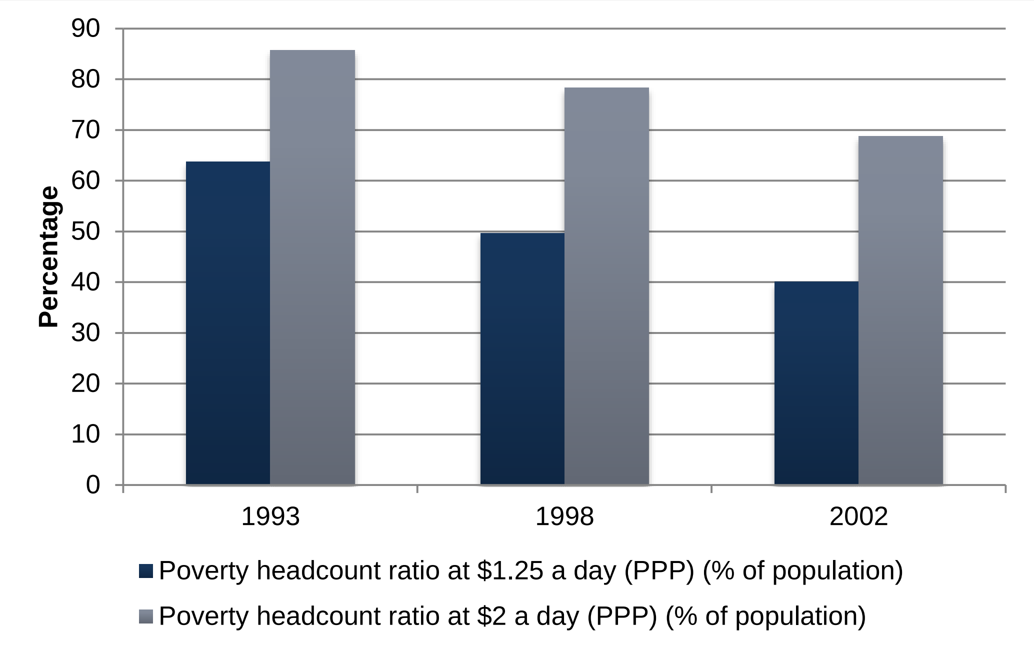
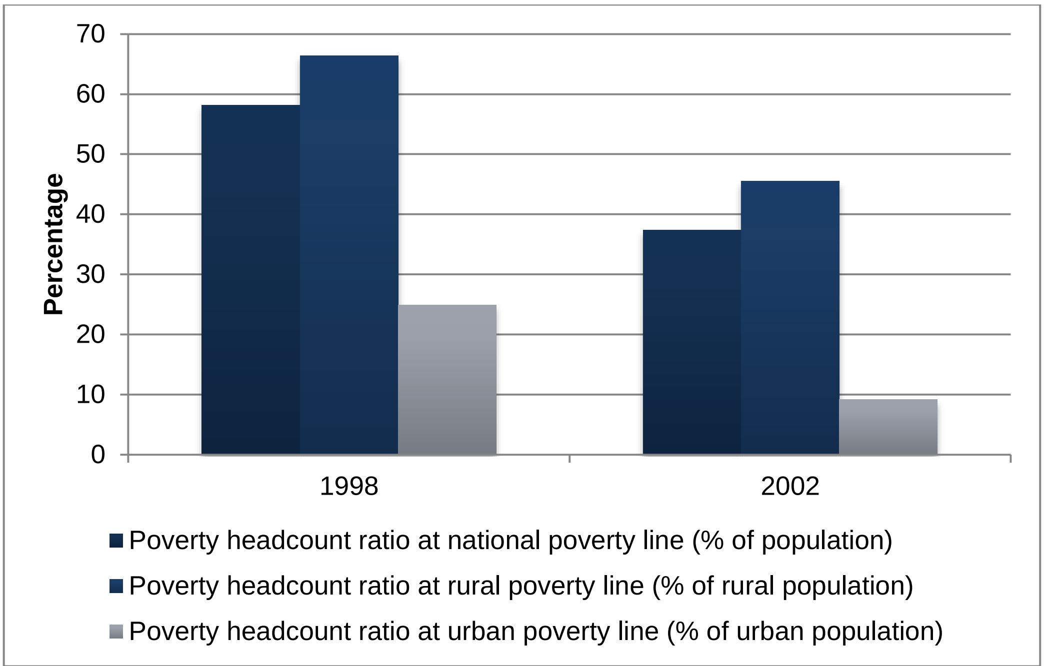


Figure 5 Income Poverty in Vietnam based on Vietnamese Poverty Lines 1998-2002



Vietnam's upward pre-MDG development trajectory is not evident from purely monetary-based indicators, like those shown in Figures 3 to 5. Shown below in Figure 6 is the trend in overall human development since 1970. This time allows us to make judgments of the robustness of Vietnam's development achievements over much longer time periods. This chosen indicator is the well-known and widely-used UNDP Human Development Index (HDI), which combines information of achievements in income, health, and education.[20]

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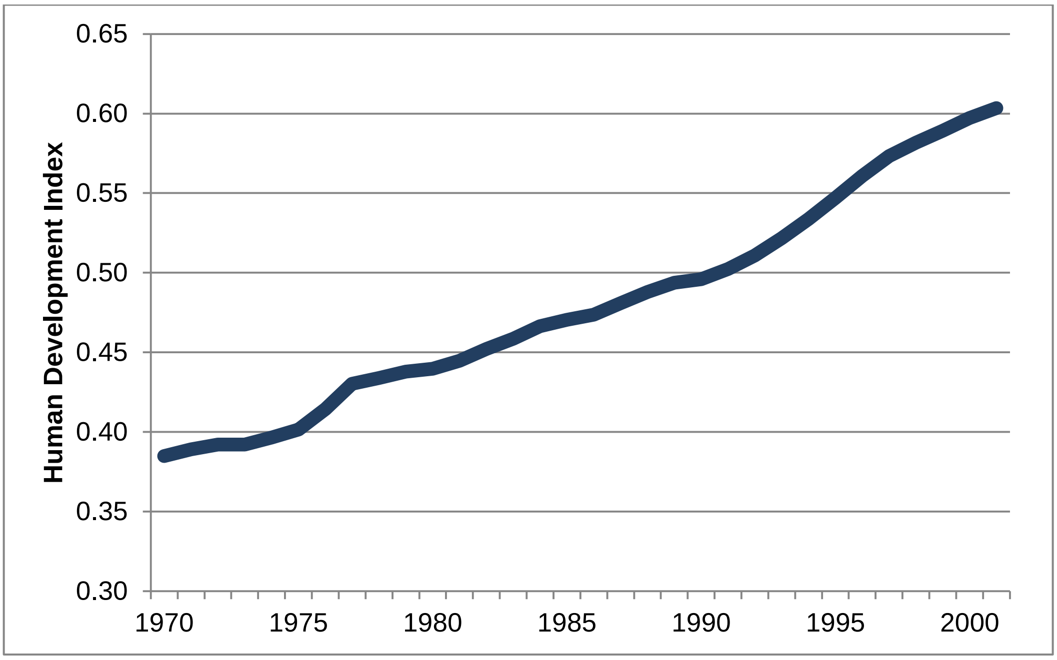
[20] *The data shown in Figures 6, 7, and 8 are taken from the UNDP Human Development Report website. There have been a number of different HDIs used by the UNDP since the index was first reported in 1990. The version shown in*

What is clear from Figure 6 is that Vietnam's trajectory of development achievements appear to be particularly robust and not isolated to decreases in income poverty alone.

Figure 6 Human Development in Vietnam, 1970 to 2001



Whilst the strength of Vietnam's development trajectory leading up the adoption of the MDGs cannot be denied, some troubling characteristics had emerged and were becoming increasingly clear throughout the late 1990s and early 2000s. This is not surprising. Development is a complex, non-linear process that is subject to diminishing returns to effort. With success come problems. Some have been mentioned above, weaknesses in planning and budgetary processes and the capacity constraints faced by sub-national government authorities. These are of course issues of governance and, in turn, development capacity. Governance is important to all development efforts, including the MDGs. As a former head of the UNDP stated, "governance is the glue that holds … the Millennium Development Goals together".[21]

There are many governance measures. A reasonably, widely-used, although not universally accepted, measure of governance is the World Bank Country Policy and Institutional Assessment (CPIA). These assessments result in a numerical score for countries. A detailed discussion of the CPIA is not necessary given our current purposes, but it rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions. Progress against these criteria is thought to be good for achieving higher rates of economic growth and poverty reduction in all countries. The CPIA process results in a score for each country that has a theoretical range of one to six. The higher the score the better is the governance of the country in question.[22] Vietnam's CPIA scores for 1977 to 2001 are shown below in Figure 7.[23] What is evident is that whilst governance improved appreciably in the late 1980s this upward trend has not been

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Figure 7 combines PPP GDP per capita, adult literacy, gross school enrolment and life expectancy, and is formed by summing normalised values of these variables. HDI scores have a theoretical range of zero to one. The higher the score the higher is the level of human development of the country in question.

[21] *This is a quote of Mark Malloch Brown, who was Administrator of the UNDP from 1999 to 2005. The full quote is one of the most important lessons of the last two decades is that democratic governance is the glue that holds all other development priorities set out across the Millennium Development Goals together" (UNDP, 2005, p.4).*

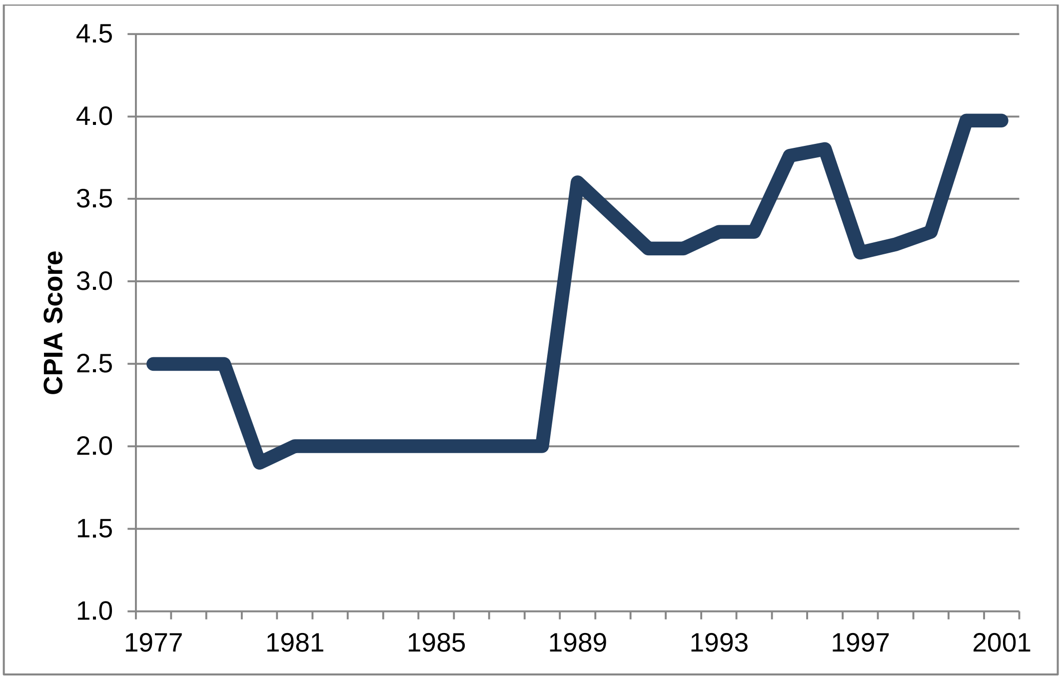
[22] *World Bank, 2010*

[23] *CPIA data for years prior to 1977 could not be obtained.*

sustained. That is not to say it has deteriorated since this period, just that improvement has not been sustained.

Aid also places demands on governance in recipient countries. Volume obviously matters, but so does the number of donors operating and number of aid supported activities in the recipient country. The more crowded is the aid architecture in a recipient country, defined in terms of the number of donors and aid supported activities, the greater the demand on its governance. The increase in the number of donors supporting Vietnam over the period 1990 to 2001 has already been reported above. Yet what is arguably more pertinent, and on the surface quite disconcerting, is the number of aid supported activities in Vietnam in 2001.[24] In 1990, the number of aid supported activities in Vietnam was 72. It had increased almost tenfold to 637. This is shown in Figure 8. Such an increase is disconcerting because the proliferation of activities places pressure on both the development capacity of donors and the partner country in question.

Figure 7 Governance in Vietnam, 1977 to 2001



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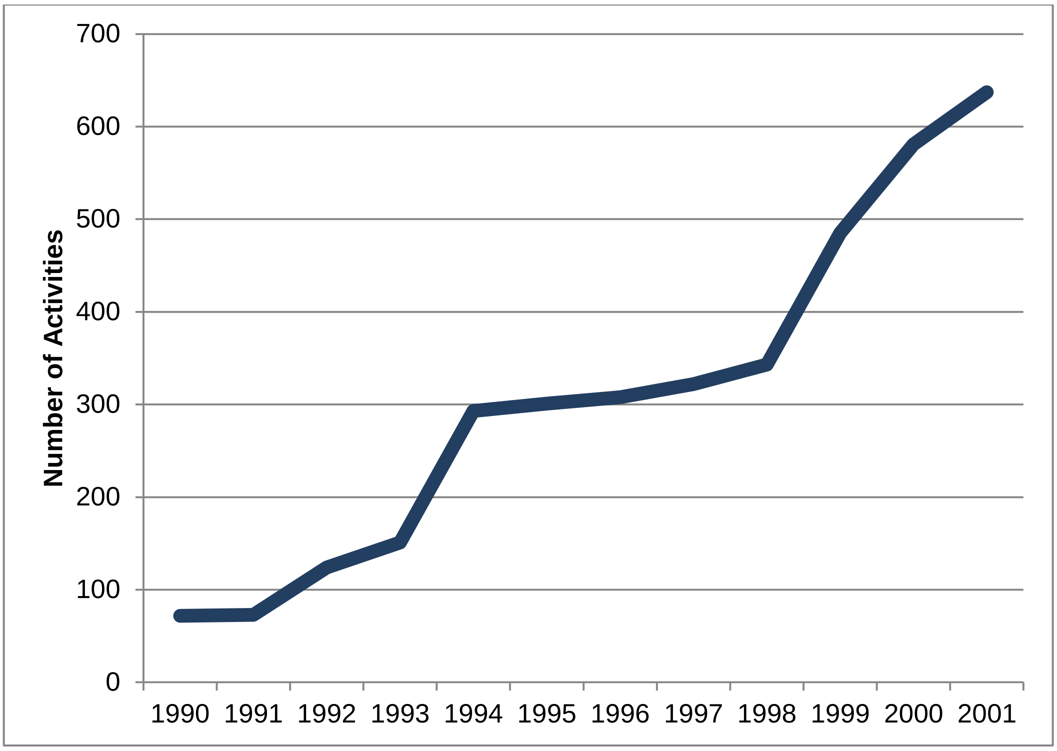
[24] An aid activity is a discrete entity or exercise that can take many forms, such as a project or a program, a cash transfer or delivery of goods, a training course, a research project, a debt relief operation or a contribution to a non-governmental organisation (OECD, 2014a). Each activity will have its own budget, is assigned a DAC purpose code and reported by agencies to the OECD-DAC. OECD (2014a) only provides information at the activity level for 1995 onwards. Earlier versions did report such data for previous years. The data shown in Figure 13 for 1990 to 1994 were obtained from these earlier versions some years ago for a previous study in which one of the authors of this report was involved. It should be acknowledged that it is not necessarily the case that all these activities will have been delivered in Vietnam. Some may have been delivered in donor countries but allocated to their Vietnam country programs. These activities are likely to represent only a tiny proportion of total activities.

Figure 8 Donor Supported Activities in Vietnam, 1990 to 2001

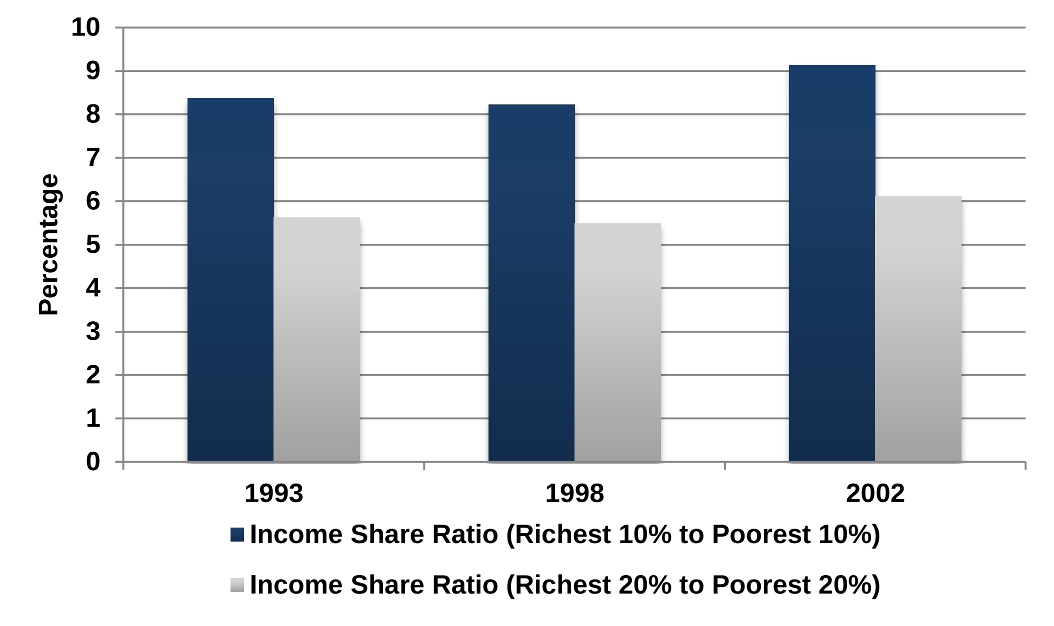


Another pressing MDG related concern were income inequality and the related problems of exclusion and marginalisation. This issue had clearly become a pressing development challenge. These problems can make the achievement of the MDGs much more difficult, and even if the MDGs are achieved the merit of such achievement can be questioned if large levels of inequality, exclusion, and marginalisation remain. In particular there were emerging concerns that people in some geographic regions and ethnic groups were not benefitting as much from Vietnam's development efforts as others. As noted above, this concern was shared by the UN in 2001.[25] The concern was not that Vietnam had particularly high income inequality based on standard nationwide measures by international standards. To the contrary, its overall inequality compared to most other countries was rather low. The concern was that inequality in Vietnam was increasing over time. Data on two measures of income inequality are shown in Figure 9: the share of national income received by the richest 10 per cent of the Vietnam population to that received by the poorest 10 per cent of this population and the same ratio, but for the richest and poorest 20 per cent of the population, respectively.[26] The higher these numbers the higher is the measured level of inequality and vice versa. Whilst the income share ratios are roughly the same in 1993 and 1998, a slight increase is detected in 2002 over the earlier years. In the second of these years the income share of the richest 10 per cent of the population was just over nine times that of the poorest 10 per cent. The equivalent number of the richest and poorest 20 per cent of the population is six per cent.

[25] United Nations, 2001; the international research community was also picking up on this issue. See, for example, van de Walle and Gunewardena (2001).

[26] The data shown in Figure 11 are taken from the World Bank Open Data website. These data are all that are available for 2002 and earlier.

Figure 9 Income Inequality in Vietnam, 1970 to 2001



National aggregates can, however, hide large sub-national variation. This is certainly true of the data shown in Figure 11, as looking at Vietnamese provincial and regional data shows a rather different picture. Not only does this reveal very high inequalities but very high poverty rates, far higher than the national aggregate rates shown in Figure 11. These data are provided in Table 1[27] and report 1999 household poverty rates for each of Vietnam's 63 provinces and eight regions.[28] Enormous disparities are shown, with provinces in the North West and North East regions lagging far behind the remainder of the country, especially those in the South East region. The lowest household poverty rate is in Ho Chi Minh. The highest rates are in the North West region provinces of Dien Bien and Lai Chau. Almost 80 per cent of households in Dien Bien and Lai Chau lived below the national poverty line in 1999. Just over five per cent of Ho Chi Minh's households lived below the national poverty line in this year. In fact the poverty rates in Dien Binh and Lai Chai are 14.8 times higher than that in Ho Chi Minh. There were 11 provinces that had poverty rates 10 or more times the rate of Ho Chi Minh, all in the North West and North East regions. Ho Chi Minh might be considered an exceptional case, against which comparisons are inappropriate. Instead we can compare the rates for each province and region to the national rate. What this comparison reveals is that household poverty rates in Dien Bien and Lai Chai in 1999 were 2.4 times the national rate for this year. The average provincial rates for the North West and North East regions are 2.2 and 1.7 times the national rate, respectively.

Table 1 Regional Household Poverty Rates in Vietnam, 1999

Region and Province	Household Poverty Rate (per cent)	Poverty Rate relative to National Rate	Poverty Rate relative to Ho Chi Minh Rate
Central Highlands			
Dak Lak	43.0	1.3	8.0
Dak Nong	43.0	1.3	8.0

[27] The data shown in Tables 1 and 2 (and below in Tables 4, 5 and 6) were been obtained from the Mekong Development Research Institute (MDRI) in Hanoi and originally taken from 1999 and 2009 population censuses and 2011 agriculture census conducted by the GoV General Statistics Office.The data in these tables have been published in Phung Duc Tung and Do Thu Trang (2014).

[28] Note that strictly speaking, Vietnam has 58 provinces and 5 municipalities, with the latter operating the same level as the former. For convenience we refer to them all as provinces.

Region and Province	Household Poverty Rate (per cent)	Poverty Rate relative to National Rate	Poverty Rate relative to Ho Chi Minh Rate
Gia Lai	52.5	1.6	9.7
Kon Tum	50.8	1.5	9.4
Lam Dong	33.9	1.0	6.3
Average	44.7	1.3	8.3
Mekong Delta			
An Giang	40.2	1.2	7.4
Bac Lieu	35.7	1.1	6.6
Ben Tre	32.1	1.0	5.9
Ca Mau	34.4	1.0	6.4
Can Tho	34.1	1.0	6.3
Dong Thap	38.7	1.2	7.2
Hau Giang	34.1	1.0	6.3
Kien Giang	39.7	1.2	7.4
Long An	29.2	0.9	5.4
Soc Trang	43.1	1.3	8.0
Tien Giang	27.3	0.8	5.1
Tra Vinh	43.1	1.3	8.0
Vinh Long	32.7	1.0	6.1
Average	35.7	1.0	6.5
North Central Coast			
Ha Tinh	45.0	1.3	8.3
Nghe An	46.0	1.4	8.5
Quang Binh	46.6	1.4	8.6
Quang Tri	50.5	1.5	9.4
Thanh Hoa	45.9	1.4	8.5
Thua Thien Hue	47.1	1.4	8.7
Average	46.8	1.4	8.7
North East			
Bac Giang	45.6	1.4	8.4
Bac Kan	60.4	1.8	11.2
Cao Bang	67.1	2.0	12.4
Ha Giang	74.9	2.2	13.9
Lang Son	62.3	1.9	11.5
Phu Tho	45.2	1.3	8.4
Quang Ninh	34.7	1.0	6.4

Region and Province	Household Poverty Rate (per cent)	Poverty Rate relative to National Rate	Poverty Rate relative to Ho Chi Minh Rate
Thai Nguyen	42.7	1.3	7.9
Tuyen Quang	57.2	1.7	10.6
Yen Bai	57.1	1.7	10.6
Average	54.7	1.7	10.3
North West			
Dien Bien	79.8	2.4	14.8
Hoa Binh	58.6	1.7	10.8
Lai Chau	79.8	2.4	14.8
Lao Cai	69.7	2.1	12.9
Son La	73.2	2.2	13.5
Average	72.2	2.2	13.4
Red River Delta			
Bac Ninh	38.0	1.1	7.0
Ha Nam	38.2	1.1	7.1
Ha Noi	27.4	0.8	5.1
Hai Duong	32.6	1.0	6.0
Hai Phong	29.2	0.9	5.4
Hung Yen	37.0	1.1	6.9
Nam Dinh	34.8	1.0	6.4
Ninh Binh	38.1	1.1	7.1
Thai Binh	34.2	1.0	6.3
Vinh Phuc	45.0	1.3	8.3
Average	35.4	1.1	6.6
South Central Coast			
Binh Dinh	38.5	1.1	7.1
Binh Thuan	44.6	1.3	8.3
Da Nang	16.0	0.5	3.0
Khanh Hoa	33.0	1.0	6.1
Ninh Thuan	52.9	1.6	9.8
Phu Yen	41.0	1.2	7.6
Quang Nam	41.5	1.2	7.7
Quang Ngai	45.1	1.3	8.3

Region and Province	Household Poverty Rate (per cent)	Poverty Rate relative to National Rate	Poverty Rate relative to Ho Chi Minh Rate
Average	39.1	1.2	7.2
South East			
Ba Ria - Vung Tau	10.1	0.3	1.9
Binh Duong	7.6	0.2	1.4
Binh Phuoc	17.5	0.5	3.2
Dong Nai	11.0	0.3	2.0
Ho Chi Minh	5.4	0.2	1.0
Tay Ninh	13.2	0.4	2.4
Average	10.8	0.3	2.0
Nation	33.0	1.0	6.2

Marginalisation of ethnic minorities was identified in our theory of change. Poverty rates in 1999 among Vietnam's 54 ethnic groups are shown in Table 2. Some of these rates are astonishingly high by any standard.[29] In this year, 98.3 per cent of those belong to the Chu-Ru group lived in income poverty, below the national poverty line. Seventeen ethnic groups have poverty rates (rounded to a whole number) of 95 per cent or greater. Whilst some of these 17 groups are very small in terms of the actual number of people within them living in poverty, as shown by the poverty headcount, three have more than 100,000 people living in poverty. They are the H'Mong, Co Ho, and Hre. The number of H'Mong living below the poverty line is particularly high among the high poverty rate groups, being just above 769 thousand people. Of Vietnam's 54 ethnic groups, 43 have poverty rates twice that of the majority group, the Kinh, and 15 have rates twice that of the nation as a whole. At the opposite end of the scale the Kinh and the Hoa have the lowest rates of 43.2 and 41.2, respectively. Of course it is the case that there are far more Kinhs living in poverty than any other group. Seventy-six per cent of all Vietnamese living in poverty in 1999 was Kinhs. But given that Kinhs constituted 86 per cent of Vietnam's population in 1999, it follows that non-Kinhs are over-represented in the nation's poverty headcount numbers.[30] This is consistent with the statistic shown at the bottom of Table 2, which is the average poverty rate for all ethnic groups other than the Kinh. This rate is 89.2 per cent, which is more than twice that of the Kinh. Reducing this disparity would appear to be an extremely pressing development challenge.

Table 2 Poverty Rates by Ethnic Group in Vietnam, 1999

	Poverty Rate (per cent)	Poverty Headcount	Poverty Rate relative to National Rate	Poverty Rate relative to Kinh Rate
Chu-Ru	98.3	14,718	2.0	2.3
Ma	97.8	32,594	2.0	2.3
H'Mong	97.7	769,347	2.0	2.3

29 Unlike the data in Table 1, which show data on households living in poverty, Table 2 shows data on the number of people living in poverty.

30 As Table 2 shows, the total number of Vietnamese across all living in poverty in 1999 was 37,454,613. If poverty was evenly distributed across Vietnamese ethnic groups according to their relative population sizes, 86 percent of this total would be the number of Kinh living in poverty. This equates to 32,210,967 Kinhs. But with the actual number of Kinhs living in poverty in 1999 being 26,418,269, it follows that Kinhs were under-represented (or other groups over-represented) by 5,792,698 among Vietnam's income poor in 1999. Of course it should be stated that these numbers are the result of simple arithmetic calculations and are blind to the reasons why people are poor and in particular are clearly not a case for throwing more of one group into poverty simply to ensure arithmetic representation. To argue this would be absurd.

	Poverty Rate (per cent)	Poverty Headcount	Poverty Rate relative to National Rate	Poverty Rate relative to Kinh Rate
Brau	97.5	305	2.0	2.3
Raglay	97.4	94,423	2.0	2.3
Co Lao	97.2	1,812	2.0	2.2
Mang	97.1	2,586	2.0	2.2
Lu	97.1	4,818	2.0	2.2
Pa Then	96.8	5,392	2.0	2.2
Ha Nhi	96.8	16,975	2.0	2.2
La Ha	96.6	5,493	2.0	2.2
La Hu	96.6	6,640	2.0	2.2
Co Ho	96.4	124,077	2.0	2.2
Kho mu	96.0	54,284	2.0	2.2
Khang	95.8	9,840	2.0	2.2
La Chi	95.7	10,305	1.9	2.2
Co	95.5	26,518	1.9	2.2
Xinh Mun	95.4	17,189	1.9	2.2
Lo Lo	95.3	3,151	1.9	2.2
Cong	95.0	1,592	1.9	2.2
Hre	94.9	107,395	1.9	2.2
Co Tu	94.9	47,874	1.9	2.2
Lao	94.8	11,002	1.9	2.2
Mnong	94.5	87,332	1.9	2.2
Xtieng	94.4	63,073	1.9	2.2
Dao	94.0	583,498	1.9	2.2
Phu La	93.9	8,496	1.9	2.2
Xo Dang	93.5	118,880	1.9	2.2
Bru Van Kieu	93.2	51,783	1.9	2.2
Ba Na	93.2	162,534	1.9	2.2
Chut	92.8	3,554	1.9	2.1
Giay	92.0	45,183	1.9	2.1
Gia Rai	92.0	292,229	1.9	2.1
Ro Mam	91.8	323	1.9	2.1
O Du	91.6	276	1.9	2.1

	Poverty Rate (per cent)	Poverty Headcount	Poverty Rate relative to National Rate	Poverty Rate relative to Kinh Rate
Ta Oi	88.8	31,054	1.8	2.1
Bo Y	88.6	1,652	1.8	2.1
Ede	87.6	236,772	1.8	2.0
Thai	87.3	1,160,203	1.8	2.0
Gie Trieng	87.3	26,396	1.8	2.0
San Chay	86.3	127,167	1.8	2.0
Cham	84.9	112,864	1.7	2.0
Cho-Ro	84.4	19,051	1.7	2.0
Muong	82.2	935,434	1.7	1.9
Si La	81.8	687	1.7	1.9
Nung	78.5	672,535	1.6	1.8
Pu Peo	77.0	543	1.6	1.8
San Diu	76.4	96,486	1.6	1.8
Tho	76.0	51,970	1.5	1.8
Tay	74.5	1,101,031	1.5	1.7
Khmer	60.2	635,047	1.2	1.4
Ngai	52.1	2,520	1.1	1.2
Kinh	43.2	28,418,269	0.9	1.0
Hoa	41.2	355,390	0.8	1.0
Nation	49.1	37,454,613	1.0	1.2
non-Kinh	89.2a	8,352,293	1.8	2.1

[a]: average of the rates of non-Kinh groups.

A further comment on the ethnic group disparities shown in Table 2 is warranted. It would be a bold assessment to conclude the ethnic and geographic (provincial and regional) disparity go hand in hand, that poverty rates among ethnic groups are primarily or largely due to the peculiarities of their geographic locations. But it is worth noting that the four ethnic groups with the highest poverty rates in 1999 (the Chu-Ru, Ma, H'Mong and Brau) are all heavily concentrated in the poorest region of Vietnam, the North West region and specifically in the two poorest provinces, Lai Chau and Dien Bien. We return to the possible nexus between ethnic poverty and geographic location later in this report.

2.3. Development Progress in Vietnam Post-2000

Did Vietnam continue the momentum it had achieved between the mid- to late-1980 and the early 2000s? The short answer is yes. Vietnam is in fact widely considered as an MDG high achiever and success story as it has or will be likely to achieve at least six of MDG1 through to MDG7; to this extent it has built on the momentum of the late 1980s through to very early 2000s. It is judged a high achiever as most developing countries are expected to achieve no more than four MDGs. Some will achieve none.

In what follows we initially assess Vietnam's MDG progress defined in terms of the targets that are central to these goals. The most recent comprehensive assessment of Vietnam's MDG progress was conducted by the Ministry of Planning and Investment and published in December 2013 (Ministry of Planning and Investment, 2013). This assessment is consistent with those of other organisations, including the World Bank and the United Nations. Parts of following material rely heavily on this publication, albeit supplemented with data published by the World Bank and other organisations.[31] Most emphasis is placed on the poverty reduction target of MDG1, what most consider to be the prime MDG target, and MDG4, which focuses on child mortality. Our assessment then takes a broader perspective that is fully MDG consistent, in that it accords with the principles espoused in the Millennium Declaration, but is more nuanced.

2.3.1. Progress against MDG targets

a) **MDG1: Eradicate extreme poverty and hunger**

Vietnam is considered to be one of the international success stories in efforts to reduce income poverty. The United Nations MDG poverty reduction target is to halve, between 1990 and 2015, the proportion of people living in extreme income poverty, on less than PPP$1.25 per day. Vietnam has achieved this target, continuing the progress it achieved up until the early 2000s. Data on the proportion of Vietnamese living on less than PPP$1.25 per day in 1990 are not available. The earliest year for which data are available is 1993. The proportion of Vietnamese living on less than this amount in 1993 was 63.75 per cent, meaning that this would have to fall to at least 31.87 per cent by 2015 if the MDG poverty target is to be achieved. It has fallen to 24.18 per cent in 2004 and to 16.85 in 2008, indicating that Vietnam has more than achieved the target and well ahead of the 2015 deadline. These numbers are shown below in Figure 10, which updates the information. It is worth noting that over the same period Vietnam also more than halved the proportion of people living under the (non-extreme) income poverty line of PPP$2 per day, from 85.70 to 43.36 per cent. This is also shown in Figure 11. Reductions in poverty of more than half are also recorded based on Vietnam's own poverty lines, as is evident from Figure 11. Poverty rates based on each of its three poverty lines (national, urban and rural) more than halved between 1993 and 2012. Based on these poverty lines, by 2012 Vietnam had reduced the proportion of people living in poverty by more than three quarters in each case.[32]

[31] The Ministry of Planning and Investment's reporting seems to be based on a mix of the MDG and VDG targets, and it is sometimes not clear whether an assessment it provides is based on progress against the both sets of targets or the VDG targets. This needs to be kept in mind in reading what now follows.
[32] The data in Figures 10 and 11 have been obtained from the same sources as those in Figures 6 and 7.

Figure 10 Income Poverty in Vietnam based on International Poverty Lines, 1993-2008

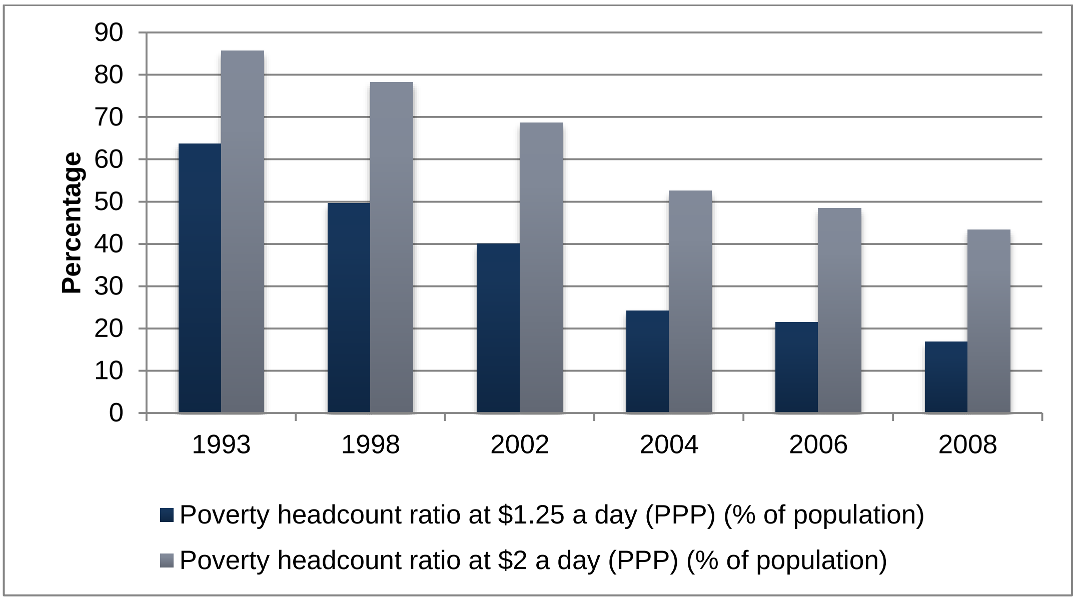
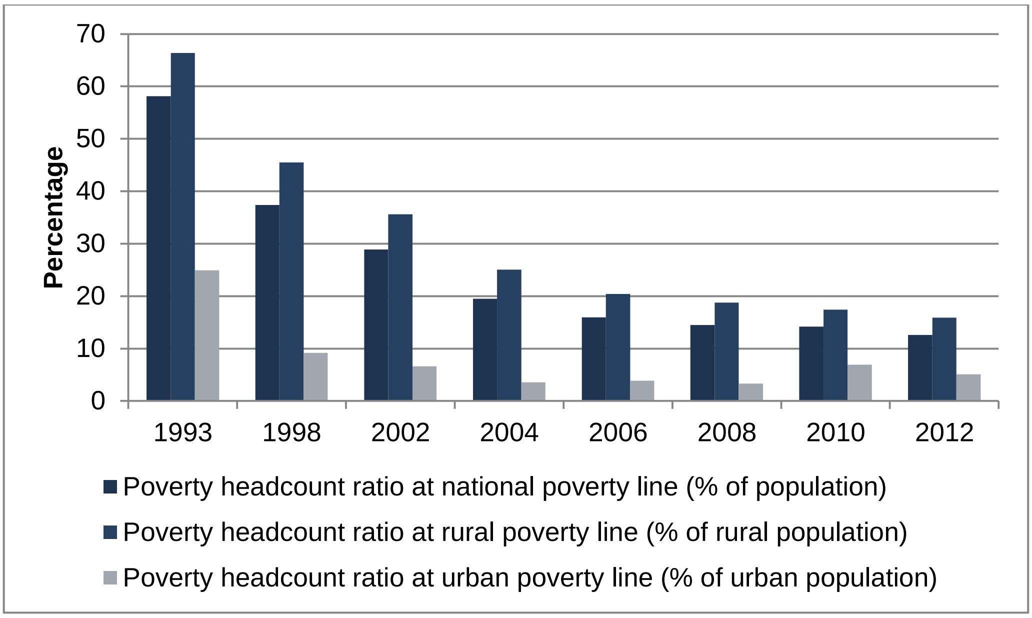


Figure 11 Income Poverty in Vietnam based on Vietnamese Poverty Lines, 1993-2012



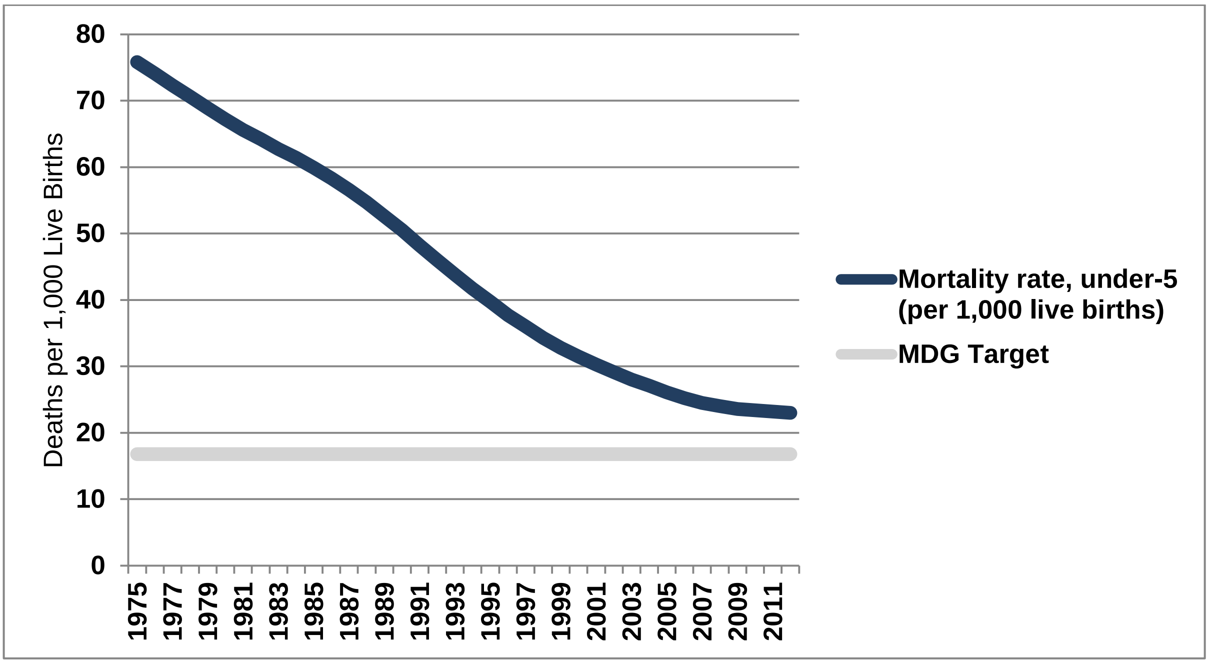
MDG1 also requires a reduction by halve, between 1990 and 2015, of the proportion of people who suffer from hunger, based on either the prevalence of underweight children under-five years of age or the proportion of population below minimum level of dietary energy consumption. The Ministry of Planning and Investment's assessment is that one million people escaped from hunger during the period 2009-2012 in Vietnam, and that Vietnam had achieved this component of MDG1 by 2010.[33]

[33] *Ministry of Planning and Investment, 2013*

b) MDG4: Reduce child mortality rate

MDG4 requires a two-thirds reduction, between 1990 and 2015, on the under-five mortality rate. Whilst Vietnam has clearly made tremendous progress over time in reducing child (under five) mortality, data on progress toward this target differ. Data from the World Bank Open Data website, downloaded in early 2014, as shown in Figure 12, indicate that in 2011 Vietnam had six deaths per 1,000 live births from achieving the target. It also shows the enormous progress Vietnam has made, since the end of the Second Indo-Chinese War, in reducing child mortality. The target, calculated from these data, is 17 deaths per 1,000 live births. The Ministry of Planning and Investment (2013), refers to child mortality in percentages. It indicates that this mortality rate was 15 per cent in 2012, and that the target to be achieved by 2015 is 14.8 per cent. Both sets of statistics indicate that Vietnam is very close and would be expected to achieve the target, although according the World Bank data shown in Figure 16 would need to accelerate progress towards it.

Figure 12 Child Mortality in Vietnam, 1975 to 2011



c) Progress against MDGs 2, 3, 5, 6, and 7[34]

The MDG2 requires that all children, boys and girls alike, will be able to complete a full course of primary schooling by 2015. Vietnam in 2011 had practically achieved MDG2, with a net enrolment ratio in primary education in 2011 of 99.32 per cent.

MDG3 requires the elimination of gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015. Vietnam has achieved this goal.

MDG5 requires a reduction by three quarters, between 1990 and 2015, in the maternal mortality ratio. Achieving the target in Vietnam requires reducing mortality from 214 deaths per 100,000 live births in 1990 to 54 by 2015. The rate in Vietnam was 64 details in 2012, which suggests that achieving the target is likely.

There is quite a lot to achieve under MDG6. Countries are tasked: to halt by 2015 and begun to reverse the spread of HIV/AIDS; achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it, and; halt by 2015 and begin to reverse the incidence of malaria and other major diseases. Vietnam has

[34] A more comprehensive coverage of Vietnam's progress against these MDGs is provided in the Landell Mills evaluation report on DFID support for the MDGs in Vietnam.

made good progress against these targets. Whilst there are concerns for the spread of HIV/AIDS in remote and economically disadvantaged areas, Vietnam on balance will achieve MDG6 by 2015.

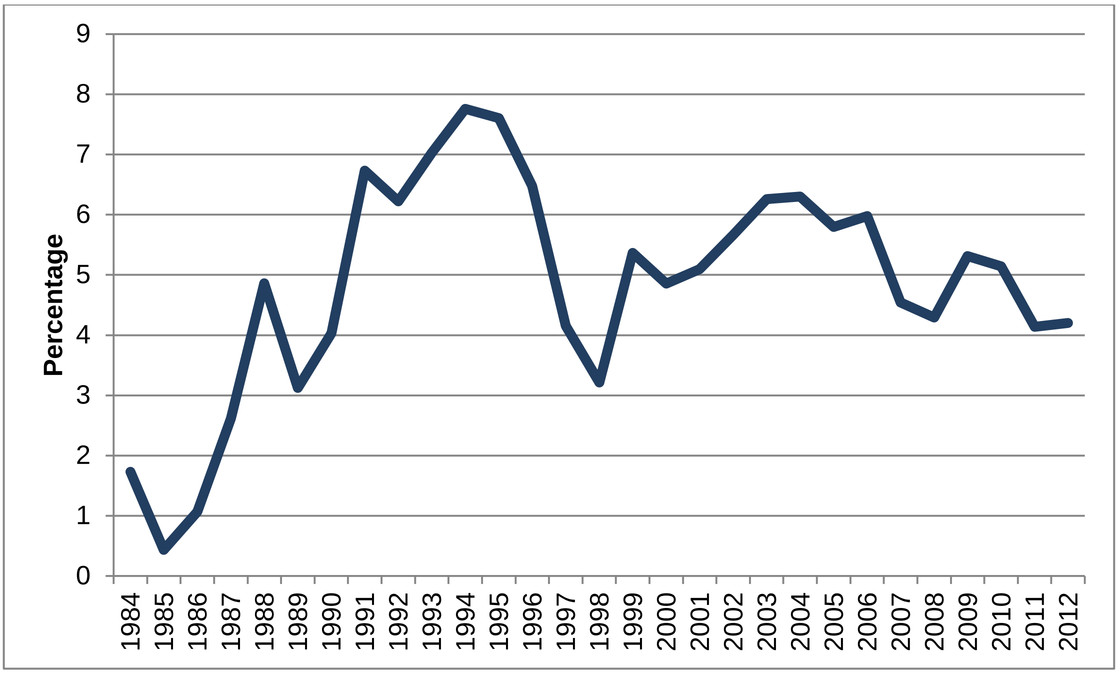
MDG7 involves many targets and is particularly challenging. They are to: (i) integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources: reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss; (ii) halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation, and; (iii) by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Vietnam was relatively slow to respond to MDG7 but during 2010 to 2013 has made considerable progress in the area of environment, comprehensively integrating principles of sustainable development into national policies and programs. These achievements notwithstanding, Vietnam is unlikely to achieve MDG7 owing to an increase in the number of environmental violations, the rise of exploited forest areas and the depletion of natural resources. These problems have placed Vietnam among the top ten countries, according to recent assessments, that are most vulnerable to climate change.

2.3.2. A broader perspective

There can be no doubt that Vietnam's MDG progress has been impressive and that it deserves its status internationally as an MDG success story. But to repeat comments made above, development is not linear and is subject to diminishing returns to effort and that with success comes problems. Vietnam is very much a case in point in these regards, for as it moved throughout the first decades of the new millennium a number of problems emerged. Essentially Vietnam moved into a challenging new era of its national development, especially from around 2007, with the strains that were becoming evident in the late 1990s becoming more apparent. From this time it became evident that Vietnam's MDG path would not be as straightforward as some might have expected given the economic and political setting in 2001 and 2002. From an aid effectiveness perspective, its development capacity, relative to the challenges it was now facing, seemed to be waning. The most obvious symptom of this was Vietnam's real GDP per capita growth. This is shown in Figure 13, which reproduces some information shown in Figure 2 to facilitate comparison with the more recent data it presents. After recovering from the East Crisis of the late 1990s, Vietnam's growth performance has trended downward since 2004 but especially since 2007. Since 2007 Vietnam's real per capita GDP growth has hovered at between 4.1 and 5.3 per cent. These rates are still good by international standards, but not compared to the rates Vietnam recorded in the mid-1990s, which were above seven per cent.

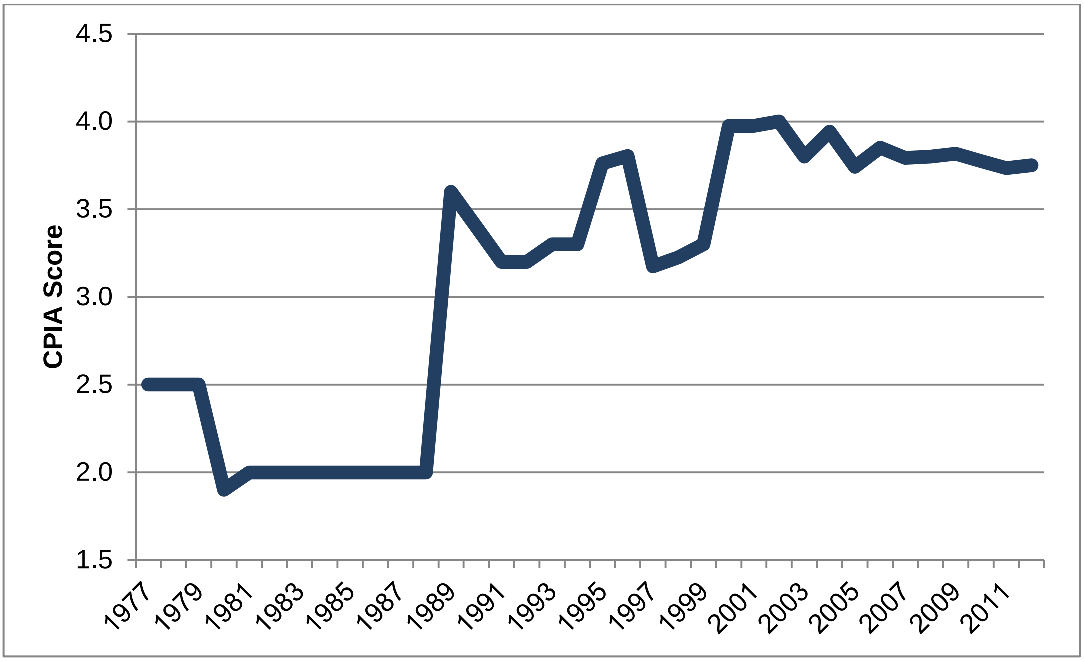
Figure 13 Real GDP per capita Growth, Vietnam, 1984 to 2012



Cox and Thi (2014) provide an authoritative assessment of Vietnam's development situation in the mid-2000s, noting that there are widespread concerns that Vietnam may be "reaching the limits of its existing growth model" (p. i). Cox and Thi identify the following challenges of moving to a new growth model:

- completing the economic transition - whilst around half of Vietnam's state-owned enterprises have been restructured through sale of shares, the commanding heights of the economy are still controlled by SOEs, which are thought to be inefficient and crowd out the domestic private sector activities;
- raising the quality of foreign direct investment (FDI) - whilst FDI to Vietnam grew rapidly in the 2000s, it is dominated by low value-added assembly options that create employment but with limited broader benefits. Unless Vietnam can attract more productive investments, there is a risk that it will begin to lose out to lower wage economies such as Myanmar;
- managing inequality - Vietnam's economic growth is becoming less pro-poor in nature, leaving a core of poverty and exclusion that is difficult to address; and
- macroeconomic constraints - following the global financial crisis, the GoV attempted to boost growth through aggressive stimulus measures, including a spike in public investment, which led to a period of macroeconomic instability.
- More generally, there was the view that managing the Vietnamese had become increasingly complex throughout the 2000s and that there were increasing demands on human resources. That improvements in governance levels experienced in Vietnam in in the late 1980s had not been sustained in the late 1990s and early 2000s had not been sustained was noted above. Governance levels assessed by the CPIA actually deteriorated from the early 2000s, trending down through to 2012. This is shown below in Figure 14.

Figure 14 Governance in Vietnam, 1977 to 2012



Any economic issue relating to economic growth and the management of the economy is relevant to poverty reduction and other development achievements. Growth is an important driver of most of these achievements, although alone is not sufficient to achieve them. But of the issues identified by Cox and Thi (2014), arguably managing inequality is the most directly related to MDG progress. Concerns about particular provinces and ethnic groups being left behind in Vietnam's development process were expressed in 2001, and statistical evidence consistent with these concerns was presented above. This situation has deteriorated since the late 1990s and early 2000s.

All Vietnamese regions have between 1999 and 2011 experienced decreases in poverty rates, the percentage of total households living below the national poverty line. This is shown in Table 3. In seven provinces, however, the actual number of households living below this poverty line has actually increased over this period. Five of these provinces are the five poorest in terms of poverty rates or the incidence of poverty, which is what a poverty rate shows. They are the North East province of Ha Giang and the North West provinces of Dien Bien, Lai Chai, Lao Cai and Son La. In the North West region as a whole there were 24,036 more people living in income poverty than in 1999.

Table 3 Regional Household Poverty Rates in Vietnam, 2011

Region and Province	Poor Households (Headcount) 2011	Poverty Rate (Households) 2011 (per cent)	Change in Headcount between 1999 and 2011	Change in Headcount between 1999 and 2011 (per cent)	Change in Poverty Rate between 1999 and 2011 (per cent points)	Poverty Rate relative to National Rate 2011	Poverty Rate relative to Ho Chi Minh Rate 2011	Change in Headcount between 1999 and 2011 relative to National Change (per cent)	Change in Poverty Rate between 1999 and 2011 relative to National Change (per cent points)
Central Highlands									
Dak Lak	105,901	26.6	-26,622	-20.1	-16.4	1.7	17.7	0.6	0.9
Dak Nong	21,734	18.8	-11,283	-34.2	-24.2	1.2	12.5	0.9	1.4
Gia Lai	122,373	42.5	10,821	9.7	-10.1	2.7	28.3	-0.3	0.6
Kon Tum	43,280	40.6	6,554	17.8	-10.2	2.6	27.1	-0.6	0.6
Lam Dong	55,085	20.2	-21,272	-27.9	-13.7	1.3	13.5	0.6	0.8
Region	348,373	29.5	-41,803	-10.7	-15.2	1.9	19.7	0.3	0.9
Mekong Delta									
An Giang	54,282	10.3	-110,663	-67.1	-29.9	0.7	6.9	1.7	1.7
Bac Lieu	27,005	13.9	-25,077	-48.1	-21.8	0.9	9.3	1.1	1.2
Ben Tre	28,493	7.9	-62,093	-68.5	-24.2	0.5	5.3	1.4	1.4
Ca Mau	43,497	15.0	-31,844	-42.3	-19.4	1.0	10.0	0.9	1.1
Can Tho	32,828	11.1	-42,646	-56.5	-23.0	0.7	7.4	1.2	1.3
Dong Thap	43,955	10.5	-79,869	-64.5	-28.2	0.7	7.0	1.6	1.6
Hau Giang	26,229	13.7	-19,065	-42.1	-20.5	0.9	9.1	0.9	1.1
Kien Giang	57,035	14.2	-64,921	-53.2	-25.5	0.9	9.5	1.4	1.4

Long An	24,911	6.8	-59,890	-70.6	-22.4	0.4	4.5	1.3	1.3
Soc Trang	53,294	17.1	-50,374	-48.6	-26.0	1.1	11.4	1.3	1.5
Tien Giang	48,520	11.0	-42,893	-46.9	-16.3	0.7	7.3	0.8	0.9
Tra Vinh	40,176	15.8	-42,863	-51.6	-27.3	1.0	10.5	1.4	1.5
Vinh Long	25,619	9.6	-42,534	-62.4	-23.1	0.6	6.4	1.3	1.3
Region	505,845	11.7	-674,733	-57.2	-24.0	0.8	8.0	1.2	1.3
North Central Coast									
Ha Tinh	52,599	14.9	-73,641	-58.3	-30.2	0.9	9.9	1.7	1.7
Nghe An	164,256	22.4	-102,062	-38.3	-30.1	1.4	14.9	1.1	1.3
Quang Binh	30,810	14.5	-45,932	-59.9	-23.7	0.9	9.6	1.8	1.8
Quang Tri	31,166	20.2	-30,784	-49.7	-32.2	1.3	13.4	1.6	1.7
Thanh Hoa	147,989	16.5	-183,285	-55.3	-30.4	1.0	11.0	1.6	1.7
Thua Thien Hue	30,162	11.7	-67,253	-69.0	-29.4	0.7	7.8	2.1	2.0
Region	456,983	17.5	-502,986	-52.4	-29.3	1.1	11.7	1.2	1.7
North East									
Bac Giang	57,873	14.0	-95,892	-62.4	-31.5	0.9	9.4	1.8	1.8
Bac Kan	31,050	43.2	-3,051	-8.9	-17.2	2.7	28.8	0.3	1.0
Cao Bang	60,297	51.4	-2,454	-3.9	-15.7	3.3	34.2	0.2	0.9
Ha Giang	105,359	67.9	17,690	20.2	-7.1	4.3	45.3	-1.0	0.4
Lang Son	75,882	41.9	-10,008	-11.7	-20.4	2.7	28.0	0.5	1.1
Phu Tho	70,678	19.7	-54,399	-43.5	-25.5	1.2	13.1	1.3	1.4
Quang Ninh	49,021	15.7	-28,871	-37.1	-19.1	1.0	10.4	0.8	1.1
Thai Nguyen	55,335	19.0	-44,523	-44.6	-23.7	1.2	12.7	1.2	1.3

Tuyen Quang	61,867	33.1	-20,846	-25.2	-24.0	2.1	22.1	0.9	1.4
Yen Bai	77,425	41.6	-2,797	-3.5	-15.5	2.6	27.8	0.1	0.9
Region	644,788	28.4	-245,149	-27.5	-26.4	1.9	18.9	0.7	1.5
North West									
Dien Bien	70,691	67.0	8,743	14.1	-12.8	4.2	44.7	-0.7	0.7
Hoa Binh	73,520	37.8	-18,670	-20.3	-20.8	2.4	25.2	0.8	1.2
Lai Chau	57,754	74.0	15,071	35.3	-5.8	4.7	49.3	-1.8	0.3
Lao Cai	85,487	59.2	8,662	11.3	-10.5	3.8	39.5	-0.5	0.6
Son La	136,485	56.9	10,230	8.1	-16.3	3.6	37.9	-0.4	0.9
Region	423,675	55.6	24,036	6.0	-16.6	3.6	37.1	-0.1	0.9
Red River Delta									
Bac Ninh	10,624	3.8	-72,634	-87.2	-34.1	0.2	2.6	2.1	1.9
Ha Nam	22,000	9.1	-50,455	-69.6	-29.1	0.6	6.1	1.7	1.6
Ha Noi	60,737	3.8	-109,307	-64.3	-23.6	0.2	2.5	1.1	1.3
Hai Duong	72,754	14.3	-53,547	-42.4	-18.3	0.9	9.5	0.9	1.0
Hai Phong	26,730	5.3	-84,145	-75.9	-23.9	0.3	3.5	1.4	1.3
Hung Yen	18,254	5.8	-73,436	-80.1	-31.2	0.4	3.8	1.9	1.8
Nam Dinh	74,405	13.4	-83,860	-53.0	-21.3	0.9	8.9	1.2	1.2
Ninh Binh	32,124	12.3	-47,064	-59.4	-25.8	0.8	8.2	1.4	1.5
Thai Binh	149,557	26.2	-5,956	-3.8	-8.0	1.7	17.5	0.1	0.4
Vinh Phuc	25,493	9.8	-78,894	-75.6	-35.2	0.6	6.5	2.2	2.0
Region	492,675	10.4	-659,298	-57.2	-25.8	0.6	6.5	1.4	1.5
South Central Coast									

Binh Dinh	55,654	14.3	-64,907	-53.8	-24.2	0.9	9.5	1.3	1.4
Binh Thuan	38,633	13.9	-52,365	-57.5	-30.7	0.9	9.2	1.6	1.7
Da Nang	12,857	5.7	-9,193	-41.7	-10.4	0.4	3.8	0.4	0.6
Khanh Hoa	35,783	13.3	-32,129	-47.3	-19.7	0.8	8.9	1.0	1.1
Ninh Thuan	32,565	22.6	-22,281	-40.6	-30.3	1.4	15.1	1.4	1.7
Phu Yen	35,522	14.9	-37,643	-51.4	-26.1	0.9	9.9	1.3	1.5
Quang Nam	63,685	16.8	-63,787	-50.0	-24.7	1.1	11.2	1.3	1.4
Quang Ngai	60,253	18.9	-52,253	-46.4	-26.2	1.2	12.6	1.3	1.5
Region	334,953 41,869	14.9	-334,558	-50.0	-24.2	1.0	9.9	1.2	1.4
South East									
Ba Ria - Vung Tau	8,618	3.8	-8,672	-50.2	-6.3	0.2	2.6	0.3	0.4
Binh Duong	6,974	2.8	-5,519	-44.2	-4.9	0.2	1.8	0.2	0.3
Binh Phuoc	21,644	9.5	-5,299	-19.7	-8.0	0.6	6.3	0.2	0.4
Dong Nai	53,736	8.4	9,890	22.6	-2.7	0.5	5.6	-0.2	0.1
Ho Chi Minh	26,642	1.5	-31,531	-54.2	-3.9	0.1	1.0	0.2	0.2
Tay Ninh	34,830	12.6	7,706	28.4	-0.6	0.8	8.4	-0.2	0.0
Region	152,443 25,407	4.4	-334,424	-18.0	-6.4	0.4	2.9	0.4	0.4
Nation	3,359,998 3,790,190	15.3	-2,467,884	-42.3	-17.7	1.0	10.2	1.0	1.0

These numbers are obviously disconcerting but just as so, possibly more so, is that disparities in poverty rates and, therefore, living conditions, increased substantially between 1999 and 2011, with an already bad situation becoming worse. This is very clear from Table 3. There are in fact huge disparities between declines in poverty rates between 1999 and 2011. As a result, there is enormous variation in these rates in 2001, far more so than in 1999. Ho Chi Minh, Binh Duong, Ha Noi and Ba Ria – Vung Tua have rates that vary between 1.5 and 3.8 per cent. Ha Giang, Dien Bien, Lai Chai, Lao Cai and Son La have rate than vary between 56.9 and 74 per cent. With the exception of Hoa Binh, provinces in the North West region in 2011 have poverty rates that are between 25 and 49 times those of the province with the lowest rate, Ho Chi Minh, and between 2.4 and 4.7 the national rate.

Poverty rates for each of Vietnam's 54 ethnic groups fell between 1999 and 2011, as is shown in Table 4. As mentioned above, in 1999 there were 35 of these groups with poverty rates of 90 per cent or more. This number had fallen to five in 2011 (if we round poverty rates to the nearest whole number). These groups are the La Hu, Mang, Lo Lo, Ha Nhi, and the H'Mong. The La Hu records the highest rate, of 92.3 per cent. This is obviously good news, although it is accompanied by much increased disparities among ethnic groups compared to those in 1999. The ethnic majority group, the Kinh, now have by far the lowest poverty rate, of 9.8 per cent; the next lowest is 22.6 per cent, that of the Hoa. This means that a member of the La Hu ethnic minority in 2011 was almost 10 times more likely to be living in poverty than a member of the Kinh ethnic minority. Overall, as Table 4 shows, a non-Kinh was 6.73 times more likely to be living in poverty that a Kinh in 2011. In 1999, the equivalent number was 3.70.

The decline in poverty rates was also accompanied by increases in the number of people living in poverty in a number of ethnic groups between 1999 and 2011. This is shown by the poverty headcount data in Table 4. To be precise, the poverty headcount of 22 of Vietnam's ethnic minorities increased between these years.

Table 4 Poverty Rates by Ethnic Group in Vietnam, 2011

Ethnic Group	Poverty Rate (per cent)	Poverty Headcount	Change in Headcount between 1999 and 2011	Change in Headcount between 1999 and 2011 (per cent)	Change in Poverty Rate between 1999 and 2011 (per cent points)	Poverty Rate relative to National Rate	Poverty Rate relative to Kinh Rate
La Hu	92.3	8,910	2,270	34.2	-4.3	5.19	9.42
Mang	92.2	3,410	824	31.9	-4.9	5.18	9.41
Lo Lo	91.0	4,134	984	31.2	-4.2	5.11	9.29
Ha Nhi	89.7	19,495	2,520	14.8	-7.1	5.04	9.16
H'Mong	89.7	958,488	189,141	24.6	-8.0	5.04	9.16
Kho mu	87.8	64,016	9,732	17.9	-8.2	4.93	8.96
Co	87.3	29,533	3,015	11.4	-8.2	4.91	8.91
Co Lao	87.1	2,295	482	26.6	-10.1	4.89	8.88
Bru Van Kieu	85.9	63,970	12,187	23.5	-7.3	4.82	8.76
Phu La	84.3	9,226	730	8.6	-9.6	4.74	8.60
Cong	84.1	1,706	114	7.2	-10.9	4.72	8.58

Ethnic Group	Poverty Rate (per cent)	Poverty Headcount	Change in Headcount between 1999 and 2011	Change in Headcount between 1999 and 2011 (per cent)	Change in Poverty Rate between 1999 and 2011 (per cent points)	Poverty Rate relative to National Rate	Poverty Rate relative to Kinh Rate
La Chi	83.5	10,992	687	6.7	-12.2	4.69	8.52
Khang	81.0	11,211	1,371	13.9	-14.8	4.55	8.27
Ba Na	79.2	180,388	17,854	11.0	-14.0	4.45	8.08
Xo Dang	77.0	130,540	11,659	9.8	-16.5	4.33	7.86
Xinh Mun	76.7	17,850	661	3.8	-18.7	4.31	7.82
Raglay	75.1	91,814	-2,609	-2.8	-22.3	4.22	7.66
Hre	74.3	94,689	-12,706	-11.8	-20.6	4.17	7.58
Gia Rai	74.3	305,506	13,277	4.5	-17.7	4.17	7.58
Ta Oi	73.9	32,449	1,395	4.5	-14.9	4.15	7.54
Lao	73.9	11,032	30	0.3	-20.9	4.15	7.54
Chu-Ru	73.1	14,117	-602	-4.1	-25.2	4.11	7.46
Chut	72.5	4,364	810	22.8	-20.4	4.07	7.39
Co Tu	72.3	44,534	-3,341	-7.0	-22.6	4.06	7.38
La Ha	72.0	5,885	392	7.1	-24.6	4.04	7.34
Dao	71.7	538,839	-44,658	-7.7	-22.3	4.03	7.32
Mnong	70.8	72,728	-14,604	-16.7	-23.7	3.98	7.22
Pa Then	70.7	4,818	-574	-10.6	-26.1	3.97	7.22
Si La	70.4	499	-188	-27.4	-11.4	3.95	7.18
Lu	70.3	3,937	-881	-18.3	-26.8	3.95	7.17
Bo Y	67.0	1,522	-130	-7.8	-21.6	3.76	6.83
Ede	65.3	216,319	-20,452	-8.6	-22.3	3.67	6.66
O Du	65.2	245	-31	-11.1	-26.5	3.66	6.65
Giay	64.7	37,928	-7,255	-16.1	-27.3	3.64	6.60
Gie Trieng	64.5	32,890	6,494	24.6	-22.7	3.63	6.59
Thai	64.4	997,801	-162,402	-14.0	-23.0	3.62	6.57
Co Ho	63.7	105,858	-18,219	-14.7	-32.7	3.58	6.50
Ma	59.5	24,641	-7,953	-24.4	-38.3	3.34	6.07
Pu Peo	58.9	405	-138	-25.5	-18.1	3.31	6.01
Tho	53.0	39,437	-12,533	-24.1	-23.0	2.98	5.40

Ethnic Group	Poverty Rate (per cent)	Poverty Headcount	Change in Headcount between 1999 and 2011	Change in Headcount between 1999 and 2011 (per cent)	Change in Poverty Rate between 1999 and 2011 (per cent points)	Poverty Rate relative to National Rate	Poverty Rate relative to Kinh Rate
San Chay	52.2	88,412	-38,754	-30.5	-34.1	2.93	5.33
Nung	51.1	495,077	-177,458	-26.4	-27.4	2.87	5.21
Muong	49.3	625,287	-310,148	-33.2	-33.0	2.77	5.03
Tay	46.1	750,330	-350,700	-31.9	-28.4	2.59	4.71
Cham	41.3	66,803	-46,061	-40.8	-43.6	2.32	4.21
Ro Mam	41.0	179	-144	-44.6	-50.8	2.31	4.19
Xtieng	35.2	30,069	-33,004	-52.3	-59.2	1.98	3.59
San Diu	34.7	50,968	-45,518	-47.2	-41.7	1.95	3.54
Brau	28.3	112	-193	-63.2	-69.2	1.59	2.89
Cho-Ro	28.1	7,558	-11,493	-60.3	-56.3	1.58	2.87
Ngai	26.7	277	-2,243	-89.0	-25.3	1.50	2.73
Khmer	26.3	331,955	-303,092	-47.7	-33.9	1.48	2.69
Hoa	22.6	186,169	-169,221	-47.6	-18.6	1.27	2.31
Kinh	9.8	7,213,349	-21,204,920	-74.6	-33.4	0.55	1.00
Nation	17.8	2,180,578	-2,968,338	-57.6	-31.3	1.00	1.82
Non-Kinh	65.9	6,831,619	-28,692	-9.93	-23.31	3.70	6.73

Information on provincial educational achievements in 2009 broken down into Kinh and non-Kinh is shown in Table 5. It follows that the non-Kinh data are simply aggregated ethnic minority data. A broadly similar picture emerges to that shown in Table 4. That is, the Kinh as a general rule do better than the non-Kinh, with generally higher achievements in primary and lower secondary schooling and in the average years of schooling for people 15 years and over. There are some instances in which minority groups in provinces do better than the Kinh. They do slightly better in primary school enrolments in Ben Tre, Da Nang and Na Nam. They do better in lower secondary enrolments in Ben Tre, Da Nang and Don Thap and in average years of schooling in Ben Tre, Binh Duong, Can Tho, Dong Thap, Long An and Tien Giang.

What is, however, striking about the numbers in Table 5 is that Kinh achievements are relatively invariant between Vietnam's provinces. This is especially true of school enrolment. Consider Kinh primary school enrolment in Ha Noi and the very income poor provinces of Ha Giang and Dien Bien. These rates are 98.49, 98.98, and 98.88, respectively. Enrolment rates for ethnic minorities in these three provinces are 98.11, 84.31 and 83.55, respectively. It is also the case that whilst the education numbers are quite low for the ethnic minorities in the remove North West provinces, they are actually for these minorities in other provinces, such as Tay Ninh, Tra Vinh and An Giang. Across all provinces, variation in non-Kinh primary enrolment is 2.5 times greater than that of Kinhs (as indicated by the coefficient of variation at the bottom of Table 5. Similar differences exist for lower secondary enrolment, although not for average years of schooling. What these numbers suggest, it might seem, is that it is not geographic location, remoteness in particular, that drives differences in living standards but ethnicity. This in turn means that reducing differences between provinces in these standards, insofar as education is concerned, is not just about targeting lagging provinces, or for that matter targeting ethnic minorities in these provinces. It is actually about targeting particular ethnic minorities per se.

Table 5 Provincial Educational Achievements by Ethnic Group in Vietnam, 2009

	Net enrolment rate at primary education			**Net enrolment rate at lower-secondary education**			**Average schooling years of people over 15**		
Province	Kinh	Ethnic Minorities	Diff	Kinh	Ethnic Minorities	Difference	Kinh	Ethnic Minorities	Difference
An Giang	92.01	83.50	8.51	72.98	59.62	13.36	5.97	5.93	0.04
Ba Ria- Vung Tau	95.64	94.48	1.16	88.86	81.34	7.52	7.35	6.45	0.90
Bac Giang	98.94	98.70	0.24	96.80	91.09	5.71	7.91	6.80	1.11
Bac Kan	100.00	96.56	3.44	95.88	89.07	6.81	7.52	7.17	0.35
Bac Lieu	91.99	84.57	7.42	73.86	59.15	14.71	6.26	5.75	0.51
Bac Ninh	99.15	95.15	4.00	96.72	85.96	10.76	7.91	6.84	1.07
Ben Tre	97.40	98.11	-0.71	89.07	93.36	-4.29	6.41	7.24	-0.83
Binh Dinh	98.79	96.08	2.71	94.31	84.78	9.53	7.22	5.95	1.27
Binh Duong	95.27	87.17	8.10	84.12	65.66	18.46	7.69	7.94	-0.25
Binh Phuoc	96.98	84.30	12.68	88.24	71.10	17.14	7.19	5.61	1.58
Binh Thuan	96.52	93.01	3.51	82.70	69.83	12.87	6.67	5.79	0.88
Ca Mau	89.68	80.10	9.58	75.82	64.84	10.98	6.35	5.91	0.44
Can Tho	94.75	90.62	4.13	81.38	73.37	8.01	6.67	6.75	-0.08
Cao Bang	99.01	90.88	8.13	96.91	86.51	10.40	7.67	6.99	0.68
Da Nang	98.56	99.29	-0.73	96.59	97.50	-0.91	7.84	6.94	0.90
Dak Lak	98.40	90.58	7.82	94.72	77.61	17.11	7.88	6.42	1.46
Dak Nong	98.70	87.42	11.28	94.52	80.11	14.41	7.85	6.03	1.82
Dien Bien	98.98	83.55	15.43	98.29	72.84	25.45	7.35	6.17	1.18
Dong Nai	96.78	95.10	1.68	90.35	84.07	6.28	7.76	6.47	1.29
Dong Thap	94.50	92.81	1.69	79.98	80.00	-0.02	6.30	7.12	-0.82
Gia Lai	98.95	81.80	17.15	93.36	63.25	30.11	7.69	5.66	2.03
Ha Giang	98.88	84.31	14.57	98.03	72.32	25.71	7.65	6.46	1.19
Ha Nam	99.05	100.00	-0.95	96.68	96.00	0.68	8.08	6.26	1.82
Ha Noi	98.49	98.11	0.38	96.80	92.76	4.04	8.12	7.47	0.65
Ha Tinh	98.95	96.63	2.32	96.52	97.05	-0.53	8.13	7.47	0.66
Hai Duong	98.99	98.49	0.50	98.09	97.49	0.60	8.39	7.84	0.55

Hai Phong	98.75	98.15	0.60	96.87	95.40	1.47	8.29	7.89	0.40
Hau Giang	94.71	90.71	4.00	80.05	75.25	4.80	6.29	5.82	0.47
Ho Chi Minh	95.64	95.17	0.47	89.08	88.09	0.99	7.98	6.82	1.16
Hoa Binh	99.25	98.18	1.07	97.38	91.58	5.80	7.74	7.19	0.55
Hung Yen	98.41	97.78	0.63	97.22	92.31	4.91	8.35	7.60	0.75
Khanh Hoa	98.21	89.59	8.62	89.92	68.64	21.28	7.45	5.92	1.53
Kien Giang	90.92	85.29	5.63	77.66	65.94	11.72	6.27	5.66	0.61
Kon Tum	98.98	93.98	5.00	95.94	78.69	17.25	7.72	5.97	1.75
Lai Chau	98.63	83.20	15.43	96.43	69.06	27.37	7.13	5.56	1.57
Lam Dong	98.68	93.45	5.23	94.40	78.88	15.52	7.89	6.31	1.58
Lang Son	98.61	98.21	0.40	96.91	92.16	4.75	7.70	6.98	0.72
Lao Cai	98.80	90.84	7.96	96.17	79.50	16.67	7.49	6.35	1.14
Long An	96.95	89.73	7.22	86.93	78.89	8.04	6.59	6.73	-0.14
Nam Dinh	99.00	98.31	0.69	97.39	90.48	6.91	8.05	6.57	1.48
Nghe An	98.52	93.73	4.79	95.72	80.11	15.61	8.23	6.73	1.50
Ninh Binh	98.94	98.92	0.02	96.90	92.45	4.45	8.01	7.65	0.36
Ninh Thuan	94.72	82.99	11.73	80.51	66.03	14.48	6.69	5.99	0.70
Phu Tho	99.22	98.65	0.57	95.39	91.19	4.20	7.99	7.30	0.69
Phu Yen	98.64	86.22	12.42	91.44	65.89	25.55	7.04	6.04	1.00
Quang Binh	98.76	85.09	13.67	93.22	76.87	16.35	7.84	5.47	2.37
Quang Nam	98.76	96.01	2.75	96.15	86.55	9.60	7.36	5.74	1.62
Quang Ngai	99.08	94.80	4.28	95.39	79.78	15.61	7.32	5.94	1.38
Quang Ninh	98.41	96.09	2.32	95.89	84.57	11.32	7.55	6.42	1.13
Quang Tri	98.80	85.16	13.64	96.38	70.85	25.53	7.64	6.19	1.45
Soc Trang	93.54	84.56	8.98	78.50	64.04	14.46	6.25	5.74	0.51
Son La	98.36	87.93	10.43	97.11	79.27	17.84	7.49	6.42	1.07
Tay Ninh	95.03	83.52	11.51	82.42	54.33	28.09	6.60	5.83	0.77
Thai Binh	98.86	98.33	0.53	97.66	92.59	5.07	8.23	7.10	1.13
Thai Nguyen	99.17	98.19	0.98	96.42	92.13	4.29	7.55	7.30	0.25
Thanh Hoa	98.45	95.89	2.56	94.35	86.76	7.59	8.05	7.07	0.98
Thua Thien Hue	97.54	94.60	2.94	90.05	77.48	12.57	7.04	6.43	0.61
Tien Giang	97.59	99.60	-2.01	86.80	87.31	-0.51	6.59	7.44	-0.85
Tra Vinh	96.14	90.57	5.57	84.09	64.27	19.82	6.51	5.80	0.71
Tuyen Quang	99.01	97.27	1.74	96.10	87.06	9.04	7.85	7.23	0.62

Vinh Long	97.38	93.66	3.72	90.92	77.94	12.98	6.81	6.15	0.66
Vinh Phuc	99.21	98.58	0.63	96.75	95.52	1.23	8.00	6.98	1.02
Yen Bai	98.62	90.06	8.56	95.69	79.91	15.78	7.76	6.93	0.83
Maximum	100.00	100.00	17.15	98.29	97.50	30.11	8.39	7.94	2.37
Minimum	89.68	80.10	-2.01	72.98	54.33	-4.29	5.97	5.47	-0.85
Coefficient of Variation	2.24	5.73		6.97	11.18		0.65	0.67	

2.4. Donor Support for Development in Vietnam

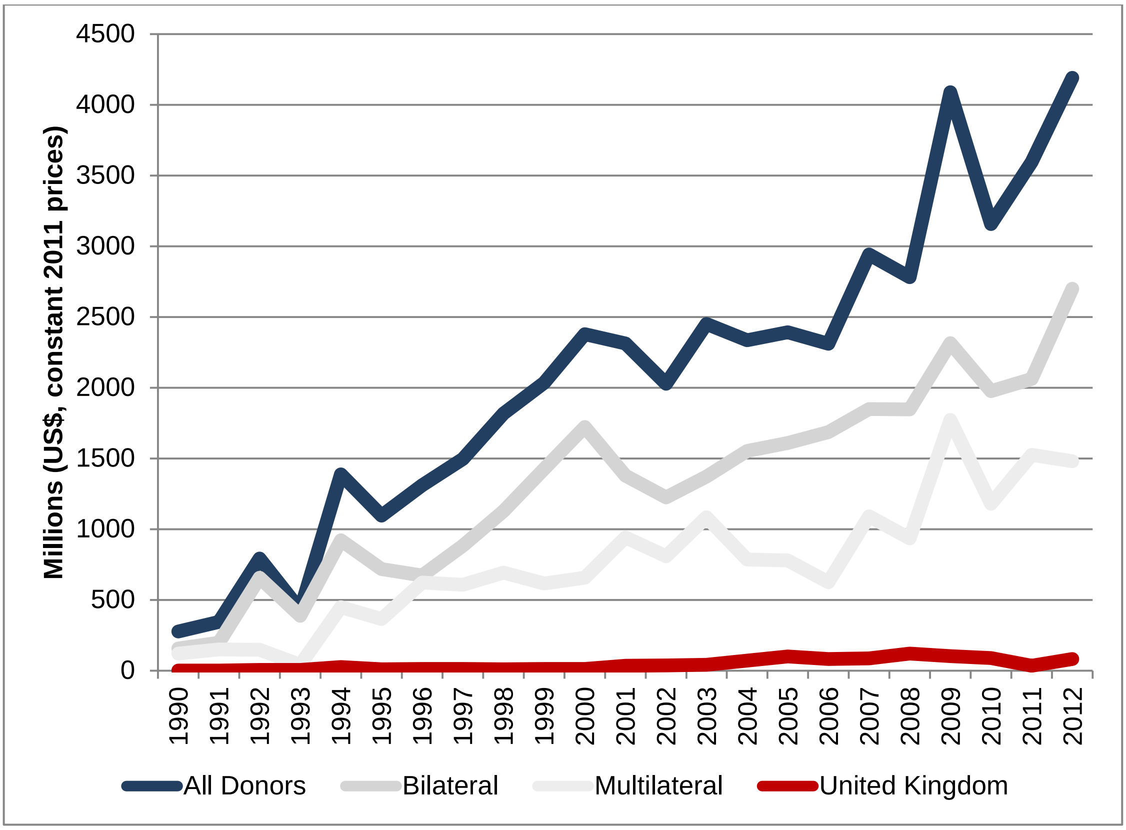
Donor support for Vietnam remained very strong throughout the 2000s, with the upward trend exhibited from the early 1990s continuing beyond 2001. Indeed, Vietnam became a darling of the international development community during this period, often being ranked among the top ten aid receiving countries in the world. In 2012, it received aid from all 28 DAC member countries except Iceland, and from a further 27 countries or agencies. Japan and the World Bank IDA were the largest donors in terms of aid volume.[35] This suggests a rather crowded aid architecture in Vietnam, which raises questions regarding the effectiveness of aid to this country, but at the same time providing no answers until further analysis is undertaken.

The total volume of ODA to Vietnam from 1990 to 2012 is shown in Figure 15, along with a breakdown from bilateral and multilateral agencies.[36] The aid data shown in the figure are measured in terms of aid actually disbursed rather than that committed. Total annual ODA disbursements increased from US$2,312 million to US$4,191 million between 2001 and 2012. ODA in 2012 was it highest recorded level ever. It is clear from Figure 15 that DFID remains a relatively small donor in the broader scheme, taking into account the totality of Vietnamese ODA receipts. Between 2001 and 2012 it provided 2.5 per cent of total ODA to Vietnam, although among the country's bilateral donors it ranked second in terms of volume in 2005. This percentage share increases to six per cent if only grant ODA to Vietnam is considered. The largest bilateral donor in 2005 year was Japan, which provided more than six times the ODA volume (loans and grants combined) of DFID. That noted, DFID does appear to have a reputation for 'punching above its weight' among donors in Vietnam.[37]

Vietnam has often ranked among the top ten aid receiving countries in the world. In 2012, it received aid from all 28 DAC member countries except Iceland, and from a further 27 countries or agencies. Japan and the World Bank IDA were the largest donors in terms of aid volume.[38]

[35] *OECD, 2014b*
[36] *The data in Figure 15 have been taken from OECD (2014b).*
[37] *This is based on responses from key informants during interviews in Hanoi in June 2014, many of whom thought that DFID provided a much larger share of total ODA to Vietnam than it actually has. These informants also noted that DFID was a particularly prominent donor in terms of dialogue and presence in various development fora. It also should be noted that DFID support is provided in terms of grants, unlike much of Japanese and World Bank assistance, which is in the form of loans. If only grants are taken into account, Japan during 1999 to 2012 provided 2.5 times the level of aid provided by the UK, and DFID was the fifth largest bilateral donor in terms of volume.*
[38] *This excludes international NGOs.*

Figure 15 ODA Volume to Vietnam, All Donors, Disbursements, 1990 to 2012



The level of ODA to a developing country is important in its own right from various perspectives, but what matters from a development impact perspective is its level relative to various national aggregates of the recipient country, GDP, and population size. ODA relative to these aggregates for Vietnam is shown in Figure 16. An important message coming from this figure is that relative to these aggregates ODA volumes to Vietnam are reasonably large by international standards. In the case of GDP, developing countries typically receive ODA levels that are between one and two per cent of their GDPs and no more than US$50 per capita.[39] Sub-Saharan Africa in recent years has received around $40 per capita in ODA. ODA relative to GDP received by Vietnam averaged 3.6 per cent of its GDP between 2001 and 2012 and 3.2 per cent between 1990 and 2012. ODA per capita received by Vietnam from 2001 to 2012 averaged US$34.20 and US$25.7 (in 2011 prices) between 1990 and 2012. These levels matter for whether we can reasonably expect aid to have had developmental impacts in Vietnam, good or bad. This is of course an extremely complex issue as the impact of these flows will be mediated by many other factors. We return to this issue below. DFID ODA levels have been 0.06 per cent and 0.08 per cent between 1990 and 2012 and 2001 and 2012, respectively. One would not reasonably expect, therefore, to be able to observe a development impact at the national level from this support. This in no way implies that this support has not the potential to have had significant impacts at sub-national or similar levels.

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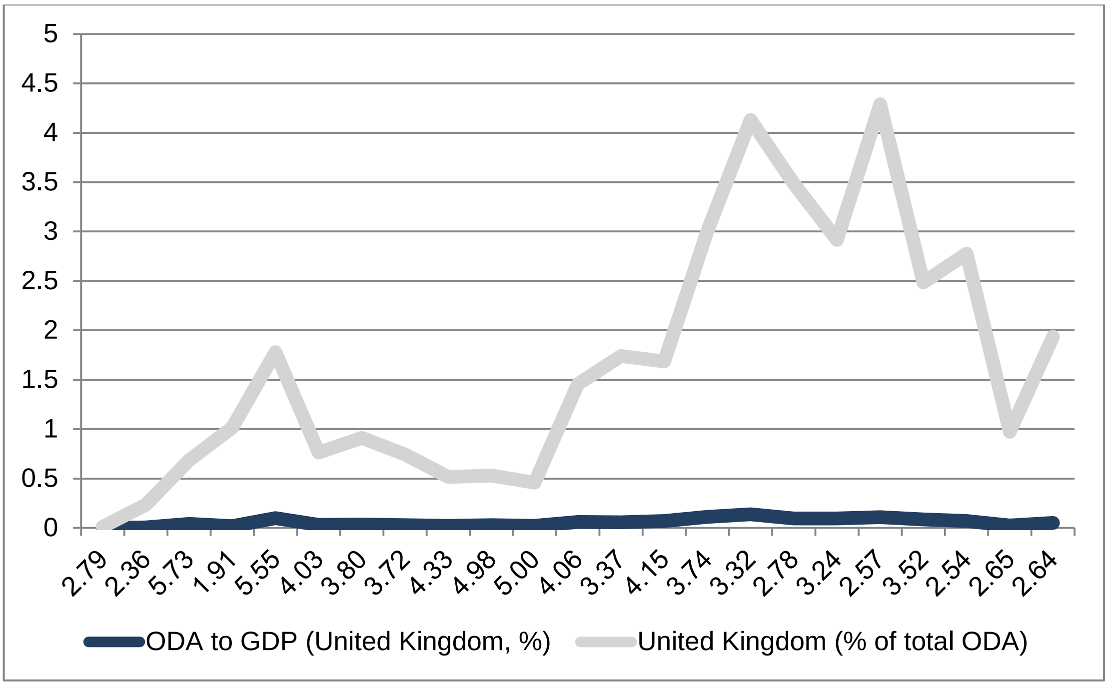
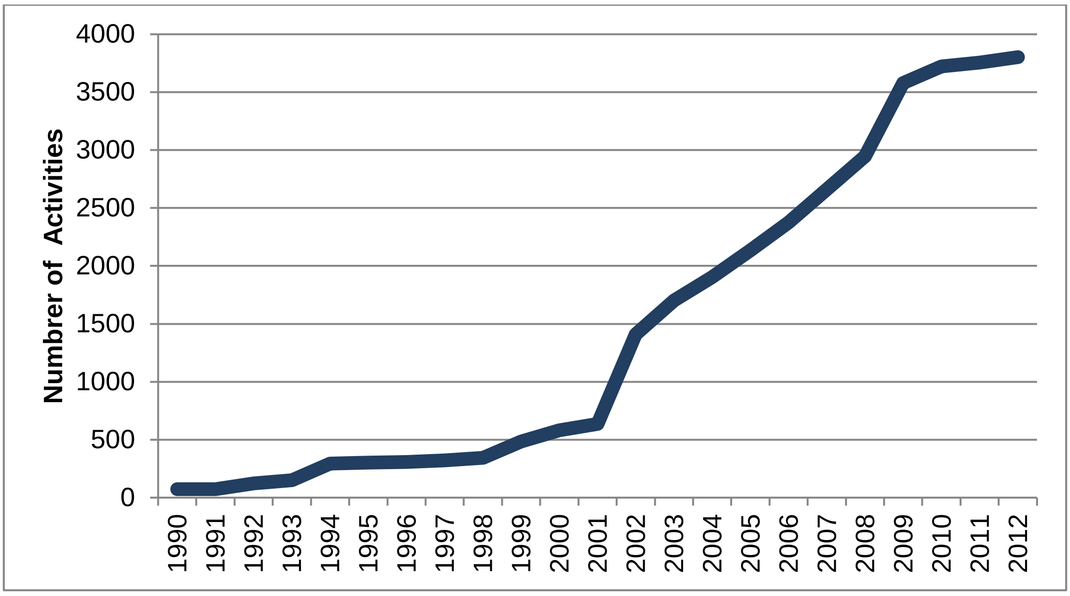
[39] *Note that small island developing countries can receive per capita amounts into the many hundreds of dollars, but these countries are non-typical cases.*

Figure 16 ODA to Vietnam relative to Population and GDP, 1990-2012



The impact of aid effectiveness of the proliferation of donor supported activities in a partner country was commented on above. The proliferation of aid activities in Vietnam up to 2001 was also noted. With the on-going increase in the volume of ODA to Vietnam beyond 2001 came further activity proliferation, as shown in Figure 17.[40] Recall that the number of aid supported activities per year jumped from 72 in 1990 to 637 in 2001. It jumped further to 3801 activities in 2012, the highest level ever in Vietnam. This is good in that it indicates increased donor support for Vietnam, but bad in that it raises questions about the development effectiveness of aid owing to the stress it places both on Vietnam's capacity to absorb aid and donor capacity to provide it effectively. This is clearly disconcerting from a development capacity perspective.

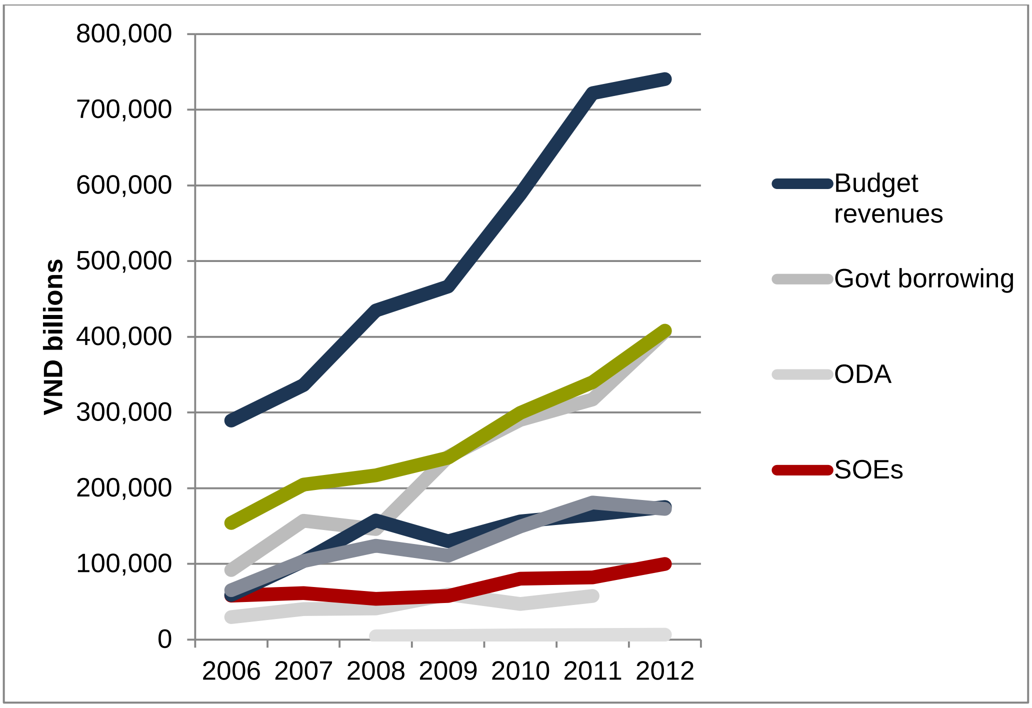
Figure 17 Donor Supported Activities in Vietnam, 1990-2012



[40] *The data in Figure 17 are obtained from the same sources as those shown in Figure 10.*

ODA is one of a number of forms of development finance. A key feature of Vietnam's development finances through the 2000s was a decreasing reliance on ODA. Figure 18, which is taken from Cox and Thi (2014), makes this very clear. Government budget revenue, government (non-concessional) borrowing, revenue of SOE), remittance inflows and FDI became quantitatively far more important than ODA, and increasingly so throughout the 2000s. Remittances from Vietnamese citizens abroad, which is of approximately the same magnitude as FDI, was more than twice the size of ODA more much of the period from 2006.

Figure 18 Vietnam's Development Finance, 2006 to 2012



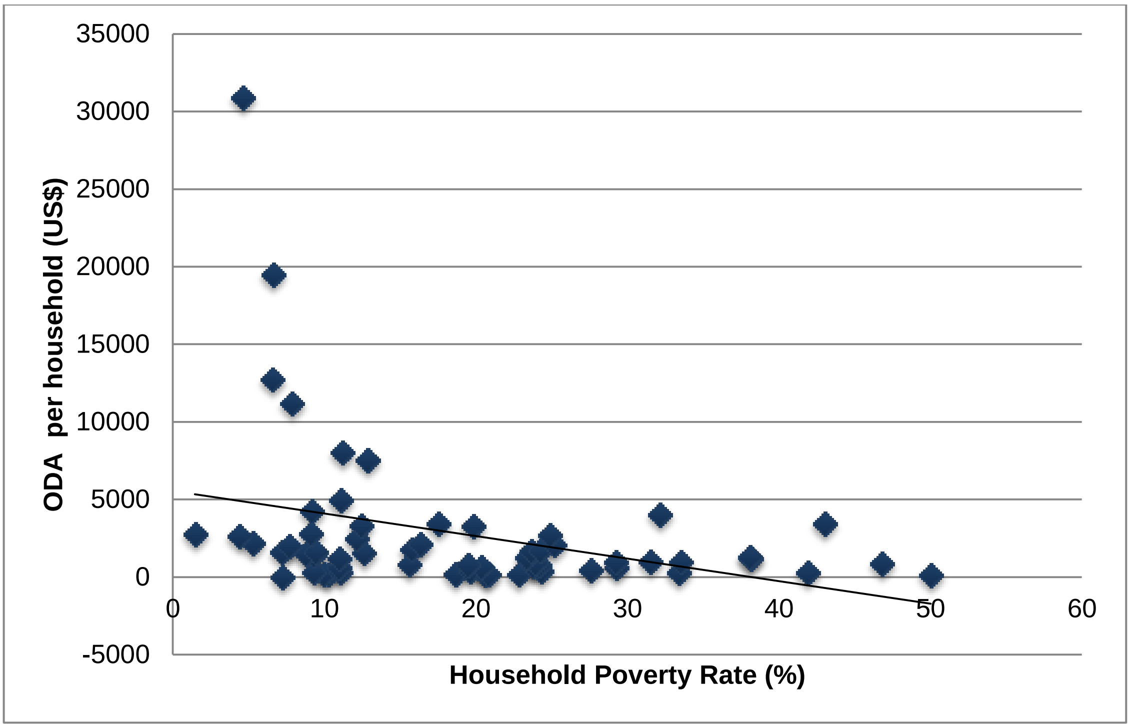
Another feature of donor support to Vietnam is its overall or aggregate allocation by province. Provinces with higher rates of poverty tend to receive less ODA. That is, there is a negative correlation between regional household poverty rates and regional ODA per household. This is shown in the scatter plot in Figure 19.[41] This scatter plot is potentially somewhat alarming, suggesting that on aggregate there is a bias in provincial ODA allocation against poorer provinces. This bias should not be entirely attributed to donor preferences. Discussions with DFID staff have pointed to a sometime preference within the GoV for ODA to target the better performing provinces that can use these flows more efficiently than others to achieve higher economic growth.[42]

[41] One should note that this scatter plot and those that follow below do not constitute an econometric analysis of the data, but merely a description of the simple statistical relationship between the two variables in question. In the latter sense these scatter plots are a diagrammatic depiction of the information provided by a simple correlation coefficient. As such they should not be judged against formal econometric criteria. Note that the correlation coefficient between ODA per household and regional poverty rates is negative and reasonably high in absolute terms, being -0.34, which is statistically significant at the 95 per cent confidence level. Removing outliers increases this coefficient but the correlation remains negative. These outliers include Ha Noi and Ho Chi Minh, which have received relatively large amounts of ODA. One of the reasons why each has received relatively very large amounts of ODA is that the bulk of these funds will be intended for allocation elsewhere in Vietnam or will fund activities or capacities that will be of national benefit. That the correlation remains negative after the exclusion of these provisions is instructive. It could also be the case that ODA levels to other provinces are over- and under-stated for a variety of reasons. It could be, for example, that ODA intended for a number of provinces, such as that for roads for the region in which the province is located, is recorded as the ODA receipts for one region only. If this in a statistical sense results in random under- or over-stating of ODA among provinces, correcting for this under- or over-stating will not change the extent of correlation and its negativity. This is well known among statisticians.

[42] The relationship shown in Figure 19 is for aggregate ODA to provinces. It says nothing about the ODA that has focused specifically on poverty reduction at the provincial level. If this type of ODA has been primarily allocated to poorer

Irrespective of the actual drivers of the apparent bias against poorer provinces, it follows that if ODA has actually decreased poverty and more generally increased development achievements at a provincial level it will have increased the inequality and regional disparity, mentioned above, in these achievements. The data in Figure 19 cannot answer this question, but they certainly prompt further enquiry. In absence of further evidence it is indicative of less than quality aid in development effectiveness sense, to the extent that the allocation of aid among provinces is inconsistent with addressing a pressing development challenge in Vietnam.

Figure 19 Scatter Plot of Provincial ODA and Poverty in Vietnam, 2006-2010



2.5. UK Support for Development in Vietnam

Development co-operation between the UK and Vietnam commenced in 1962. Small amounts of bilateral UK ODA were allocated to Vietnam in every year up to 1980. These amounts were usually less than two million and averaging six million US dollars annually, in constant 2011 prices. Development co-operation between the two countries effectively ended in that year, after Vietnam's military intervention in Cambodia, and did not recommence until 1990. UK bilateral ODA to Vietnam from 1990 to the late 1990s averaged £13 million per year.[43]

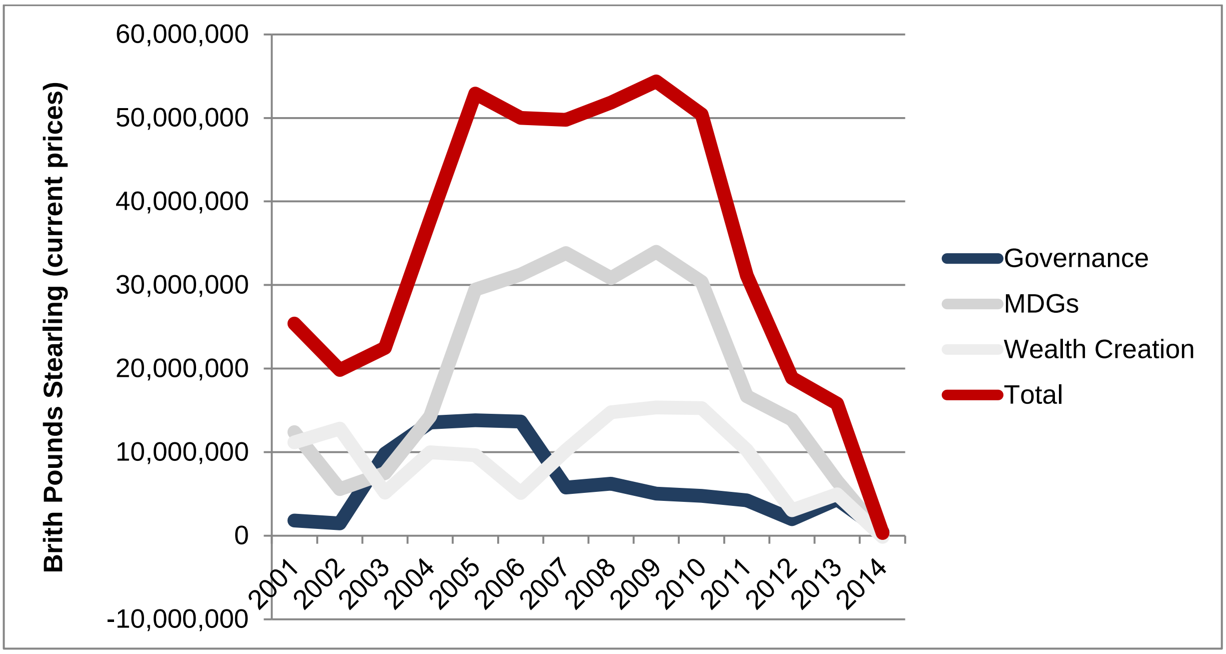
UK bilateral ODA from 2001 to 2014 is shown below in Figure 20. Also shown is the level of support provided under each of MDG, Wealth Creation, and Governance pillars, measured in disbursements, in each of these years. The scaling-up of DFID support is clearly evident from the early 2000s, as is the scaling down from 2009. The level of support peaked in 2009, when it reached £54.4 million. In 2014 it was £306 thousand.

provinces then this mitigates against the potential implications of the bias shown in Figure 24. Yet this mitigation is partial given that all types of ODA will have some impact on poverty reduction through their impacts on the drivers of poverty reduction, such as for example economic growth. Disaggregated ODA data, including those by donor and types of ODA, are not available.

[43] *OECD, 2014b.*

The levels of DFID annual expenditure on each of its three pillars have followed a broadly similar pattern. In this 2001 £12.4 million, £11.2 million, and £1.8 million were respectively disbursed under the MDG, Wealth Creation, and Governance pillars. The maximum yearly disbursement under the MDG Pillar was £33.82 million in 2007. Under the Wealth Creation and Governance pillars it was £15.3 million in 2009 and £13.8 million in 2005, respectively. A total £266.5 million, £127.5 million, and £86.8 million were respectively allocated to each of these pillars between 2001 and 2014. A percentage breakdown of total DFID bilateral support to Vietnam under these pillars, along with support provided for Aid Effectiveness, the Quick Response Fund and cross sectional assistance (that which does not fall under any one of the pillars) is shown in Figure 21. As can be seen, by far the largest component of DFID bilateral support has been provided under the MDG Pillar, which constitutes 55 per cent of DFID support since 2001.

Figure 20 UK Bilateral ODA Disbursements to Vietnam, 2001 to 2014



Additional details of the DFID MDG pillar portfolio are shown in Table 6 and Figure 22, which contain data supplied by DFID. The MDGs were not adopted until late 2001 and 2002, as mentioned above. It is evident from Table 6 that the projects or activities, which commenced from early 1997 to mid-2000, have been retrospectively added to the pillar. There have been 34 activities funded under the MDG Pillar. Twenty-two of these activities sit solely under the pillar and nine are shared with the other two DFID pillars, Wealth Creation and Governance. Of the 34 activities, 18 have been delivered through multilateral agencies operating in Vietnam and 10 through an entity of the GoV. This is obviously fully consistent with the working with and through others approach of DFID in Vietnam. In fact, 97 percent of the total MDG Pillar expenditure has been allocated through the GoV and multilateral agencies (see Figure 22).

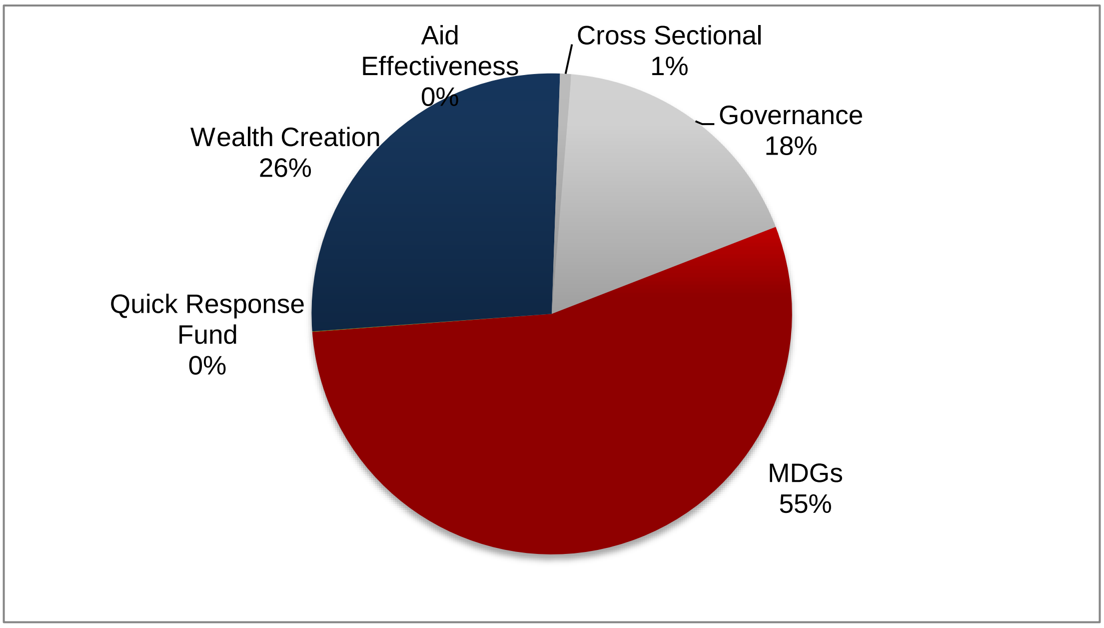
Further details of the Wealth Creation and Governance pillars are provided in Tables 7 and 8 and Figures 23 and 24. A total of 27 activities have been funded through these pillars: 15 through Wealth Creation and 12 through Governance. While DFID self-managed 17 per cent of Governance Pillar expenditure, 64 per cent of this expenditure was delivered through multilateral agencies (see Figure 23). An enormous 87 per cent of Wealth Creation Pillar expenditure was delivered through the GoV (see Figure 24).

Three features of this portfolio standout. The first is that it is extremely focused in that it is comprised of relatively few activities by typical donor standards. A total of 61 activities have been supported over a period of less than 20 years. It would not be unusual for other donors with a program of a similar level of expenditure to have supported ten times the number of activities, as an inspection of the OECD Creditor Report System database suggests.[44] This is a positive attribute from a development effectiveness perspective, indicating an absence of activity proliferation and, in turn, a relative absence of pressure against Vietnam's capacity to efficiently absorb aid and DFID ability to efficiently allocate it. It is also focused in that it is aimed at few MDGs, with most funding being allocated towards poverty reduction and education (see Figure 21).

The second feature is the delivery modality. The multilateral agencies have either been the World Bank or the UNDP, although in one instance it was UNICEF through the provision of core funding to it. That the vast majority, 28 out of 34 activities, have been delivered through other organisations is a desirable property on the grounds of the Paris Principles of harmonisation and alignment. Harmonisation is achieved through providing support through the multilaterals, presumably ensuring that their priorities or consistent with those of DFID. Alignment is achieved through providing support through the partner government and is an attribute of quality aid in an aid effectiveness perspective. It is, however, a risky attribute as it means that DFID is heavily reliant on others to achieve its own operational objectives.

The third concerns the very selection of the pillars themselves, which makes sense on development grounds. As discussed above, the GoV was highly committed to the MDGs. And while Vietnam had made tremendous gains in the development achievements targeted by the MDGs, there was still considerable work to be done, especially in poorer provinces and among poorer ethnic groups. As such it made sense for DFID to come in behind the GoV by supporting the MDGs, with a particular focus on poverty reduction. It was also made very clear below that development in Vietnam had become much more complex in when and in the years after DFID established an office in Hanoi and scaled up its bilateral support for Vietnam. There were particular challenges in sustaining economic growth, among them governance issues. Moreover, governance had become a particular serious challenge for reasons other than the maintenance of high levels of economic growth. Supporting wealth creation and governance as increasingly pressing development priorities made particularly good sense.

Figure 21 UK Bilateral Program Portfolio, Vietnam, 2001 to 2014



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[44] OECD, 2014a

Figure 22 DFID MDG Delivery Modalities by percentage of total Pillar Expenditure

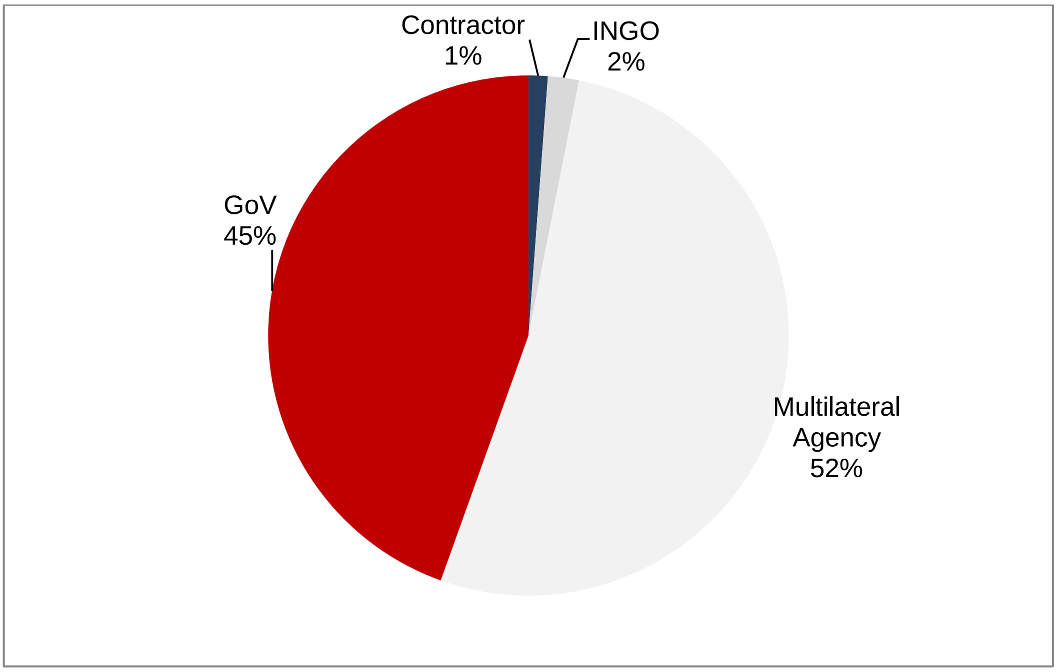


Figure 23 DFID Governance Delivery Modalities by percentage of total Pillar Expenditure

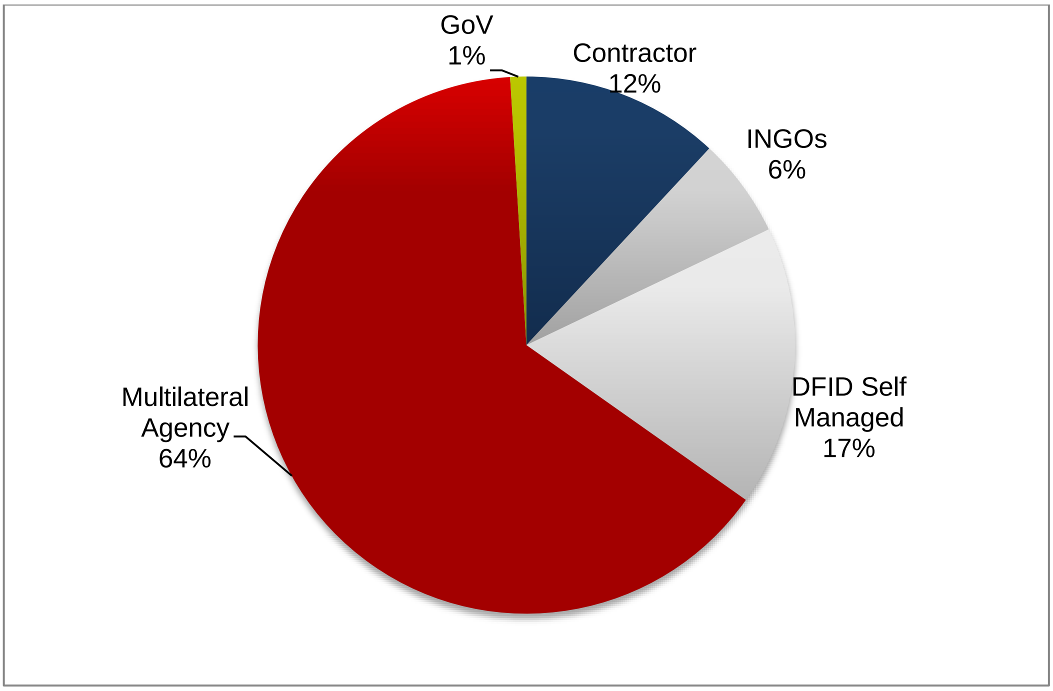


Figure 24 DFID Wealth Creation Delivery Modalities by percentage of total Pillar Expenditure

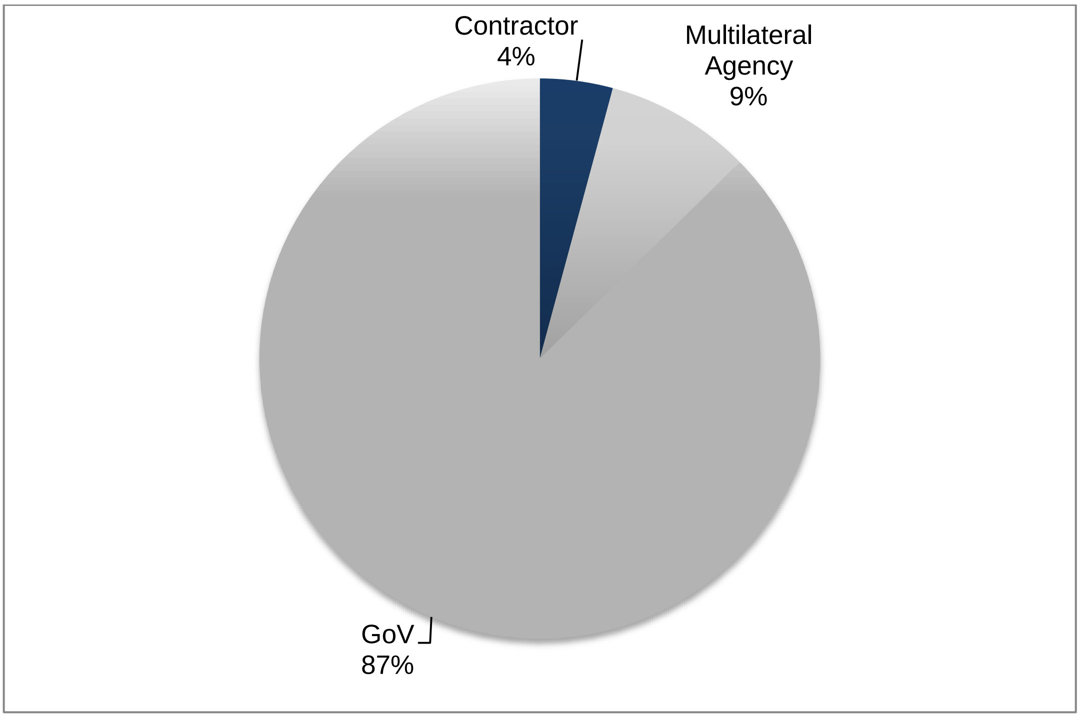


Table 6 DFID Vietnam MDG Pillar Portfolio, 1997 to 2014

Activity	DFID Pillar	Pillar Distribution (per cent)	Project Budget (£)	Start Date	Modality
Ha Tinh Province Poverty Alleviation Program	MDG	100 per cent MDG	5,282,006	01/04/1997	Transfer through INGOs
English Language Teacher Training Project	MDG	100 per cent MDG	3,534,625	01/03/1998	Direct Contractors
Poverty Analysis and Policy Advice Program (Phase II)	MDG	100per cent MDG	2,711,330	01/09/1998	Transfer Through Multilaterals
Poverty Analysis Support Program	MDG	100 per cent MDG	4,755,103	01/09/1998	Transfer Through Multilaterals
UNICEF Core Funding	MDG	100per cent MDG	2,791,454	01/08/1999	Transfer Through Multilaterals
Rural Transport Phase II	MDG & Wealth Creation	60 per cent MDG, 40per cent Wealth Creation	25,594,817	01/03/2000	Transfer Through Multilaterals
Rural Poverty Reduction Program	MDG	100 per cent MDG	536,510	01/05/2000	
Northern Mountain Poverty Reduction	MDG	100 per cent MDG	4,824,222	01/12/2001	Transfer Through

Activity	DFID Pillar	Pillar Distribution (per cent)	Project Budget (£)	Start Date	Modality
Project (NMPRP)					Multilaterals
Capacity Building for Central Region Poverty Reduction (CACERP)	MDG	100 per cent MDG	1,800,000	01/01/2002	Transfer Through Multilaterals
Primary Teachers Development Project	MDG	100 per cent MDG	6,048,004	01/01/2002	Transfer Through Multilaterals
Preventing HIV in Vietnam Program (PHP)	MDG	100 per cent MDG	14,637,844	01/02/2002	Transfer Through Multilaterals
Central Region Livelihoods Improvement Project (CRLIP)	MDG	100 per cent MDG	6,681,864	03/02/2003	Transfer Through Multilaterals
Comprehensive Poverty Reduction and Growth Strategy Support	MDG	100 per cent MDG	354,707	01/06/2003	
Primary Education for Disadvantaged Children (PEDC)	MDG	100 per cent MDG	25,285,068	01/07/2003	Transfer Through Multilaterals
Poverty Analysis and Policy Advice Program (Phase III) (PAPAPIII)	MDG	100 per cent MDG	5,266,330	01/12/2004	Transfer Through Multilaterals
Poverty Reduction Budget Support to Program 135 (P135) Phase 1	MDG	100 per cent MDG	10,000,000	01/01/2005	Transfer to Partner Government
Pilot budget support program for Phu Tho and Lao Cai provinces	MDG and Wealth Creation	60 per cent MDG, 40 per cent Wealth Creation	415,000	01/06/2005	Transfer to Partner Government
Targeted Budget Support for the National Education for All Program	MDG	100 per cent MDG	21,000,000	01/09/2005	Transfer to Partner Government
Transport Sector Support/Rural Transport III (RT 3)	MDG	100 per cent MDG	32,559,000	01/03/2006	Transfer Through Multilaterals
Strategic Secondment to the World Bank in Vietnam	MDG and Wealth Creation	60 per cent MDG, 40 per cent Wealth Creation	176,340	01/06/2006	Transfer Through Multilaterals
Poverty reduction budget support for	MDG	100 per cent MDG	16,141,904	01/08/2006	Transfer to Partner

Activity	DFID Pillar	Pillar Distribution (per cent)	Project Budget (£)	Start Date	Modality
Program 135 phase 2 (P135 Phase II)					Government
Governance and Poverty Policy Analysis and Advice (GAPAP)	MDG		4,800,000	01/07/2007	Transfer Through Multilaterals
School Education Quality Assurance Program (SEQAP)	MDG	100 per cent MDG	12,374,330	01/02/2008	Transfer to Partner Government
HIV/AIDS Prevention Program	MDG	100 per cent MDG	24,300,000	01/07/2008	Transfer Through Multilaterals
Rural Sanitation Program	MDG	100 per cent MDG	17,258,928	11/12/2009	Transfer to Partner Government
Oxfam Poverty Impacts Monitoring	MDG	100 per cent MDG	428,826	08/02/2010	Transfer through INGOs

Table 7 DFID Vietnam Wealth Creation Pillar Portfolio, 1997 to 2014

Activity	DFID Pillar	Pillar Distribution (per cent)	Project Budget (£)	Start Date	Modality
Public Private Partnership Support Facility	Wealth Creation		2,000,000	21/12/2012	Direct contractors
Vietnam Business Challenge Fund	Wealth Creation		7,000,000	02/03/2012	Direct contractors
Making Market Works Better for the Poor in Vietnam (MMWB4P)	Wealth Creation		1,092,834	01/06/2003	Transfer through multilaterals
Making Market Works Better For the Poor, Phase 2	Wealth Creation		3,232,332	01/10/2006	Transfer through multilaterals
State Owned Enterprise Reform Specialist Technical Assistance Project (SOE TA)	Wealth Creation		738,960	01/01/2002	Transfer through multilaterals
Strategic Secondment to EC Delegation Hanoi	Wealth Creation		82,340	01/03/2005	Transfer through multilaterals
Trade Related Support Project (WTO Project)	Wealth Creation		224,644	01/06/2002	Transfer through multilaterals

Vietnam Climate Innovation Centre	Wealth Creation		5,000,000	10/05/2013	Transfer through multilaterals
Vietnam: DFID-WB Climate change partnership	Wealth Creation		2,935,000	22/12/2010	Transfer through multilaterals
Vietnam: State Owned Enterprise Reform	Wealth Creation		4,818,878	01/01/2002	Transfer through multilaterals
Beyond WTO: enhancing Vietnam's capacity to sustain pro-poor growth and protect poverty reduction gains.	Wealth Creation		3,403,162	01/10/2006	Transfer to Partner Gov
Poverty Reduction Support Credit (PRSC 3-5)	MDG+Wealth Creation+ Governance	40 Wealth Creation, 30 Governance, 30 MDG	60,000,000	01/08/2004	Transfer to Partner Gov
Poverty Reduction Support Credit (PRSC 6-10)	MDG+Wealth Creation+ Governance	40 Wealth Creation, 30 Governance, 30 MDG	100,000,063	01/11/2007	Transfer to Partner Gov
Poverty Reduction Support Credit 3-5 Cofinancing	MDG+Wealth Creation+ Governance	40 Wealth Creation, 30 Governance, 30 MDG	14,000,000	01/09/2001	Transfer to Partner Gov
Poverty Reduction Support Credit II	MDG+Wealth Creation+ Governance	40 Wealth Creation, 30 Governance, 30 MDG	10,000,000	01/08/2003	Transfer to Partner Gov

Table 8 DFID Vietnam Governance Creation Pillar Portfolio, 1997 to 2014

Activity	DFID Pillar	Pillar Distribution (per cent)	Project Budget (£)	Start Date	Modality
Vietnam Empowerment and Accountability program (VEAP)	Governance		5,500,000	27/01/2012	Direct contractors
Small and strategic policy support	Governance		7,782,451	01/06/2006	Self-managed by DFID
Anti-corruption Strategic Fund	Governance		2,400,000	28/05/2012	Transfer through INGOs
Transparency International (TI) Program in Vietnam: Strengthening Anti-corruption Demand	Governance		359,920	04/08/2009	Transfer through INGOs
DFID-UNDP Strategic Partnership Initiative	MDG+Wealth Creation+ Governance	50 Governance, 30 Wealth	5,000,000	01/08/2004	Transfer through multilaterals

Activity	DFID Pillar	Pillar Distribution (per cent)	Project Budget (£)	Start Date	Modality
		Creation, 20 MDG			
Public Financial Management Modernisation Project (PFMMP)	Governance		338,000	01/01/2003	Transfer through multilaterals
UN Influencing Policy In Vietnam	MDG+Governance	50 Governance, 25 MDG, 25 Gender	3,000,000	12/03/2012	Transfer through multilaterals
Vietnam Anti-Corruption Initiative	Governance		700,000	15/11/2010	Transfer through multilaterals
Vietnam Governance, Economic Management and Social Protection Program (VGEMS)	MDG+Wealth Creation+ Governance	40 Governance, 30MDG, 30 Wealth Creation	6,000,000	25/06/2012	Transfer through multilaterals
Vietnam Public Financial Management Reform	Governance		6,001,450	01/06/2003	Transfer through multilaterals
Vietnam: One UN Initiative (July 2007 - December 2010)	MDG+Wealth Creation+ Governance	40 Governance, 30 MDG, 30 Wealth Creation	8,600,000	01/10/2007	Transfer through multilaterals
Ministry of Planning and Investment Inspectorate Technical Assistance	Governance		445,914	01/04/2004	Transfer to Partner Gov

2.6. ODA and Development Achievements in Vietnam: Some Stylised Facts

Some key contextual points emerge from the discussion thus far. They are as follows.

- Vietnam was well positioned to embrace the MDGs as development policy objectives and, more generally, to work with the donor community from the early 2000s. This is because they have had in place broadly similar plans well before the international community's adoption of the MDGs, having a high level of government commitment to MDG type objectives, having been on a very strong upward development trajectory since the mid- to late 1980s and having received and with strong anticipation of ongoing support of high levels from the international donor community.
- There were, however, emerging inequality and governance challenges. There were, in particular, high disparities in living conditions between geographic areas and ethnic groups within Vietnam. Some remote provinces and ethnic minority groups had very high poverty rates compared to others. And donor support, whilst high was characterised by a crowded, complex architecture, with many donors supporting Vietnam and a high and growing level of activity proliferation.

- Vietnam's MDG performance has been exceptionally good by international standards. It is indeed outstanding. The majority of Vietnam's citizens are now vastly better off in terms of development achievements than in 1990. Vietnam has achieved most MDGs and likely to achieve all except the environmental MDG, MDG7, by 2015. Its performance against the income poverty reduction target of MDG1 has been particularly impressive. This target was to half income poverty from its 1990 level by 2015. It achieved this target in the mid-2000s and will by 2015 have reduced income poverty by more than three quarters.
- Vietnam was a darling of the international donor community throughout the 2000s, being among the top ten aid recipients internationally in terms of ODA volume. It is considered internationally to be an aid effectiveness success story. The aid architecture in Vietnam did, however, become more congested throughout the 2000s both in terms of the number of donors operating in the country and, in particular, the number of activities they fund.
- Throughout the 2000s ODA became in purely quantitative terms a relatively small source of development finance in Vietnam. Private remittances, mainly from Vietnamese living abroad, and FDI were more than twice the level of ODA toward the end of the first decade of the 2000s.
- Whilst ODA flows to Vietnam might have become low relative to other forms of development finance, they remain high by international standards relative to its population size and GDP. They also are sufficiently high for one to expect that they have had observable development impacts at the national level, good or bad.
- ODA to Vietnam tended to be focused on its relatively well-off provinces. This is evident from a negative correlation between ODA per household and household poverty rates among Vietnamese provinces. This has the potential to increase already large gaps in living conditions between provinces.
- Vietnam's impressive development performance was accompanied by a number of increasingly pressing challenges. Economic growth per capita remained high by international standards by trended from the mid-2000s. In short, Vietnam was unable to maintain its extremely high growth of the mid-1980s to mid-2000s as the economic environment faced became more complex. Governance levels continued to slide downward. During the 2000s poorer provinces fell further behind others. Poorer ethnic minorities experienced improvement in their living conditions (although the number of poverty living in some increased) fell much further behind the Kinh ethnic majority and many remained very poor. Environmental vulnerability was assessed to be of an alarmingly high level, with Vietnam judged to be among the most environmentally vulnerable countries in the world.
- The above facts related to the overall development situation in Vietnam. The following are specific to the UK and DFID.
- The UK substantially scaled-up its bilateral development assistance to Vietnam following the establishment of its DFID office in Hanoi 1998 and the appointment of a Head of Office in 1999.
- DFID is in a purely quantitative sense a small bilateral donor in Vietnam, providing a small share of total aid to Vietnam (although a larger share of grant) but is one that is considered quite active and vocal, with a potential ability to 'punch above its weight'.
- DFID has had quite a poverty focused bilateral program in Vietnam. The program has also been very focused in terms of the number of activities is has supported, which is very small by the standards of most donors. This lack of activity fragmentation is a desirable characteristics on partner absorptive and donor allocative capacity and therefore aid effectiveness grounds. That DFID has focused mainly on three pillars is a good overall sign for the effectiveness of its bilateral development co-operation with Vietnam.
- Another feature of DFID bilateral support for Vietnam concerns its delivery modality. The vast majority of its activities have been delivered either through multilateral agencies of GoV entities. This

is good according to the aid effectiveness criteria of harmonisation and alignment. It is, however, a risky attribute as it means that DFID is heavily reliant on others to achieve its own operational objectives.

What do these points imply for the quality and likely impact of DFID support on development achievements, including poverty reduction, in Vietnam? The last two points are indicative of quality aid, but beyond that it would be premature to draw further inferences, as these questions cannot be considered until after far detailed investigation of this support. It is however first instructive to consider evidence of the impact on MDG and other development achievements in Vietnam of the combined donor effort in that country. Our evaluation ought not to be blind to this impact given that DFID is one of many donors operating in Vietnam. This is not the impact of one donor, but the overall or aggregate impact of international donor support. We cannot answer this question definitively as such is beyond the resources of the present evaluation, but some stylised facts can be provided about simple statistical associations.

Data availability permits looking at the statistical association between ODA and one MDG target variable only, child mortality. It is also possible to look at associations between ODA and income per capita and the HDI as sufficient data exist to permit this. It is reasonable to posit that these variables and those on which MDG targets are based will be positively associated. Higher levels of income per capita will be associated with lower income poverty levels, for example. High HDI scores will be associated with higher levels of schooling. And if ODA has been successful in lifting income per capita and human development levels it might have had similar success in at least some of the MDGs.

ODA to Vietnam is strongly associated with lower child mortality, higher income per capita and higher human development, based on the information shown in Figures 26 to 27. Each of these associations is statistically significant, based on standard tests. The correlation coefficients between ODA and each of child mortality, income per capita and human development are 0.93, 0.93 and 0.95.[45] Whilst the scatter plots do not themselves provide proof of the effectiveness of aid to Vietnam, they information paints a potentially very positive message about this effectiveness. They also support the widespread view that Vietnam is an aid effectiveness success story. This does not necessarily mean that DFID support for the MDGs is effective but reinforces our contention that knowledge of this broader context should inform the interpretation of the evaluation results that follow in this report.

[45] *The point made above about the scatter plot shown in Figure 26 needs to be repeated here. These scatter plots do not constitute an econometric analysis of the data and should not be judged against econometric criteria. In particular, these associations should in no way be taken as evidence of casual relationships for a variety of methodological reasons. There is no attempt to control for other determinants of the development achievement variables and to allow for endogeniety, in which aid both influences and is influenced by these variables. Among the uses of these scatter plots is that they prompt further inquiry.*

Figure 25 ODA and Child Mortality, Vietnam, 1990 2012

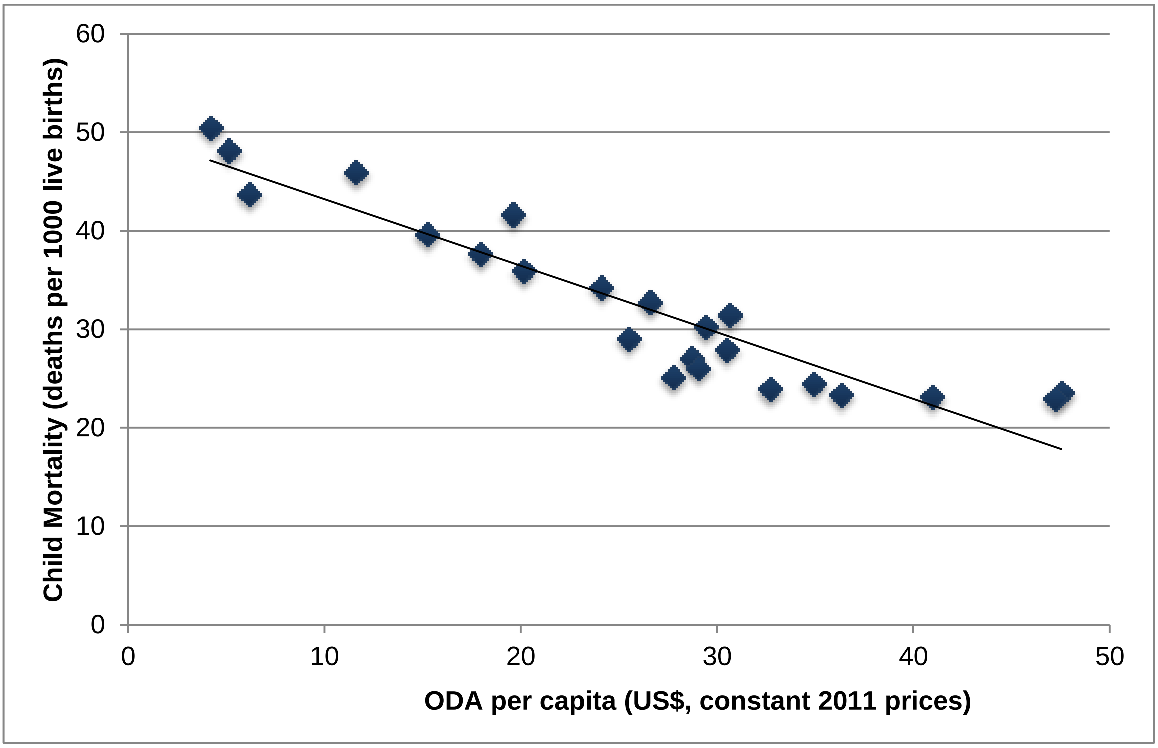


Figure 26 ODA and Income per capita, Vietnam, 1990-2012

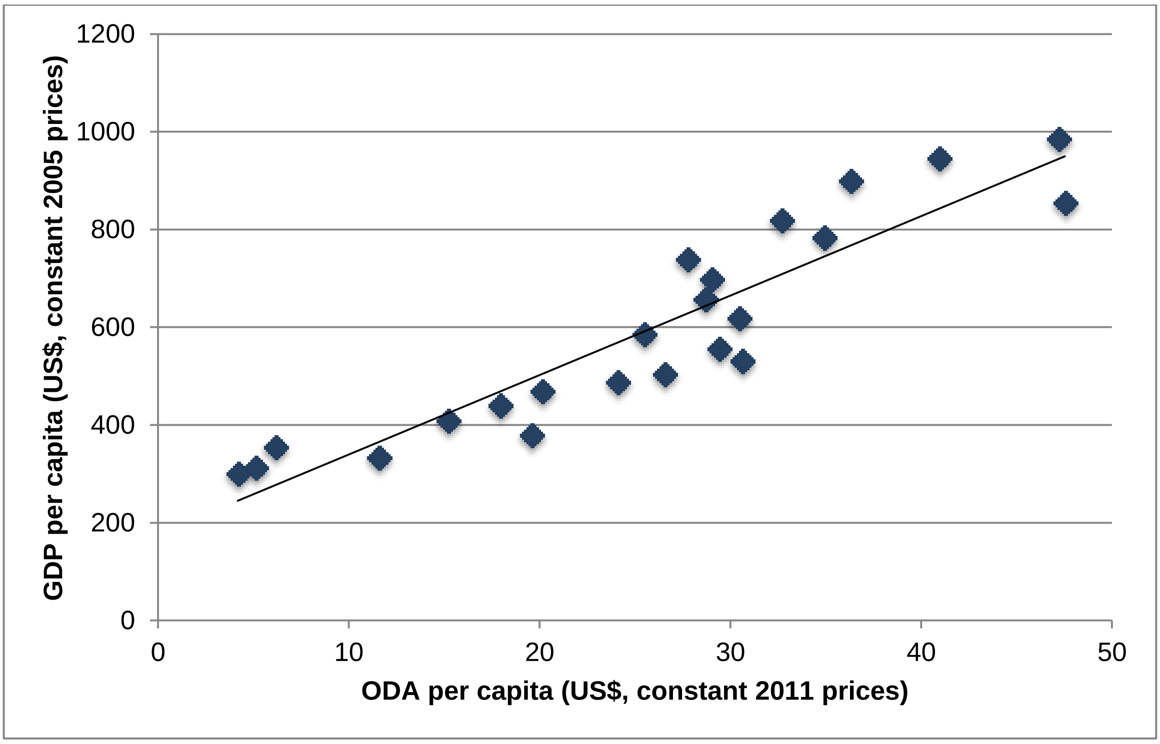
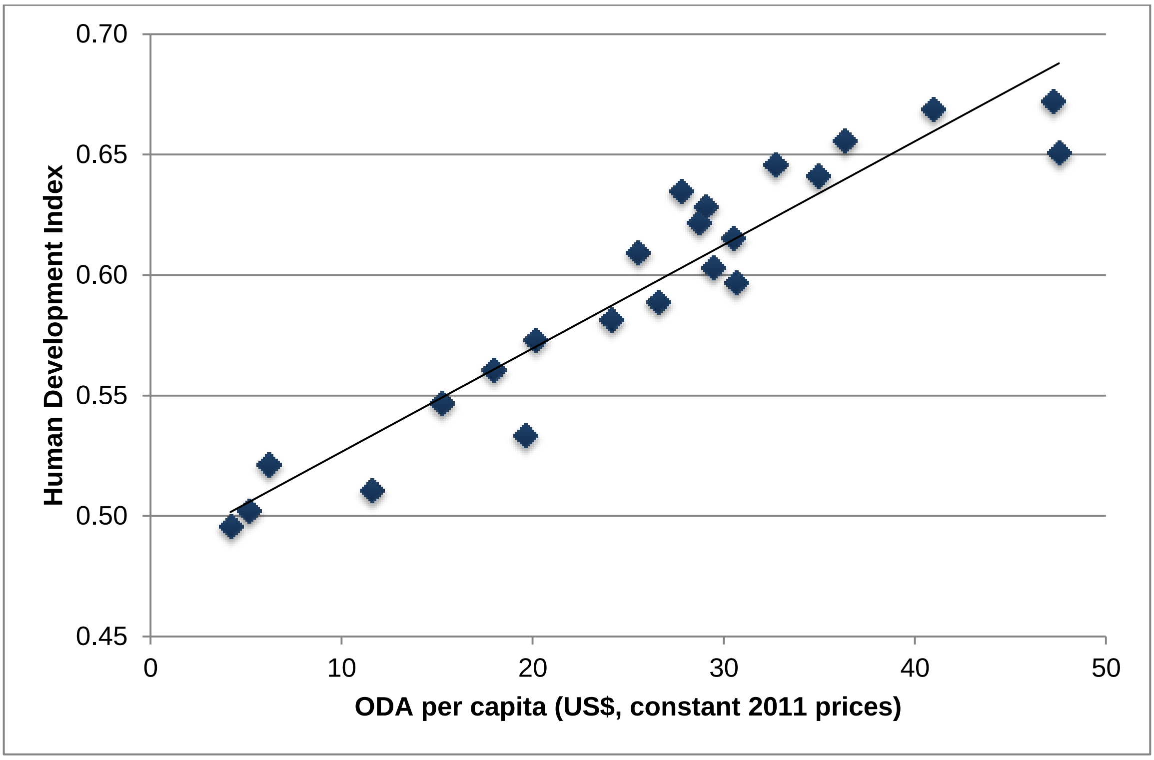


Figure 27 ODA and Human Development, Vietnam, 1990 to 2012



3. DFID Policy Context

In the late 1990s, a significant shift in UK international development policy took place that had a pronounced impact on the scale and focus of DFID's support to Vietnam. In May 1997, the Blair Government was elected to power and Clare Short was appointed Secretary of State. In November 1997, the newly elected government released its White Paper on International Development.[46] This major policy paper refocused the aid program towards poverty elimination and committed to building partnerships with donors in developing countries to improve aid effectiveness. The White Paper also reaffirmed the UK's commitment to increase ODA to the UN target of 0.7 per cent of GNI. And, importantly it foreshadowed increasing financial commitments to the education and health sectors, and indeed other sectors that would become, after the year 2000, targets under the MDGs.

The White Paper (and the election promises and post-election speeches made by Clare Short) had a significant influence on DFID staff based in the Asia regional office in Bangkok, which at that time implemented the Vietnam bilateral program, and had done so since 1992. This relatively modest program focused on enhancing productive activities, economic and institutional reform, and human capital development. In DFID's own estimation, this program was somewhat ad hoc, and lacked sufficient focus to have a lasting impact in Vietnam. As noted in the 1998 Country Strategy Paper (CSP), the UK's portfolio 'has had at best an indirect benefit on tackling the causes of poverty in Vietnam … the nature and spread of activities this has generated is not conducive to lessons learning, achieving impact, and gaining influence'.[47]

Staff in Bangkok where influenced by the changes that had taken place since Clare Short's appointment and had begun preparing for the imminent shift in policy by implementing the Ha Tinh Poverty Alleviation Project in 1997– a program that clearly aligned to the government's renewed focus on poverty elimination. After the release of the White Paper, senior staff set about drafting the new Vietnam CSP. Staff interviewed for this evaluation that were directly involved in the country strategy drafting process reflected positively on the influence of the White Paper and in particular the imprimatur it gave them to reshape the program around the pillars of poverty alleviation and working with others. Respondents felt that the White Paper helped transform the Vietnam program from a somewhat directionless suite of activities to a more focused program targeting poverty reduction first and foremost.

The 1998 CSP provided an overview of the challenges facing Vietnam (e.g. inequality, creating new opportunities for the poor, maintaining growth, and adapting governance) and articulated a number of principles that would guide DFID's approach to development cooperation, including: [48]

- Working with, and through others;
- Moving towards a program approach (and ensuring DFID can help provide 'focus' to programs);
- Better understanding of local problems and technical issues, and investing resources in this (including increasing the use of local expertise);
- Financing investments that are pro poor;
- Developing the capacity of the GoV to allocate and manage expenditure to address pro poor priorities; and
- Considering budget support.

[46] *UK Government (1997) "Eliminating World Poverty: A Challenge for the 21st Century"* White Paper on International Development, *November 1997, see: http://webarchive.nationalarchives.gov.uk/20050404190659/http:/www.dfid.gov.uk/Pubs/files/whitepaper1997.pdf*
[47] *DFID (1998)* Vietnam: Country Strategy Paper*, unpublished internal document, p.13*
[48] *Ibid., p.15*

Aside from articulating the strategy that would guide DFID's development cooperation, the CSP also outlined the types of activities that DFID was in the process of agreeing to fund in Vietnam, these included: public administration and economic governance reform, rural transport, primary education, rural water, and area-based poverty reduction programs. The CSP noted that while the joint commitment to poverty elimination was a good foundation upon which to build an enduring partnership, major governance reforms where required to provide the enabling environment for sustainable and long term poverty alleviation and reduced inequality. Economic reforms in areas such as state owned enterprises, tax and trade were required alongside improvements in transparency, accountability and human rights. With that in mind the UK committed to help build capacity in the areas of economic governance and public administration reform alongside its poverty elimination-focused programs.

In 2004, DFID launched its new Vietnam CAP for the period 2004-2006, which superseded its 1998 CSP. CAP's were a relatively new strategic planning document used across DFID to articulate how country programs would support development in each country. They also provided a framework for annual assessment of DFID performance, something that was missing from the previous strategic framework. The 2004-6 CAP reinforced DFID's commitment to the MDGs in particular, and highlighted the importance of the GoV's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) as the main vehicle for development achievement. The key objectives of the 2004-6 CAP included:

- Supporting the implementation of the CPRGS;
- Promoting the efficient, effective and equitable use of public financial resources;
- Strengthening government efforts to achieve socially inclusive development and accountability;
- Supporting economic and social transition; and
- Focusing on cross-cutting issues, education and rural transport.

DFID's approach to aid delivery under the new CAP was very similar to that articulated in the 1998 CSP, and focused on: (i) ensuring the GoV led the development process, (ii) maintaining a focused program, (iii) strengthening local capacity, and (iv) being open and consultative in style of working. The CAP also committed DFID to a leadership role in aid effectiveness (though leadership of the Partnership Group on Aid Effectiveness, and a key role in the Like-Minded Donor Group), and foreshadowed the use of a mixture of aid modalities designed to reduce the administrative burden on the GoV and to improve donor harmonisation, which included on-going work on general and targeted budget support, which was discussed at length in the MDG report.

The 2004 CAP recognised that further economic growth would be linked to on-going reforms in the finance and business sectors and that improved service delivery and poverty elimination was likewise linked to government reforms and improvements in capacity. Reform in a number of areas (particularly SOEs) had stalled and this was recognised as an on-going challenge. The GoV had committed to join the WTO in 2006 and this necessitated the introduction of a number of important trade-related reforms, for which the UK government planned to provide assistance. The UK also continued its assistance in the area of economic governance in particular and sought to work more directly with the Ministry of In 2006, an independent review of the Vietnam country program was undertaken by DFID.[49] This review was largely positive. It highlighted the alignment between the UK country assistance plan and the priorities of the GoV, and confirmed the importance of the 'working through others' model which had been a hallmark of DFID's aid delivery since 1998. However, it noted that this model incurred high transaction costs and could potentially lead to a decrease in understanding of the operational context, which could affect program implementation and strategic direction. The review pointed to some significant results in areas like aid effectiveness and the use of public resources in particular, while suggesting that DFID's social and economic transformation and rural poverty programs had experienced more 'mixed results' – a conclusion supported by the MDG report that accompanies this historical review. Importantly, and not surprisingly, noting the 2006 corruption scandal

[49] *DFID (2007) Vietnam Country Program Review, EVSUM 673, May 2007*

in the Rural Transport Program funded by DFID,[50] the report suggested that more effort was required in the area of anti-corruption. The review suggested that corruption was underestimated by both the GoV and donors and that stronger efforts needed to be made, including the funding of specific anti-corruption programs by the UK.

In 2007, DFID launched its second CAP for the period 2007-2011, in a move to better align CAPs with the GoV's overarching State Economic Development Plan (SEDP), which covered the period 2006 to 2010. This CAP further reinforced DFID's overarching commitment to the MDGs and to the GoV's second poverty reduction strategy, the SEDP. Importantly this CAP sought to build on the lessons learned over the previous decade of support, and in particular the lessons emerging from the 2006 Country Program Review undertaken by the DFID Evaluation Department, the visit from the UK National Audit Office, and other independent evaluations, such as the joint investigation (with the World Bank) into the rural transport project.

The 2007 CAP had a distinct governance focus. It highlighted the 'profoundly challenging' governance issues that continued to face the GoV and that presented major risks to the achievement of SEDP goals. With those challenges in mind, DFID sought to broaden its focus on governance, focusing less on PFM and economic governance issues at the central level (where other donors now led) and more towards accountability and anti-corruption, which were recognised by the 2006 Country Governance Analysis as the most significant remaining challenges. The UK prefaced stronger engagement in anti-corruption, sought to strengthen PFM in targeted budget support,[51] committed to strengthen policy dialogue on corruption, and sought to improve the effectiveness of the World Banks governance programs. Importantly DFID sought to build on its 'comparative advantage' in governance work by providing funds for technical assistance in key areas identified by the GoV.

Around this time a 10 year Development Partnership Agreement (DPA) was also signed with the GoV (2006-2015). In this long term agreement, the UK committed to providing debt relief in the form of grant aid to the GoV, it reinforced its support for Vietnam's SEDP, and it further emphasised its commitment to take a strong role in aid effectiveness. It also set benchmarks for various governance related indictors, which provided the basis for policy dialogue with GoV counterparts. The DPA also provided indicative levels of funding for the ten year period. According to senior Vietnamese officials interviewed for this evaluation, this long term commitment to provide development assistance was well received by the GoV, and signified a maturation of the aid relationship between the two countries.

The 2007-2011 CAP laid out three primary objectives: (i) helping Vietnam fulfil its WTO commitments, (ii) improving the quality and inclusiveness of services for the poor, and (iii) promoting effective and accountable governance. With regards to the second objective, DFID confirmed its continuing support for basic education, HIV/AIDs and rural transport, and its support for social protection. Importantly DFID committed to fund the first targeted budget support program in education – the Education for All (EFA) program. Another important strategic direction was the shift away from co-financed rural development projects with the ADB and World Bank and towards supporting the GoV's poverty reduction programs directly. The reasons for this shift are explained in detail in the section below on Area Based Programs (ABPs). The CAP also reinforced a commitment to the aid effectiveness agenda and in particular helping to achieve off-track Hanoi Core Statement targets, which were targets designed to operationalise Paris Declaration Principles in Vietnam. It also foreshadowed the need to begin working with partners in the transition from an 'aid relationship to a broader development partnership after 2010 as Vietnam's need for concessional assistance lessens'.[52] The 2007 CAP was the first formal DFID document to discuss the ramifications of Vietnam's graduation to a middle-income country, foreshadowing a decline in DFID funding after 2011, and the need to 'manage this transition, and the expectations of government and donors associated with it'.[53]

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[50] *See accompanying MDG report*
[51] *See accompanying MDG report for how this played out in the various TBS programs funded by DFID*
[52] *DFID (2008)* Vietnam: Country Assistance Plan 2007-2011, *p.22*
[53] *Ibid., p.24*

In 2011, after the election of the Cameron government, a new policy process for country strategies was developed and the DFID Vietnam Operation Plan for the period 2011-2015 was implemented. This Plan was influenced significantly by the Bilateral Aid Review conducted in 2010-11, which introduced a new approach to aid allocation. This approach centred on the bottom-up assessment of results and the allocation of resources based on expected results.54 The review sought to rationalise DFID's aid investments and introduce new measures of efficiency. The Vietnam country office submission to this review highlighted the many challenges facing Vietnam and emphasised the importance of staying the course until the end of the DPA, calling for a responsible exit from Vietnam in 2016.[55] It also responded with practical suggestions on how to take forward the Ministers' request to refocus the program on the three themes of trade/growth, governance and climate change.

This new plan continued to support the MDGs, particularly those that were lagging, such as HIV/AIDS and education in remote areas, and it committed significant funding to Water and Sanitation; however it foreshadowed the phasing out of these programs in 2013/14 in line with a broader exit strategy. It also announced the end of general budget support. The Plan also included a significant focus on Value for Money and improving the efficiency of aid delivery.

The 2011 Operational Plan sought to reemphasise the importance of wealth creation and the need for stronger engagement with the private sector in particular. It foreshadowed programs in the area of market development, supporting SMEs with microfinance support, as well as supporting the necessary regulatory reforms that would enable Vietnam to benefit from the trade agreements it had recently signed. The Plan also continued to DFIDs on-going support for accountability and anti-corruption and flagged new programs with civil society alongside ongoing programs with the State Audit Office.

In 2011 DFID Vietnam developed a Wealth Creation Strategy for the period 2011-2016.[56] This strategy sought to operationalise DFID's broader commitment to boosting economic growth and wealth creation, while also supporting the recently negotiated DPA. The strategy seeks to promote inclusive growth in Vietnam and to ensure that the poorest have access to the opportunities and markets that such growth promotes. The twin objectives of the strategy are to: (i) improve the policy and business environment conducive for inclusive growth, moving towards a full market economy; and (ii) increasing private sector engagement and investment in pro-poor businesses. The strategy recognises that Vietnam faces a number of challenges with regards to wealth creation, including, but not limited to: the quality movement and segmentation of labour, infrastructure provision, productivity and investment and a series of institutional and regulatory capacity issues. Climate change is also recognised as a critical challenge. The strategy outlines DFID's existing investments in wealth creation (which are discussed below) and outlines how these existing commitments seek to address the challenges Vietnam faces. Key priorities under the strategy include: (i) leveraging DFID's knowledge of private sector development and business-oriented programs; (ii) working closely with the Embassy to incorporate the wealth creation agenda within the Embassies broader 'prosperity' pillar; (iii) continuing to avoid duplication and streamline processes (which has been a focus since the very beginning), and (iv) improving gender equality.

The foregoing review highlights the primacy of poverty elimination and support for the MDGs that characterised DFID's development strategy in Vietnam since the inception of the country program in 1998. This, along with the 'working through others' delivery strategy were the most consistent aspects of DFID's policy setting in Vietnam. Over time the focus on governance, which early on focused primarily on economic governance and PFM in particular, broadened to include accountability and anti-corruption issues and new partnerships were formed to carry those priorities forward. After the election of the Cameron government in 2011, and after the decision to exit from Vietnam was made, the MDG programs were phased out and renewed emphasis was placed on wealth creation, trade, private sector development, and climate change.

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[54] *DFID (2011)* Bilateral Aid Review: Technical Report, *March 2011, see: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214110/FINAL_BAR_20TECHNICAL_20REPORT.pdf*

[55] *DFID (2010) Vietnam: Bilateral Aid Review,* Submission to Ministers, *25 June 2010*

[56] *DFID (2011) Wealth Creation Strategy, 2011-2016, DFID Vietnam*

4. DFID Support for the Millennium Development Goals

The section provides a historical overview of DFID support to various general poverty reduction programs, delivered under its MDG Pillar, from 1997 to December 2013. For ease of discussion these have been classified into three sub-categories: area-based and targeted poverty reduction programs; general budget support and related programs; and rural transport programs. The activities under each sub-category are discussed in chronological order.

4.1. Area based and Poverty Reduction Programs

One of the characteristics of DFID's aid programing from the late 1990s to the mid-2000s was its support for ABPs. During that period ABPs typically focused on two broad areas: improving pro poor service delivery in a particular geographical area (through improving the physical assets of the poor, building human capital through education and health interventions, improving infrastructure, or providing social protection); and improving the pro-poor prioritisation of public spending.57 These programs differed from the Integrated Rural Development Programs of the 1970s and 80s due to their focus on participatory approaches and strengthening the voices of the poor, they also supported governments to respond to these voices and implemented mechanisms to facilitate this.58 ABPs were one way to operationalise DFID's focus on poverty reduction in remote and rural populations, a priority articulated in the 1998 CSP.

The first ABP funded by DFID was the Ha Tinh Poverty Alleviation Project (HTPAP). DFID contributed £5.26 million to this project between 1997 and 2003. Its objective was to enable poor people to benefit from sustainable economic development opportunities. At the time of the project's inception Ha Tinh province had levels of poverty and malnutrition that were higher than the national average, although it was clearly not among the poorest provinces in as Table 1 (above) makes clear. In 1999 it had the lowest provincial poverty rate in its region (the North Central Coast) and a lower rate than all provinces in the North East and North West regions except Quang Tri.

The project was implemented by three NGOs (Action Aid Vietnam, Save the Children Fund, and Oxfam UK) in three districts of Ha Tinh Province. It provided direct support in a number of areas including: savings and credit programs, small scale rural infrastructure, agricultural services, hunger eradication and poverty reduction, social development funds, community-based education, and building local capacity. In many ways HTPAP was a transition program, as it was approved before the adoption of the CSP in 1998, after which DFID shifted focus towards working with multilaterals as opposed to directly funding stand-alone projects.

An "Output to Purpose" review undertaken in 2001 reported mixed results.[59] There had been measurable achievements in the construction of dykes and associated increases in rice yields in a number of communes, but these projects were plagued by maintenance issues, particularly a lack of commitment to maintenance by local authorities. Savings and Credit (S&C) activities proliferated, and by 2001 there were 17,000 S&C members across all districts and 4,500 members of Water User Associations (WUAs); but the capacity of these groups was highly variable. Local government authorities had sought to replicate a number of models in agricultural extension and S&C in particular and there was some evidence that the project had directly influenced the province-wide poverty reduction strategy. One significant constraint was the incoherent nature

[57] *Farrington, J* et al *(2002) "Do Area-Based Projects have a Future?"* Natural Resource Perspectives, *No. 82, December 2002, Overseas Development Institute*
[58] *Ibid*
[59] *DFID (2001)* Ha Tinh Poverty Alleviation Project Output-to-Purpose Review*, March 2001, unpublished internal document*

of the program-level M&E framework, and the inconsistency of the outputs recorded by the various NGOs, this created significant problems measuring progress. The review called for the development of a more coherent M&E framework at the program level, however after the review, the three NGOs and DFID decided not to pursue these recommendations as the project was not going to be extended due to the change in partnership focus articulated in the CSP.

The Project Completion Report (PCR) in 2003 reported some improvements and DFID rated the program as 'reasonably successful' with a purpose level rating of 2 from 5 ('purpose likely to be largely achieved').[60] The report noted that 15 of the 22 output indicators had been achieved and the remaining seven were partially achieved. S&C membership increased to 25,000 by 2003, three large sea dykes had been constructed, and 25 local irrigation projects concluded using participatory planning and management approaches. The PCR noted that the education and capacity building elements of the project were relatively unsuccessful. In general the project was positively reviewed and may have attracted further funding had DFID not decided to cease funding stand-alone projects.

The project seems to have had a significant number of indirect impacts including the wide adoption of water users associations, people's supervisory committees on infrastructure development, and commune based savings and credit funds. The Women's Union has replicated the S&C model throughout Ha Tinh and in other parts of Vietnam. The types of participatory processes developed during the project were also adopted by much larger donor programs in the province at the time. HTPAP was indicative of the participatory area-based programs of the time, it had some beneficial impacts within a limited geographical area but was quite complicated and had limited capacity for scale up. The absence of a rigorous ex post evaluation makes it very difficult to assess the poverty-reducing impact of the program.[61]

In 2001, DFID committed £7.5 million in grant funding to the US$ 110 million Northern Mountains Poverty Reduction Program (NMPRP), which was co-financed with the World Bank. Unlike the HTPAP, this program aligned with both pillars of DFID's CSP, namely it focused on poverty alleviation and it involved working closely with the government and a multilateral partner. NMPRP was developed at the request of the GoV and sought to augment the targeted poverty reduction programs already funded by the government, namely the National Target Program on Hunger Eradication and Poverty Reduction, and the Socio-Economic Development Program for Especially Difficult Mountainous and Remote Communes. Both programs targeted 1,715 of Vietnam's poorest communes in the six mountain provinces of Northern Vietnam. Many of these communes had very high proportions of ethnic minority communities, and poverty levels in these areas were particularly high.

The NMPRP focused on 356 communes in 44 districts in six provinces of the Northern Mountains region. The total population of the region was just over 1 million, 980,000 of whom were from one of six ethnic groups: Hmong, Muong, Thai, Tay, Dzao, and Nung. NMPRP provided funding for rural roads and markets; agriculture, irrigation and drinking water schemes; basic education and health services; commune development budgets; and institutional capacity development. In order to improve the pro-poor targeting of activities, 15 per cent of the total budget was set aside in the Commune Development Budget Component (CDBC), which was to be managed exclusively by communes, this aligned with recent GoV devolution policies, which, as acknowledged in the Project Appraisal Document, were facing significant difficulties being realised in remote areas due to capacity constraints.[62] The entire project was underpinned by a commitment to community participation, and participatory processes were built into all NMPRP procedures. Overall coordination rested with the Ministry of Planning and Investment, which established a Central Project Steering group and Central Project Management Unit (CPMU) within its Department of Agriculture and Rural Development. Each of the six provinces also established steering committees and PMUs down to the district level. Commune Development Boards (CDBs) were established to solicit and screen proposals at the commune level and to manage commune development budgets.

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[60] *DFID (2003) HTPAP – Project Completion Report, 20th May 2003, unpublished internal document*
[61] *A terms of reference for an impact assessment was developed in 2006 but the evaluation was never completed.*
[62] *World Bank (2001)* Project Appraisal Document – Northern Mountains Poverty Reduction Project*, September 5, 2001*

DFID's grant funding was used in five key areas of capacity building namely: increased management capacity at commune level; new methods for planning and managing pro-poor services; increased capacity at central, province, and district levels; M&E; and technical assistance. The TA package included several long term technical experts, and long and short term national and international experts working at central and provincial levels. As will be noted throughout this report the use of DFID grant funding for TA and capacity building augmented the 'harder' aspects of World Bank loan finance. Key informants suggested this stemmed from the GoV's aversion to obtaining credit for such 'soft' activities. This funding was critically important for NMPRP in particular. As noted by one senior key informant from the World Bank, NMPRP supported the GoV's purported decentralisation agenda, with which the GoV and in particular officials at provincial and district levels had no practical knowledge or experience. DFID's funding explicitly targeted this important issue.

At completion, the World Bank rated the program 'Satisfactory' and reported significant results particularly in infrastructure-related indicators.[63] The project exceeded targets in most of the infrastructure related areas: 18,925 hectares of land were irrigated, 332 households per commune had access to clean water, travel time to markets decreased significantly, and targets for the construction of classrooms and health care centres were also exceeded. The only infrastructure area that did not exceed the original target was the 2,110 kilometres of commune road constructed. The project was clearly successful from an infrastructure perspective. The Bank also reported a significant increase in annual income amongst the 86,000 targeted households from VND4.3 million in 2001 to VND10.6 million, which was significantly higher than average income growth rates in Vietnam and average growth rates in provinces with high proportions of ethnic minorities. Food income per person also increased from 272 kg/pp in 2001 to 364kg/pp in 2006. Poverty levels across the north east region also decreased significantly from 34.64 per cent in 2001 to 21.09 per cent in 2006; however it is impossible to quantify the specific contribution of NMPRP to these improvements as it was just one of several poverty reduction programs operating in this area at the time.

The progress in those areas directly supported by DFID was also positive. Six cycles under the CDBC were implemented with considerable capacity building and technical assistance support from DFID. Commune level decision-making bodies were established in all 356 communes and 20,500 local projects were finalised – most of which focused on community infrastructure. A survey conducted at the end of the project reported that 46 per cent of communes were capable of implementing CDBC without support and 28 per cent with minimal support. The success in decentralised management and implementation was due to a number of factors. The multi-level and systematic capacity building approach which focused on building capacity at commune, district and provincial level was a key factor, as was the reinforcement gained by repeated CDBC cycles; commune level facilitators also played key roles integrating across institutional levels and sharing information across these levels. A total of 16,980 commune, district and provincial cadres were trained, 76 per cent of whom were from ethnic minorities. The increased capacity in local level decision making and project management was carried forward into the GoV's largest poverty reduction program (the 'P135' program) with a high number of communes becoming Investment Owners under that program, as will be discussed further below.

The program did exhibit some weaknesses in two main areas. Its initial efficiency was affected by its complex nature and focus on decentralisation, which delayed the start-up of the program by two years. The development of complicated management and procurement guidelines was time consuming, however, whilst this did delay the project it also helped give effect, in a practical way, to the decentralisation intent of the GoV. The cooperation with the Ministry of Finance also helped increase the ministries' understanding of the financial management issues associated with decentralisation. The sustainability of project outcomes was also affected by weaknesses in operations and maintenance systems (O&M). The completion report documented a lack of commitment to maintenance at the local level due to a funding shortfall for maintenance in recurrent budgets. This is a weakness that would continue to manifest itself in many local-level projects with infrastructure components funded by DFID over the years.

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[63] *World Bank (2008)* Implementation and Results Report, Northern Mountains Poverty Reduction Program*, June 23 2008*

Aside from providing funding directly to ABPs, DFID also funded activities that were designed to improve the capacity of sub-national governments to manage and implement such programs. DFID provided £1.8 million to ADB between 2001 and 2006 for technical assistance under the Capacity Building for Central Region Poverty Reduction Project (CAECRP). This project aligned with the ADB's focus on the central region of Vietnam, which at the time was characterised by moderately although not particularly high levels of poverty by Vietnamese standards and weak sub-national institutions. The project was to serve as a pilot for a much larger ADB loan, and as such it targeted areas that would, it was hoped, improve implementation conditions for the forthcoming CRLIP – which is discussed at length in the case study below. DFID's rationale for becoming involved in this project was threefold: it considered the TA to be innovative and appropriate, it provided a valuable opportunity to partner with the ADB in the area of governance, and it expected there would be synergies between the TA it funded and on-going activities such as the proposed CRLIP, the NMPRP and the GoV's P135 program.[64] Through the program DFID also sought to understand more about sub-national governance constraints and the effect of central level public administrative reform on sub-national government; in particular it sought to '….feedback lessons [to the centre] and constraints from current practice which can influence on-going policy formulation'.[65]

Whilst there has been no completion report or independent evaluation undertaken that can be used to assess the results of the program, quarterly reports paint a picture of a program facing significant problems. Whilst progress had been made on analytical work associated with sub-national public expenditure reviews and piloting models for improved service delivery in various districts, some intractable issues seemed to have plagued the project. For example, there was an unclear working relationship between the CACERP team and the Central Project Office (CPO), manned by the implementing partner from the GoV – Ministry of Planning and Investment there was a lack of counterpart staff from the MPI in the CPO, and there was a difference in perception of program objectives between the CPO and the consultancy team.[66] At a more systemic level there was some concern within the project at the continuing high level of centralisation with regards to decision making, and there was on-going disagreement between GoV staff and the project team on the normal government functions with regard to decentralised planning methodologies and their incorporation into local budgets. GoV staff considered this to be a short term project cost and DFID and the ADB thought this was part of formal local government functions. Issues such as these severely affected the outcomes of this project and also adversely affected the implementation of the much larger CRLIP as will be discussed below.

Case Study 1 - Central Region Livelihood Improvement Programme

i) Background and Objectives

CRLIP was the first large ABP implemented by a multilateral in the central region of Vietnam. The project was developed at the request of the GoV and approved by ADB in 2001. Total project costs amounted to US$81.5 million expended from July 2002 to September 2010. This comprised an ADB loan of US$51 million, DFID technical assistance of US$12.58 million, GoV contribution of US$12.72 million, and a beneficiary contribution of US$5.25 million.[67] The objective of the program was the achievement of sustainable livelihoods and improved quality of life for the poor in upland communes in four provinces in the central region. The targeted beneficiaries were 348,000 people living in 139 upland communes across Kon Tum, Quanh Binh, Quang Tri, and Thua Thien Hue provinces.

Poverty rates compared to national levels were relatively high in these provinces in the late 1999s and early 2000s, as shown above in Section Two. This rate in 1999 varied from 47.1 per cent in Thua Thien Hue to 50.8 per cent in Kon Tum. Whilst clearly high by national (and international) standards, however, there were

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[64] *DFID (2002) ADB Technical Assistance: Capacity Building for Central Region Poverty Reduction, unpublished internal document*
[65] *Ibid., p.3*
[66] *CACERP (2004) Quarterly Report, April-June 2004, HTS Development Ltd, UK, 19th July 2004*
[67] *ADB (2012) Vietnam: Central Region Livelihoods Improvement Program, Validation Report, Independent Evaluation Department, December 2012*

much poorer provinces in Vietnam. There were also provinces that had greater concentrations of the poorest ethnic groups. Thirteen of Vietnam's 63 provinces had higher poverty rates, with Dien Bien, Lai Chau, Ha Giang and Son La having rates above 70 per cent.

The project consisted of five components: improving household food security (largely through upgrading home gardens combined with nutrition training, improved water supply and poultry/livestock production); income generation (through increases in productivity, access to microfinance and the upgrading of infrastructure); community development (including strengthening the capacity of local institutions); institutional strengthening of support services; and project management. The ADB originally managed the project from its offices in Manila before moving project management responsibility to Hanoi. GoV central level coordination rested with the Ministry of Planning and Investment in Hanoi. The provincial level executing agencies were Provincial People's Committees (PPCs) in each of the four provinces who were supported by Provincial Project Management Units (PPMUs), who operated out of the Department of Planning and Investment (DPI) in each province, and had management responsibility for day-to-day activities. In accordance with Decree No. 79 on the Exercise of Democracy in Communes, many implementation activities were devolved from the provincial to the commune levels. Communes were supported by District Support Teams (DSTs), and all of this was also supported by a plethora of other GoV agencies who played various roles in the project including: the Women's Union (WU), District Agriculture and Rural Development Departments (DARD), the Vietnam Bank for Agriculture and Rural Development (VBARD) and the Department of Transport (DoT). The ADB also managed eight contracts, two with the main technical assistance contractors and six with NGOs who worked directly with communities. As noted in one DFID annual review '…the project implementation mechanism has been set up as a horrendous structure on top and parallel to a weak and thin government structure'.[68]

ii) DFIDs role

Internal DFID documents shed light on its rationale for being involved in the project and its concerns regarding the project's high risk nature. The internal approval submission document notes the project's strong alignment to the CSP objective of addressing rural poverty by improving income opportunities for the poor.[69] It further outlines DFID's growing concerns with inequality in Vietnam and suggests that geographically targeted programs such as CRLIP can play an important role in addressing this issue in complementing the patterns of broad based growth. There is also a stated wish to ensure that lessons from all of its ABPs (Ha Tinh, NMPRP, and CRLIP) can be shared to improve program delivery, policy coherence, and donor coordination. The document also comments on the high risk nature of the project and flags a number of issues that (in hindsight) would cause significant problems at a later date, these included:

- the complex project structure and the weak institutional capacity at sub-national levels;
- the need for intensive and appropriate community development support (including the development of appropriate models for community development, which were supposed to be developed by the under-performing CACERP);
- the fact that success would depend on the willingness of the GoV to move from a top down to a bottom up approach to planning and implementation; and
- the somewhat patchy record of ADB in implementing community development projects of this sort.

DFID emphasised the need to work closely with the ADB to ensure the project was administered smoothly and committed to play a coordinating role in the lessons learned between ABPs, whilst limiting other involvement to reviewing project progress through joint review missions.

DFID approved the project in 2002 but it did not begin until 2004 due to a two year delay associated with receiving approval from the GoV for the DFID grant component. This less than auspicious start delayed the contracting of technical staff and caused the ADB to initially extend the project to 2009. The lack of funds for

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[68] DFID (2005) Annual Review – Central Region Livelihood Improvement Program, unpublished internal document
[69] DFID (2001) Internal Correspondence – Vietnam Central Regional Livelihoods Improvement Program, unpublished internal document

NGOs and technical staff meant that work to develop Social Development Plans with the communes was delayed significantly. An annual review conducted by DFID in 2005 highlighted a number of implementation issues.[70] First, the outcomes from the CACERP, which was supposed to pilot appropriate community development models for CRLIP 'did not deliver'.[71] This, along with the delays in project start up, severely affected the progress of the community development component. Second, DFID '….having realised the limited impact the project was going to deliver, strategically decided in 2004 to designate it a LIP (Low Input Project) and to reprioritise staff involvement in this project to focus on PRSCs and P135.[72] This was a very early show of no confidence in such a large and strategically important project. Third, the annual review highlighted the problems that were caused by the complex implementation arrangements and the delays this was causing. Fourth, a number of other issues were observed particularly the weak capacity of the supporting agencies such as the WU's and DARD's and the lack of O&M mechanisms. In general the review concluded that there was too much focus on ADB's processes and not enough on linking to national processes so that outcomes beyond the project could be achieved.

Whilst the problems with the complex and unwieldy design and weak capacity were evident, some of the implementation issues were caused by the initial project delay and DFID's decision not to extend the project beyond 2007. This decision reduced the originally committed amount for TA by about 30 per cent and resulted in a significant modification of TA contracts. It meant that between 2007 and 2009 there was effectively no technical support for the project.

iii) Results

Despite these many challenges, the project did generate a very high number of outputs. However, as noted in the ADB's own validation report,[73] the lack of sufficient outcome level indicators and a baseline make it very difficult to assess the overall contribution of the program to 'the achievement of sustainable livelihoods and improved quality of life' in the four provinces. The box below summarises some of the reported outputs.

Box 1 Reported outputs of CRLIP[74]

- 52,181 households provided with technical training in areas that could improve food security
- 32,402 households provided with clean water
- 409 nutrition models developed that assisted 8,501 children
- 832 training courses for 21,001 people conducted
- 347 toilets constructed
- Credit funds delivered to 16,670 borrowers (incl. 375 micro enterprises); 52% borrowers were women, 40% ethnic minorities
- 3,411 rural infrastructure small works finalised
- 158 O&M training courses for 4,524 participants
- 1197 Social Development Plans developed
- 956 staff trained in implementing SDPs
- 4,239 training courses for 117,368 people in agricultural cultivation, home gardening, poultry rearing and fish production

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lst the above output level figures are significant, they are not commensurate to a project of this size with a budget of over US$80 million. The difficulty with this project is determining what, if any, long term impact it has had on the livelihoods of the 348,000 beneficiaries. The ADB did report a 14 per cent increase (per year) in income in some target areas over the course of the project but the lack of a baseline, the lack of disaggregated data and the problems associated with attribution make it very difficult to properly assess

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[70] *DFID (2005) op. cit.*
[71] *Ibid., p.6*
[72] *Ibid., p.7*
[73] *ADB (2012) op. cit.*
[74] *ADB Project Completion Report 2010; ADB Validation Report 2012*

these income changes.[75] It may actually be the case that the program exacerbated existing inequalities. This is primarily due to the fact that loans provided through VBARD, were much larger than originally planned (US$500-US$1000, as opposed to US$150).[76] As such poor households would not avail of these loans and they were then taken up by relatively richer beneficiaries, but again the lack of robust data makes this impossible to assess. Adding to this less than impressive picture is the fact that the sustainability of the infrastructure investments, which were by far the most effectively delivered component, needs to be called into question due to the fact that the 'four project provinces were unable to establish effective arrangements to provide adequate resources for routine and periodic maintenance of infrastructure'.[77]

iv) Summary

It seems that the risks identified by DFID in their original project submission documents came to fruition. The complex structure of the project, the delays, the lack of appropriate community development models (due to the failure of CACERP), and the lack of O&M processes conspired to undermine the effectiveness and sustainability of the project. Whilst the project was not implemented by DFID, its early lack of support and the subsequent disinvestment in human resources meant that it could not provide the level of commitment it originally envisaged. It is interesting to note that most of the problems that emerged in the early days of CRLIP were also evident in NMPRP as noted above, however, DFID failed to act as a lessons learned broker between the World Bank and the ADB projects as it originally envisaged.

Due to the difficulties associated with this program the ADB realised that projects like CRLIP, which were very complex and had high transaction costs, were not suitable to the ADB management style and it moved away from funding such programs. DFID also acted on their stated intention to move away from such programs and focus on supporting the governments P135 program and its general budget support program.

In 2005 DFID acted on its strategic intent to directly support the GoV's poverty reduction activities and provided £10.25 million to the P135 program. This consisted of £10 million in direct budget support and £250,000 in technical assistance. P135 was one of the GoV's largest targeted poverty reduction programs; it promoted pro-poor growth by investing in small-scale infrastructure, livelihood support services, and capacity building - primarily amongst ethnic minorities in disadvantaged areas. P135 channelled resources to over one quarter of Vietnam's 10,000 communes; 70 per cent of these communes were in the bottom two poverty quintiles. As noted by DFID, P135 was, in many respects, similar to the ABPs it was already funding (i.e. CRLIP and NMPRP) in that it emphasised the decentralised provision of pro-poor infrastructure and associated livelihood services.[78] At the time of P135's inception in 2001 DFID did not consider the GoV's financial management systems robust enough to warrant support, and they instead supported the aforementioned multilaterally managed ABPs – it was thought that 'a project approach could avoid some of the weaknesses perceived in P135's implementation'.[79] As highlighted by the review of ABPs above, whilst the financial management processes of the Banks may have been strong other elements affected the efficiency and effectiveness of those programs.

DFID decided to support P135 in 2005 (the final year of the first P135 cycle) once it became clear that there was growing unease within the GoV and donors with the implementation delays of those programs operating alongside P135 (such as the abovementioned ABPs). The presence of a robust evaluation framework, and the GoV's on-going policy commitment to supporting the poor through targeted programs influenced DFID's decision to support the program.[80] DFID's finance provided additional resources for the poorest 280 communes (primarily in electricity, water and transport infrastructure), it sought to improve O&M systems (through the piloting of pro-poor approaches), and it aimed to strengthen fiduciary aspects of the program (through expenditure tracking and supplementary audits).

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[75] *ADB (2012) op. cit.*
[76] *Ibid*
[77] *Ibid., p.7*
[78] *DFID (2005) Vietnam: Poverty Reduction Budget Support to P135, Project Memorandum, March 2005, unpublished internal document*
[79] *Ibid., p.7*
[80] *Ibid*

This timely support laid the foundation for the stronger implementation of P135 and its successor P135 (II). Aside from providing additional resources for 280 communes, DFID's support helped institutionalise a number of stronger fiduciary processes, including: the practice of annual financial auditing (which significantly enhanced fiscal accountability), and the adoption of quarterly fund flow maps and regular reconciliations between investments owners (at the commune level) and the Treasury, which helped improve the transparency of government finances.[81] The focus on communes as investment owners was a lesson learned by DFID and the World Bank from the NMPRP. Acting on the outcomes of the P135 Mid-Term Review DFID's policy dialogue also contributed to improved poverty targeting by influencing the decision to exempt poor households from local contributions, prioritise infrastructure investments in poor villages, and target poorer households for labour opportunities.[82]

Senior GoV counterparts from the Committee on Ethnic Minority Affairs (CEMA) interviewed as part of this evaluation, acknowledged the influence of DFID's budget support at this critical time. Respondents noted that DFID's support helped strengthen the program's poverty focus, which was comparatively weak in the first few years; it also influenced the decision to enhance commune level participation, which was lacking in the initial stages of the program, whilst improving M&E, accountability and financial management processes. In CEMAs view DFID's support also played a catalytic role in harmonising donor support for P135 (II).

In 2006 The Socio-Economic Development Program for Ethnic Minorities and Mountainous Areas Phase II (P135 (II)) commenced with support from a much larger number of donors, including: World Bank, Finland, Ireland, Australia, DFID, UNDP, and IFAD. Total funding for the program amounted to US$ 1.1 billion between 2006 and 2010, approximately 30per cent of which was provided by donors as targeted budget support. P135 (II) targeted 1,600 of the poorer communes in the country, the majority of which had very high proportions of ethnic minorities. CEMA was the GoV focal point for the program. The program was comprised of four components:

- Production development, which provided support for poverty reduction and hunger alleviation, and included a budget allocation of VND 200 million per commune;
- Infrastructure development, which provided VND 800 million per commune for village level infrastructure projects, determined through participatory selection processes. This also included the provision of 6.3 per cent for O&M;
- Capacity building at commune level, which included an allocation of VND 60 million per commune, and VND 2 billion for communication activities, and;
- Livelihoods improvement, which provided direct funding for poor students attending kindergarten and boarding school, sanitation projects and legal support services.

A complex array of indicators was used to measure progress at the program level and under each of the four components; a baseline-end line impact assessment was also commissioned to evaluate the overall impact of the program. Key purpose-level indicators included a reduction in poverty from 50 per cent (2005) to 30 per cent by 2010, a reduction in malnutrition rates from 25 per cent (2005) to 20 per cent (2010), and an improvement in primary school completion rates from 83 per cent to 86 per cent in the poorest districts by 2010. These program level indicators were supported by a wide range of output-level indicators, which focused on various aspects of the program such as: improved infrastructure, improved access to agriculture extension and marketing services, improved access to social services, and increased local capacity to plan, manage and implement investments.

A joint Mid-Term Review in 2009 provided an assessment of the strengths and weaknesses of the program in its first 3 years of operation.[83] Not unlike the ABPs discussed above infrastructure provision was by far the best performing component, indeed the MTR commented on the primacy placed on infrastructure within

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[81] *DFID (2006) Project Completion Report, Poverty Reduction Budget Support to Program P135, unpublished internal document*
[82] *Ibid*
[83] *IDEA International (2009) Mid Term Review of NTP-PR and Program 135-II, May 19th 2009, Committee for Ethnic Affairs and United Nations Development Program*

program activities and the imbalance between components this caused at the commune level. Whilst there had been significant progress in the construction of various types of infrastructure (e.g. access roads, schools, irrigation works, power and water supply works), a number of challenges remained, including concerns about the equitable allocation of resources at the provincial level, the lack of focus on repairing and maintaining viable existing infrastructure, the limited coordination with other national targeted programs in infrastructure construction, and the quality of construction. The lack of investment ownership at the commune level due to capacity constraints was also seen as a key constraint.

The production component also faced a number of significant challenges. The MTR noted that the GoV agencies and donors did not seem to share a common perspective on this component, with the GoV favouring direct support through subsidies – an approach not wholly supported by some donors. The relatively top-down model of extension prioritised by the GoV was also criticised for its 'one-size-fits-all' approach and its lack of relevance to variable agro-ecological conditions and the existing farming practices of ethnic minorities in particular. The promotion of a technological package that required access to input and output markets which in many of the remote communes were non-existent was seen as a particular problem. This component had managed to assist up to 232,270 household in 2007 alone in extension and direct support but the quality and relevance of that support was questioned by the MTR.

The capacity building component also faced some on-going challenges particularly with regards to GoV agency capacity for implementation and support at multiple levels. A very large number of training courses had been delivered but these mainly targeted people at the management level; training at the population and commune levels was still very low. There were also some concerns about the quality of the training materials and the targeting of training, particularly with regards to women and ethnic minority groups that, the report suggested, were often ill-suited to the training provided. The report also highlighted the lack of an appropriate methodology to enhance participation at the commune level. The MTR highlighted the challenges facing staff at the commune and district levels in particular and called for the prioritisation of capacity building efforts.

The report applauded the adoption of a common set of targets in the policy matrix that was agreed to at the beginning of the project, and the robust M&E framework, but it criticised the failure of this broader results framework to sufficiently account for the diversity of implementation environments. The MTR made a number of recommendations to improve the program in the short-to-medium term that addressed many of the challenges noted above.

In 2008 DFID's direct support to P135 (II) ceased. A PCR completed in 2008 assessed progress and DFID's contribution to the program. This report concluded that the support provided through the aforementioned one year budget support significantly strengthened the financial management of P135 (II) and institutionalised a large number of new financial and auditing processes within the GoV.[84] A number of other key improvements significantly influenced by DFID's policy dialogue, budget support and support to P135 (II) included: [85]

- Influencing the GoV to adopt competitive bidding and community contracting processes, alongside the World Bank (building on lessons learned from NMPRP);
- Funding a study that provided evidence for the allocation of O&M funds from government budgets, which increased from 3.4 per cent at the beginning of P135 (II) to 6.3 per cent in 2008. This allocation was supported by a Prime Ministerial Decree and was one of the first times significant allocation for maintenance had been made in government funded programs (which at the time as not a required budget line in government financing). This would help address many of the sustainability concerns that hampered the ABPs funded by DFID and other programs;
- Policy dialogue in support of legislation to include gender as a guiding principle in P135 (II) for the first time;

[84] *DFID (2008) Project Completion Report, Program 135 Phase II, 8th December, 2008, unpublished internal document*
[85] *DFID (2008) op. cit.*

- Enhanced poverty targeting at a critical period in the program's development, and the incorporation of key poverty concerns and measures in relevant inter-ministerial circulars and results frameworks adopted by the GoV and development partners.

In 2012 the results of the donor funded baseline-end line impact assessment were released. This impact assessment drew on a survey of 6,000 households in 400 communes in 42 provinces.[86] Of these 400 communes, 266 were identified as treatment communes and 134 as control communes. As well as assessing the progress in poverty reduction in ethnic minority communities between 2007 (baseline) and 2012 (end line), this evaluation also rigorously assessed socio-economic changes in ethnic communities targeted by P135 (II) and compared these to changes in control communities. The evaluation also looked at broader resource allocation decisions made at the provincial level. This analysis found that authorities at the district and provincial levels reallocated non- P135 (II) funds away from communes targeted by P135 (II) to non P135 (II) communes in an effort to compensate the latter. As a result of this allocation decision it was found that P135 (II) communes did not receive more funding than other communes. This was found to significantly undermine the goal of P135 (II), and most probably the intention of donors, which was to positively discriminate towards these communes with a view to reducing inequality (i.e. the gap between poor and non-poor households and the gap between ethnic minorities and the Kinh majority). This was certainly one of the primary motivations for DFID's support as noted in several program related documents.

Despite the credible achievements reported at the output level and some at the outcomes level, this allocative decision seems to have had a significant impact on program level achievements. For example, whilst household incomes in the target areas increased by around 20 per cent between 2007 and 2010; this was a much lower growth rate than reported in the rest of the country (around 50 per cent). Of particular importance is the fact that income rates in low income households experienced lower growth than those in higher income households, this led to an increase in the Gini Co-efficient from 43 per cent to 47 per cent between 2007 and 2012. Inequality between Kinh households and ethnic minorities also increased during the assessment period. However, P135 (II) did have a large and statistically significant impact on a number of important income and poverty dimensions in ethnic households targeted by the program; impacts that weren't evident in Kinh households, these included: (i) increased productive asset ownership, (ii) household durables ownership, (iii) increases in income from agriculture, and (iv) increases in household income and per capita income. Access to education and health facilities also increased significantly in ethnic communities. It was clear from this report that in many areas where indicators improved for ethnic communities they improved at even faster rates for non-minority households. This was particularly the case in areas like school enrolment and income growth rates.

The survey also quantified a number of other issues that were identified as weaknesses in the Mid-Term Review. Significant investments in capacity building at the commune level managed to double the investment ownership rate to 46 per cent between 2007 and 2010 but this fell far short of the 100 per cent target. There was significant investment in commune-level capacity building and the establishment of participatory processes that resulted in very high levels of household participation in local projects (85 per cent). It was noted however that non-poor households were 50 per cent more likely to participate in some of these project management processes. There also seems to have been a significant increase in perception of project quality between 2007 and 2010 and high rates of satisfaction (80 per cent) with projects. It seems the program responded to a number of concerns emerging from the MTR and focused attention on commune level capacity building and the quality of infrastructure. The progress in various measures of decentralisation was in sharp contrast to the first phase of P135.

In conclusion the impact assessment confirmed that P135 (II) only partially achieved its targets, reducing the poverty rate from 57.5 per cent to 49.2 per cent over the assessment period, which was far short of the 30per cent target. Net primary and lower secondary enrolment also increased but fell short of the goals set. Importantly the report noted the wide variance in improvements in many poverty metrics between ethnic

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[86] *Tung, P.D et al (2012) Impact of Program 135-Phase II through the lens of Baseline and Endline Surveys, Indochina Research Centre, Hanoi, December 2012*

groups, some of whom benefitted significantly more than others. The evaluation therefore called for future programs to better target specific ethnic groups and account for the conditions, needs and cultural attributes of each group.

Summary for Case Study 1

The foregoing review outlined the strategic rationale for DFID's support to ABPs and targeted poverty reduction programs; it documented the results of these programs and sought to highlight DFID's particular contributions. Some ABPs were characterised by complicated administrative and financial structures that operated parallel to GoV systems. They supported the GoV's commitment to decentralisation in numerous ways, but limited capacity and practical experience at sub-national government levels hindered implementation. Infrastructure projects were delivered relatively effectively, but problems with O&M meant that the sustainability of these investments should be called into question. In the end DFID acted on its strategic intention to move towards supporting government implemented poverty reduction programs and it lost strategic interest in ABPs (i.e. CRLIP). DFID funded the softer aspects of these programs and (in some cases) managed to carry lessons over between programs. It also worked hard to improve the poverty targeting and financial management aspects, which had a significant influence of program implementation, particularly P135 (II).

At a broader level, the above review raises a number of important issues regarding the effectiveness of ABPs and targeted poverty reduction programs. The first issue relates to poverty targeting and in particular the appropriateness of the GoV's dichotomous methodology (i.e. poor, non-poor), which has been criticised by some commentators.[87] The second relates to the effectiveness of a 'one size fits all' approach to poverty reduction in such diverse agro-ecological and socio-cultural conditions, an approach that was questioned by experts interviewed as part of this evaluation. The third issue relates to aid allocation at the provincial and district levels, and the affect this has on poverty reduction. The final issue relates to the effect of decentralised decision-making processes. For example, due to allocative decisions at the district and provincial levels, P135 (II) communes (treatment group) did not receive more total funding than non-P135 (II) communes (control group), however ethnic communities in treatment communes benefited more from the funding that was available than ethnic communities in the control group. This raises an important issue about the influence of decentralised decision making on poverty reduction. These issues will be discussed further in the synthesis section.

4.2. General Budget Support and Associated Technical Assistance Programs

DFID began providing general budget support (GBS) through the Poverty Reduction Support Credit 1 (PRSC 1) in 2001. The GBS modality aligned with DFID's strategic focus on working with others and building a closer relationship with the GoV. Support for GBS was a relatively new phenomenon in Vietnam at the time and reflected the growing capacity within the GoV, and the strength of its reform package and public financial management systems.[88] Aside from direct financial contributions, additional benefits of GBS were thought to include its reinforcement of government ownership, its capacity to improve financial accountability and reduce transaction costs, and an improvement in aid predictability.[89] The increased policy dialogue and technical assistance that accompanied GBS support were seen, by DFID, as additional ways to influence

[87] Mai, L.P and P. Lebailly (2013) "Challenges in Identifying the Beneficiaries of the Poverty Reduction Strategy in Northern Mountains of Vietnam", International Journal of Research in Social Science, Vol. 3, No. 3, Nov 2013
[88] Bartholomew, A et al (2006) " Evaluation of General Budget Support in Vietnam", Joint Evaluation of General Budget Support, 1994-2004, May 2006
[89] Ibid

policy and improve decision-making.[90] According to one very senior key informant, the PRSC process was seen as an important 'stamp of approval' for the GoV's policy reform process. It provided a mechanism for donors to directly support this process, and was therefore an expression of confidence in the GoV's policy direction.

DFID provided £14 million to the US$250 million PRSC 1 between May 2001 and December 2002. The vast majority of funds were provided by the World Bank who managed the PRSC dialogue process. As noted by a number of senior DFID key informants this support gave DFID the opportunity to engage closer with the GoV on policy issues and to support the GoV's own development strategy, in this case the 2001 Interim Poverty Reduction Strategy Paper (I-PRSP), which preceded the GoV's 2002 Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

DFID's support for GBS was one element of a much more strategic approach to supporting poverty reduction and economic reform. As noted in the section above on policy context, DFID sought to focus more on understanding the technical issues facing the government and supporting pro-poor policy choices. As such, alongside the early PRSC cycles DFID also funded programs designed to provide salient advice and build analytical capacity within the GoV at the same time as improving accountability. For example, DFID provided £2.7 million between 1998 and 2004 to the Poverty Analysis and Policy Advice Program (PAPAP). Through this program DFID placed two poverty experts in the World Bank to work directly with the PRSC core team and GoV counterparts to strengthen poverty analysis and advice. The program also included a research fund and capacity building component. Originally designed in 1998 to support the GoV's focus on 'Growth with Equity'[91] the program fortuitously came to support major changes that were going on in Vietnam with regards to the development of the country's first full Poverty Reduction Strategy - the CPRGS, which would inform subsequent PRSC cycles. PAPAP supported the GoV to develop the interim PRSP into the CPRGS and in particular to help produce consensus amongst donors on the GoV's approach towards poverty reduction.

The program worked closely with key ministries to build analytical capacity in poverty measurement and to develop capacity to understand the policy implications of these measurements. PAPAP staff worked with the General Statistics Office (GSO) to establish poverty lines, trained GSO staff in technical aspects of poverty measurement, supported national and provincial level poverty surveys, facilitated and advocated for participatory poverty assessments (PPAs), and worked with the UNDP and the GoV to develop the VDGs.[92] The program supported a considerable amount of high quality poverty research that helped the GoV and donors better understand the poverty situation at this critical time. The flexibility shown by DFID in their support of this program was highly regarded by senior officials within the World Bank interviewed for this evaluation, who valued the technical outputs the program generated.

One of the highlights of PAPAP was its foundation work in the area of PPA, which was being promoted by the World Bank, DFID, and a number of other donors at the time. This was seen as an important poverty assessment methodology for Vietnam, but the country had limited experience with it. DFID played an important role in exposing various levels of government to this approach through its funding of HTPAP and its technical work under PAPAP. According to the one former head of the World Bank "…DFID's work in this area was critical, we [DFID and the Bank] did a lot of work exposing the Government to this idea [of PPA]… it gave us a whole new idea of poverty in Vietnam, when I met the Prime Minister to seek his approval for this approach it was very easy because we had spent a lot of time laying a good foundation".[93]

DFID also provided £786,000 in 2002 for the World Bank-implemented Public Financial Management Modernisation Project (PFM-MP), which as noted in DFID Vietnam's project concept submission was

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[90] *Ibid*
[91] *DFID (1998) Project Concept Note: Poverty Analysis and Poverty Advice Program, unpublished internal document*
[92] *DFID (2004) Project Completion Report: Poverty Analysis and Poverty Advice Program, unpublished internal document*
[93] *Key Informant pers comm 3rd April 2014*

designed to 'complement and underpin the expansion of budget support under PRSC' by supporting GoV's broader financial management modernisation program.[94]

In December 2003 DFID provided £10 million for PRSC2, which aimed to support pro-poor structural, social sector and governance reforms in Vietnam. The GoV made significant progress implementing the prior policy actions agreed at the annual PRSC round table and all these actions (and many for PRSC 3) were met in 2003. For the first time, reforms in the social and non-financial governance sectors were included in the PRSC policy matrix as prior actions; this was meant to reflect the objectives of the GoV's CPRGS released in 2002. DFID reported particularly fast progress in the area of trade liberalisation, which reflected the governments strong commitment to economic reforms associated with WTO accession (planned for 2006-7).[95] Progress in private sector development and legal reform was fair, but reform in the SOE and commercial banking sectors was slower than hoped – a scenario that would characterise a number of PRSC cycles.

Between 2004 and 2007, DFID adopted a more medium term and predictable approach towards the PRSC cycles. It provided £20m per year to PRSCs 3, 4 and 5 during that period, which was approximately 17 per cent of total PRSC financing and around 40per cent of DFID's annual country program budget. The number of donors supporting the PRSC continued to expand and included: ADB, Canada, Denmark, EC, Ireland, Japan, the Netherlands, Spain and the World Bank. This growing commitment by donors led to a doubling in GBS funding between PRSC 1 and 5. DFID's support aligned to the objectives of its new CAP released in 2004, which committed to supporting aid effectiveness and improved public financial management, whilst supporting Vietnam's economic and social transition.

The sector focus of PRSCs during this cycle continued to expand and included economic reform, financial management, education, health, natural resources, the environment and legal reform, infrastructure and governance. Alongside this broadening, the number of policy actions continued to reduce, and more focus was placed on key policy actions. The expansion into new sectors augmented the support DFID already provided in these sectors, particularly in transport, education and health. As noted by key informants interviewed for this evaluation DFID staff used the PRSC dialogue to promote reforms that might strengthen program-level achievements in these sectors (or address the challenges these programs faced) but needed to do so in a strategic way keeping the bigger strategic reform picture in mind.

DFID's contribution was particularly notable in the area of PFM. It jointly led the Public Expenditure Review (PER) process in 2004 which helped identify priority policy reforms. This included influencing the GoV to introduce an M&E system for the PER, which improved the quality of PFM monitoring. DFID also co-financed technical assistance which helped introduce Medium Term Expenditure Frameworks in four sectors and provinces. During this period there were significant improvements in various aspects of PFM including the publication of government budget and expenditure information (for the first time in 2006) and the introduction of a more pro-poor planning and budgeting system (with associated norms for provincial allocation). Significant reforms also took place in the area of procurement with the passing of the Procurement Law in 2005 by the National Assembly and associated capacity building, however DFID had on-going concerns about the implementation of the Law and rated procurement as an on-going high fiduciary risk,[96] a concern which was validated by the corruption scandal that affected the DFID funded RT2 program in 2006 (see case study below). Reforms in other areas such as banking, SOEs, public administration, environmental protection and legal and judicial reform lagged behind achievements in financial management and procurement.[97]

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[94] *DFID (2002) Project Concept Note – Vietnam Multi-donor Support for Financial Management Modernization in the Public Sector, unpublished internal document*
[95] *DFID (2004) Project Completion Report, Poverty Reduction Support Credit 2 Co-Financing, unpublished internal document*
[96] *DFID (2007) Project Completion Report – Vietnam Poverty Reduction Support Credits 2004-6, 7th February 2007, unpublished internal document*
[97] *Ibid*

DFID played an active and vocal role in policy dialogue during these cycles, a point that was emphasised by a number of key informants from the GoV interviewed as part of this evaluation. Improving the transparency of PFM was a main focus of DFID's policy dialogue alongside gender, anti-corruption and human rights, all of which were being incorporated into the DPA which was signed between the governments of the UK and Vietnam in 2006.

Between 2007 and 2012 DFID provided a further £100 million to PRSC 6-10, which was around 10 per cent of total donor financing during this period. This latter phase of PRSC support marked a shift from the previous phases by supporting the GoV's SEDP (2006-2010) and the four pillars thereunder: business development, social inclusion, environment and natural resources, and governance. Aside from tying disbursements to the achievement of prior policy actions (triggers) agreed on an annual basis with donors (as in past cycles), DFID now also used the principles under the recently signed DPA as a disbursement trigger, these included: poverty reducing growth, improved PFM and anti-corruption, and improved human rights. An assessment of these achievements took place each year between DFID and MPI.

A 2012 DFID review of main PRSC outputs summarised the key achievements and challenges during the five cycles.[98] The review noted the continuing high levels of economic growth and achievements in poverty reduction, and various improvements in access to health and education services. A number of key reforms were highlighted including:

- New regulations for private sector development;
- More regular and detailed financial disclosure or audit and public debt reports;
- The introduction of full day schooling;
- The release of a national sanitation plan and increased sanitation coverage;
- Implementation of the Gender Equality Law;
- New laws on freedom of media and information; and
- Asset declaration by senior officials and their families.

A number of very significant reforms were undertaken in the area of private sector development including reducing the costs and time associated with business registration, simplifying tax procedures for small businesses and increasing room for foreign investors; and early warning systems to monitor the labour and environmental impacts of WTO accession were also established. Labour regulations to support women in waged employment were also passed. A large number of reforms in the social sectors were also implemented, particularly in education and many of these complemented programs DFID supported through sector programs, but on-going problems with transparency in the quality of education services was also noted as an issue. DFID also reported a number of on-going challenges particularly in the HIV/AIDS sector where government commitment to increased funding for harm reduction was not forthcoming.

Policy reform in the area of governance was seen by DFID as the most difficult area and this reflects the increasing diversity of governance challenges facing the GoV in the 2000s as highlighted in Section Two. Continuing efforts to improve economic governance were made but progress in areas such as anti-corruption and government accountability were less obvious. The GoV did establish a legal and institutional framework for anti-corruption but there was limited progress in creating an enabling environment for civil society and some tightening of control over civil society organisations. Reforms in the private and social sectors outpaced reforms in the area of governance.

In general the results achieved under this five year PRSC cycle were less than originally expected by DFID. A mid-term review conducted by the World Bank in 2009 emphasised the highly ambitious nature of the original targets and suggested a re-calibration of these targets. By 2012 70 per cent of the original targets had been achieved. Part of the delay in achievement can be associated with the policy making hiatus that accompanied the 2011 Party congress. A significant number of high level reforms were pushed through after this congress in late 2011.

[98] *DFID (2012) Project Completion Report – Poverty Reduction Support Credits 6-10, March 2012, unpublished internal document*

A number of reviews of GBS and the various PRSC cycles were undertaken over the evaluation period, these reviews shed light on the results of PRSC support and the benefits and challenges of this particular modality. A joint donor review conducted in 2011[99] sought to assess the 'financial' and 'incentive' impact of PRSCs. With regards to financial impacts the report highlighted the benefits of enhanced predictability and reduced transition costs for the GoV and the efficiencies associated with on-budget aid allocation. The report noted that PRSC funding amounted to approximately two per cent of GoV public expenditure over the 10 cycles and this sum helped increase the investment-to-GDP ratio during that time and was an important contribution on the margins of the capital budget, in some years more than others. For example in 2009 PRSC funds amounted to nine per cent of official capital expenditure. Despite the increase in the investment-to-GDP ratio, the report noted that associated with this was a decline in the output/capital ratio, which pointed to an overall decrease in investment efficiency, this was something the evaluators thought should have been more explicitly addressed in PRSC negotiations and in the various annual policy frameworks.

The assessment of 'incentives' included the effect of the various policy triggers and overall 'soft conditionality' approach adopted during the PRSC. In general the type of conditionality adopted during the PRSC was applauded by GoV officials interviewed for that evaluation. The report suggested that PRSC played a particularly important role in PFM reform, an area where DFID was a major player, as noted above. Improvements in public expenditure tracking, audit and reporting were noted as well as internal audit improvements. This contribution to improving PFM systems was also supported by an evaluation conducted by the World Bank's Independent Evaluation Group (IEG) in 2010,[100] which suggested that the PRSCs were important because they reinforced the importance of PFM achievements to the broader process of policy reform. This helped broaden the appeal of PFM reforms and drew in the interest of senior GoV officials and donors alike. The technical work that underlined many of these improvements such as the public expenditure reviews supported by DFID, were well received by respondents from the Ministry of Finance and State Bank of Vietnam interviewed as part of this current evaluation. The importance of this underlying analytical work and its influence on senor policy makers was also acknowledged by the IEG review, which noted that work of that sort helped to strengthen the overall PRSC process.[101]

Aside from PFM, the joint donor review suggested that reforms in education and gender inclusive development was also significant, these were also areas were DFID was deeply involved. The report noted the importance of legal reforms in the education sector and the increasing focus on quality. Over time gender became increasingly more mainstreamed into PRSC processes. The first two PRSCs contained no gender-related policy actions, but over time this increased considerably and a large number of gender-related policy actions in areas such as domestic violence, land tenure, Law on Gender Equality, women in parliament, and gender bias in SOEs (to name a few) were operationalised in subsequent cycles. Respondents from the State Bank of Vietnam interviewed for this evaluation highlighted the long term focus of DFID on gender issues.

One of the key findings of the IEG review was the role PRSC played in building trust between the GoV, World Bank and other donors. This lead to a number of policy breakthroughs that would not have been possible otherwise. In general it was clear that the PRSC facilitated a broader dialogue in Vietnam on the reform agenda than would otherwise have been the case. One respondent from the Ministry of Finance interviewed as part of this evaluation suggested that this was important because it provided a broad range of policy advice and technical inputs for Vietnamese policy makers, whilst also improving donors understanding of the challenges of reform and the appropriate pace of reform in Vietnam – an understanding that grew significantly over the 10 year period. Respondents from the State Bank of Vietnam (who played a major coordination role within the GoV) suggested that repeated cycles of policy dialogue and technical appraisal

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[99] Hadziyiannakis, Y et al (2011) Joint Evaluation of Poverty Reduction Support Credit General Budget Support Operations in Vietnam, Final Report, July 1st 2011, ACE Consultants. This joint evaluation was funded by the UK, Canadian, Spanish and Swiss Governments, alongside the World Bank and the ADB

[100] Grawe, R (2010) Poverty Reduction Support Credits: Vietnam Country Study, IEG Working Paper 2010/9, Independent Evaluation Group, World Bank

[101] Ibid

that were integral to the PRSC cycles exposed policy makers in sector ministries to new ideas and policy alternatives that built their capacity over time.

All of these evaluations considered the PRSCs to be a successful form of budget support. This success was attributed to a number of things including ownership by the GoV and the strong coordination of donors. The issue of ownership was emphasised numerous times by respondents from central ministries interviewed for this evaluation who suggested that this was enhanced by the alignment of PRSC objectives to the GoV's SEDP. The GoV then viewed the PRSCs as supporting its own plan for reform. In the early phases the PRSC also provided an important practical mechanism for donor alignment, a mechanism that was largely missing in the early 2000s.[102] The issue of donor coordination was an important one. The World Bank played a very strong role in this coordination, which, as noted by one senior official 'was a bit like herding cats sometimes'.[103] Coordinating a large number of donors, some of whom had very specific views on the pace of reform and the prioritisation of policy areas was a challenging process. Senior World Bank officials interviewed as part of this evaluation welcomed DFID's focus on higher level strategic issues and commended it on the brokering role it sometimes played with bilateral donors.

In summary, DFID contributed a significant amount of its aid budget to PRSCs between 2001 and 2012. It was one of the original donors and maintained a strong presence across the entire 10 year cycle. DFID was one of the largest bilateral donors and a consistent advocate for reforms in areas such as PFM, gender and education, which were amongst the highest performing sectors. Its support was highly regarded by GoV counterparts and the World Bank. The PRSCs played an important role in improving the policy environment for poverty reduction and economic growth, whilst also assisting Vietnam deal with the implications of economic integration engendered by accession to the WTO in 2007.

Case Study 2 DFID's Long Term Support to Rural Transport

i) Background

DFID supported rural transport in Vietnam from the beginning of the World Bank Rural Transport 1 (RT1) project in 1996 until the end of the additional financing component of Rural Transport 3 (RT3) in June 2014. DFID's support for rural transport, which totalled £59 million, was its second highest program expenditure after the PRSC and its longest running sector commitment. Over this 18 year period DFID prioritised the poverty reduction, community development and employment generation aspects of rural transport, provided additional financing for the poorer provinces, and focused on improving the enabling environment for rural road construction and maintenance by building institutional capacity within central and sub-national transport agencies. DFID also funded a number of key strategic studies and provided a high level of technical support to the Ministry of Transport (MoT). This case study will review the context of DFID's support to rural roads, the strategic objectives DFID pursued and their specific contribution to these large projects. In the years after the American War the GoV's investment in its dilapidated rural road infrastructure was negligible. This lack of domestic investment was compounded by the trade embargo during most of the 1980s and early 1990s which reduced access to aid and other external financing significantly. There was a general lack of finance for most types of infrastructure, and rural roads were certainly not a priority in this context.[104] When the aid embargo was lifted in 1993 Vietnam was flooded with external financing from donors who prioritised infrastructure investment, and a large increase in road and associated infrastructure construction took place – see the analysis in Section Two for a thorough review of aid flows and external financing during this important period. Between 1992 and 1997 donor commitments to infrastructure totalled US$1.5 billion, 90 per cent of which was used for the construction and rehabilitation of roads and associated infrastructure.[105] Large donors such as JICA, World Bank, AfD, and the ADB focused mostly on national roads. There were

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[102] Bartholomew et al op.cit.
[103] Key Informant 43, pers comm 20 June 2014
[104] Senior key informants, Ministry of Transport
[105] World Bank (1999[a]) Vietnam Moving Forward: Achievements and Challenges in the Transport Sector, April 1999, see: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/09/14/000094946_00083105302520/Rendered/PDF/multi_page.pdf

some large investments by the ADB in provincial roads, and a number of small donor funded projects focused on rural roads throughout the country, but these were fragmented - this included the infrastructure components of area based programs such as those funded by DFID. GoV's investment did grow steadily after the embargo but at an average of around US$330 million per year (during the 2000s),[106] this was clearly insufficient to construct and maintain rural roads in Vietnam's 63 provinces. The rural road network in Vietnam around that time was 83,000 kilometres, which consisted of 36,000 kilometres of district roads and 47,000 kilometres of commune roads – only 15 per cent of these roads were in maintainable condition.[107] Seventy per cent of the rural population did not have access to all-weather roads.[108]

The importance of rural roads for development was highlighted by the World Bank in their 1995 Vietnam Poverty Assessment Report. This report noted the low levels of economic activity and per capita incomes in rural areas of Vietnam, and described the widening gap between rural and urban areas in many poverty metrics, as has been outlined in Section Two of this report. The report advocated for the promotion of broad based growth and the support of projects that focused on regional development, improving access to markets and mobilising labour and physical capital.[109] Key to this was the construction of all-weather roads in rural areas, as it was thought that this would facilitate economic diversification, labour mobility, the more productive use of farmland, and an increase in living standards. This report influenced the Banks decision to invest more in rural roads and manifested in their support for the first Rural Transport Project in 1996.

ii) DFID's early support for rural transport in Vietnam

DFID's earliest investment in rural transport was a £808,000 contribution to the World Bank implemented RT1 project between 1996 and 2001. This support predated the development of the 1998 CSP, which articulated the importance of rural transport for human development in rural areas, and emphasised the role it played in improving access to services and employment opportunities for the poor. DFID's funding contributed to the improvement and maintenance of rural roads, the development of local capacity, and Vietnam's first ever Rural Transport Strategy and Poverty Assessment Study.

A review undertaken in 1999 outlined some of the problems with the rural transport sector in the late 1990s, these included: [110]

- Limited funding for rural road construction and maintenance and low volumes of fund transfer from the central to provincial levels for this purpose;
- Limited opportunities for sub-national governments to raise funds for local roads through taxes and fees;
- Inadequate and wasteful use of existing funding through ad hoc preventative maintenance;
- Unskilled and understaffed local road authorities;
- Unclear responsibilities for rural roads between province, district and commune levels;
- Centralised administration and implementation of donor funded rural road projects;
- Lack of sector policy and institutional coherence, and different standards; and
- Inappropriate prop poor targeting based on the equal distribution of resources between provinces as opposed to a focus on reaching the poorest communities.

iii) DFID's support to RT2

- **Development Objectives**

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[106] *Government of Vietnam, Ministry of Transport, unpublished internal document provided for this evaluation. US/VND average exchange rate 2000-2008 from: http://www.oanda.com/currency/historical-rates/*
[107] *World Bank (1999[b]) Vietnam Transport Sector Review, January 1999*
[108] *World Bank (1999[a]) op.cit.*
[109] *World Bank (1995) Vietnam Poverty Assessment Report, No. 13442 January 23 1995*
[110] *World Bank (1999[b]) op.cit.*

Between 2001 and 2006 DFID scaled up its assistance to rural transport and provided £25.6 million to the US$142 million World Bank administered RT 2 project, which was designed to address many of the abovementioned issues. The specific objectives of this project were to:[111]

a) *Improve access of rural communities in the 40 project provinces to markets, off-farm economic opportunities, and social services;*

b) *Develop central, provincial and local capacity to improve and sustain the level of service of the rural transport network; and*

c) *Foster the development of small-scale private contractors (in support of the rural transport network).*

Aside from providing basic all weather access to targeted communes without roads, and rehabilitating roads in poor condition, the program focused on building the capacity of authorities at multiple levels to plan, manage, and implement rural road works, which included working closely with the MoT on the, as yet non-operational, rural road strategy. Within the GoV, project implementation rested with PMU 18 within the MoT which had two project offices one in Hanoi and one in Ho Chi Minh City. Some functions such as planning, road selection and engineering design were decentralised to the provincial level.

- **DFID's role**

DFID's funding was delivered through two instruments: a bilateral agreement with the GoV totalling £6.125 million for institutional development within MoT, rural road maintenance and the training of local contractors; and a £12.5 million World Bank Trust fund contribution for institutional development within PMU 18 and provincial departments of transport, and additional funding for the rehabilitation and construction of rural roads in four provinces: Ha Tinh, Quang Binh, Quang Nam and Quang Tri.[112] These provinces are certainly poor, with poverty rates higher than the national average, but are clearly not among the poorest, as is clear from Tables 1 and 3 above. Aside from directly contributing to the DFID country strategy goal of improved income opportunities and human development for the rural poor, DFID also had a broader strategic interest in this project. It wanted to build on the work it had already undertaken with the Bank, the GoV and other donors to develop a more coherent sector-wide approach to rural transport in Vietnam,[113] which as noted above was highly fragmented. This was in line with its strategic objective of promoting more effective collaboration between donors and government in the pursuit of poverty elimination[114], something which DFID had been active in doing through various other programs, including the first PRSC instrument, which was being discussed and formulated around this time. DFID thought that the recent assignation of Vietnam as a CDF country might provide an appropriate context for this evolution in support.[115] DFID also played an important role at the intervention level and was significantly involved in the design of the project; internal documents suggest that it played an important role in shifting the World Bank's thinking about the project away from a traditional investment loan and towards a more flexible policy and institutional development approach.[116]

This broader approach allowed DFID to build on other work in which it has been involved. DFID brought with it some operational experience from the Ha Tinh Poverty Alleviation Project which influenced various aspects of RT2. The most important of these was the mainstreaming into the project design of a commitment to a community managed labour based method for civil works. As noted in the project appraisal this idea was

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[111] World Bank (1999[c]) Project Appraisal Document for Rural Transport Project Two, November 24 1999, Transport Sector Unit, East Asia and Pacific Region
[112] DFID (2000) Vietnam Rural Transport II Project Document, DFID Southeast Asia, January 2000, unpublished internal document
[113] DFID (1999) PRC (99) 40 – Vietnam: Rural Transport II (RT2), unpublished internal memorandum, 3 December 1999
[114] 1998 DFID Country Strategy Paper op.cit.
[115] The CDF – (Comprehensive Development Framework) promoted a long term, holistic approach to international cooperation that better integrated development policy with the quantum of development assistance, while promoting ownership, alignment and harmonisation. Sector Wide Approaches were seen as an important component of this approach, see: http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2245.pdf
[116] DFID 1999 op.cit.

directly transferred from the HTPAP pilot and targeted for scale up in RT2.[117] The perceived advantages included extending the benefits of paid employment to local people, engendering a greater sense of ownership over local projects and completing works at a lower cost.[118] DFID also sought to influence the issue of insufficient funds for O&M, by providing funding for maintenance (something the GoV would not commit to through a loan instrument), as well as contributing to better pro-poor targeting at the commune level.

The issue of pro-poor targeting was an important and contentious one. As noted by a number of senior key informants interviewed for this evaluation, political issues often got in the way of a more objective, pro-poor approach to targeting. GoV officials were inclined to distribute equal amounts of funding to provinces, discounting pro poor criteria; this was something that affected various phases of the RT program of assistance. DFID's additional funding for some of the poorest provinces was seen as one way to ensure additional funding for rural transport reached the poorest communes. Once province-level investment was agreed to with the GoV, road investments within provinces were determined using a modified cost-benefit analysis that included a significant weighting for poverty incidence.[119]

- **Project Implementation**

The World Bank reported satisfactory implementation of RT2 in its completion report;[120] the experience of PMU 18 on RT1 helped make implementation smoother than it may otherwise have been. The Bank suggested that the previous experience of provinces with its procedures helped improve implementation efficiency, however this was contradicted by engineers interviewed for this evaluation who commented on the significant delays during project start-up that were caused by a lack of understanding of these procedures, and the need to develop a hybrid project management approach that could satisfy both GoV and World Bank systems. This view was supported by DFID who commented on the problems associated with developing parallel procedures and the high transaction costs this induced.[121] Despite these problems the civil works component of the project progressed well and reportedly much better than similar components in other World Bank projects.

The efficiency of the project was also affected by some extensive irregularities in procurement. This resulted in the emergence of a corruption scandal in February 2006 and the review of the project by the Bank's Integrity Unit. This review found that local officials were artificially restricting the sale of bidding documents in an effort to facilitate collusion. As a result of this investigation PMU 18 stepped up its collusion monitoring and 90 firms were debarred from RT2. These events had some impact on the relationship between the Bank, the GoV and DFID, as the latter was not impressed with the opaqueness of the Integrity Unit investigations and the lack of full cooperation and document sharing. Whilst this scandal did result in the suspension of DFID funding, once the review was completed DFID committed to on-going support for RT2 and [subsequently] RT3. This decision was in line with its commitment to aid predictability and working with partners to tackle corruption, not walking away from it.[122] As noted in the PRSC discussion, DFID also worked with counterparts through the PRSC process to strengthen procurement procedures at the national level.

The project was also affected by the limited capacity that existed in sub-national transport agencies, in areas such as project management and procurement. This lack of capacity was mentioned by a number of key informants involved directly in the implementation of the project. This resulted in a scale up of training activities, and in the end most of the capacity building objectives at the sub-national level were largely achieved. The lack of capacity at sub-national level did impact upon the decentralisation objective of the project and progress against this objective was sub-optimal. PMU 18 took on a more centralised role than

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[117] *World Bank (1999[c]) op.cit.*
[118] *World Bank 1999[c]) op.cit.*
[119] *World Bank (1999[c]) op.cit. Attachment 1*
[120] *World Bank (2007) Implementation Completion and Results Report – Second Rural Transport Project, 8[th] June 2007*
[121] *DFID (2007) Project Completion Report, Second Rural Transport Project, 10[th] August 2007, unpublished internal document*
[122] *Ibid*

originally envisaged and this resulted in the slow disbursement of funds, and a general reluctance to delegate authority for various activities to the provincial level.[123] It should be noted however that capacity did vary widely across the 40 provinces and some of the stronger provinces exercised significantly more authority than the weaker ones.

Another challenge facing the project were the issues associated with maintenance. The additional road surfaces constructed by the project increased the maintenance burden for local authorities and in order to ensure these were maintained the project entered into maintenance agreements with local authorities, however many of these provinces (particularly the poorer ones) simply had inadequate funding for the additional maintenance. Indeed there was no funding for recurrent maintenance in the funding provinces received from the national government – such an item did not yet exist in GoV budget lines at that time. Towards the end of the project the focus shifted towards improving the capacity of local authorities to develop maintenance plans and budgets for maintenance work, with the funds at hand. At the end of the project 50 per cent of provinces had such plans. The problems with maintenance were particularly acute in the poorer provinces. Due to a lack of funding, maintenance in these provinces was typically devolved to commune level, with local people expected to provide much of the labour for road maintenance, whilst this was a sensible short term solution, the lack of on-going funding for more extensive repairs meant that major damage caused by floods and other events could not be repaired and this was predicted to result in the rapid deterioration in road surfaces in poorer provinces in a few short years after project cessation[124] - and indeed much of RT3 was targeted towards rehabilitating roads constructed during RT2.

A further challenge for the project was the difficulties faced in building capacity within the Rural Transport Unit in the MoT. Fundamental weaknesses were evident in this unit at project completion and there was a lack of staff and resources. A number of key informants commented on this issue. Key informants suggested that there was a general lack of institutional support for rural transport within the MoT itself, which focused much more on national roads and large civil works, which had been its historical mandate. The TA supplied by DFID was supposed to influence the work of this unit, but the very technical outputs of the consultancy team funded by DFID, in areas such as digitized mapping and complicated road databases, were far beyond the existing capacity and systems of its counterpart. A number of key informants commented on the problems this imbalance caused within MoT and the high number of technical products that were underutilised. At completion DFID realised that the requirement associated with establishing such a unit within the MoT was misplaced.[125] The lack of engagement and capacity within the RTU may also explain the delays in approving and operationalising the DFID-funded Rural Transport Strategy, which was developed (at some significant expense) by consultants between 1998 and 2000 but was not adopted until 2007 after significant update and modification by MoT.

- **Results**

Despite the issues mentioned above the project did meet most of its original objectives and its reach was quite impressive considering the challenges. The civil works component was probably the most successful; a total of 1,820 road links were constructed with a total length of 7599 kilometres – this was 76 per cent of the original target.[126] This shortfall meant the project did not fulfil its primary objective of providing all weather road access for all targeted communes (1,180). This was due to two factors including an increase in the number of bridges required (1,029) and problems associated with the reclassification of communes. In the end year round access was provided to over 1,000 communes, which were 180 less than planned. A total of six million people - one million of whom were poor, benefitted from the road construction. There was a total increase in traffic of 70 per cent as a result of this infrastructure, and a reduction in travel time of 12 per cent.

World Bank M&E data also pointed to a large number of improvements in many areas, in those provinces that thoroughly collected data - which was less than half of the 40 targeted provinces. Improvements in

[123] *World Bank (2007) op.cit.*
[124] *Ibid*
[125] *DFID (2007) op.cit.*
[126] *World Bank (2007) op.cit.*

access to education facilities were reported in many provinces including increases in school attendance of between 3 per cent and 5 per cent, average increases in off-farm and new labour-based employment were 13.3 per cent and 24.3 per cent respectively, and access to health facilities increased dramatically by 15.2 per cent for attendance at provincial hospitals, 35.8 per cent for attendance at district hospitals and 40.5 per cent for attendance at communes clinics.[127]

Due to problems associated with the design of the M&E component it was impossible to attribute sector wide benefits and impacts to specific RT2 interventions.[128] As such the World Bank commissioned a number of qualitative studies and drew on on-going quantitative research to assess the benefits and impacts of its investment. The Bank's completion report claimed that RT2 directly contributed to lifting 210,000 people out of poverty, this claim was also reported by DFID in their completion report. This figure is based on econometric research undertaken in the early 2000s which looked at the returns of different types of government investment on agricultural growth and poverty reduction in rural areas of Vietnam.[129] The study found that there was a close relationship between economic development and access to roads and that for every billion VND invested in roads 132 people were lifted out of poverty. Investment in roads was the second most poverty reducing government investment behind agricultural research and was ahead of education. The report did acknowledge some significant limitations associated with the accuracy of data, particularly the disaggregation of data at the sector level. This report was also supported by further analysis from the World Bank and CIEM which suggested that a US$50 million investment in rural roads in Vietnam reduces poverty in the 25 poorest provinces by between six and seven per cent.[130]

Whilst the aggregate effect on poverty reduction may have been significant, there is evidence from other World Bank funded studies that the distribution of benefits was variable, with the relatively better off (but still poor) households benefitting more than the poorest – this was primarily due to the fact that richer households had better access to productive assets and market opportunities.[131] A number of other studies either commissioned by the World Bank or undertaken in Vietnam during RT2 analysed the benefits of rural roads projects, these included:

- Households living near a paved road with access to schools and markets had a 67 per cent higher probability of escaping poverty than households living in communes where these facilities do not exist;
- Improved rural road access leads to income diversification and increased household assets;
- Road upgrading has a dramatic effect on transparency, accountability and equity;
- Women benefit from rural road projects in numerous ways (access to health services, income improvements etc.) but the impacts were not uniform.

iv) DFID's support to RT3

- **Development Objectives**

Building on its investments in the previous two phases DFID further scaled up its support for rural roads by providing £32.8 million to the US$321.98 million[132] RT3 project between 2007 and June 2014. RT3 had the following objectives:[133]

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[127] *Ibid*
[128] *See Van der Walle (2002) cited in World Bank (2007)*
[129] *Fan et al (2004) Government Spending and Poverty Reduction in Vietnam, International Food Policy Research Institute, April 2004, see: http://siteresources.worldbank.org/INTPRS1/Resources/383606-1106667815039/gov_spending_vietnam.pdf*
[130] *Larsen et al (2004)* The Impact of Infrastructure Development on Poverty Reduction in Vietnam*, Scaling Up Poverty Reduction: A Global Learning Conference, Shanghai May 25-27 2004, see: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/01/03/000012009_20050103142602/Rendered/PDF/307900VN0Public0Invest01see0also0307591.pdf*
[131] *World Bank (2007) op.cit.*
[132] *Final total projects costs have not been released as the project is ongoing, this provisional figure is from Cartier et al (2013) review conducted in December 2013*

- Rehabilitation of core rural roads in 33 provinces: including increasing the number of rural communities connected to all-weather roads and developing a cost effective and coherent road network;
- Improving the maintenance and management of district roads: by piloting a district road maintenance system and developing guidelines for the management of rural road maintenance; and
- Providing comprehensive capacity development support to improve planning and maintenance: by strengthening capacity within MoT, PMU5 and Provincial PPMUs and PDoTs.

The above objectives aligned to the GoV's VDG goal of 'rural access for all' by 2010, which was articulated in the 2006-10 SEDP. They also reflected the changes in Vietnam's rural road sector over time, which was characterised by a shift away from construction to upgrading, maintenance and managing the entire rural road network. RT3 sought to directly improve access in 3,000 communes in 33 target provinces and enhance mobility for approximately 3 million poor people; it aimed to directly lift 320,000 out of poverty.[134] DFID's funding directly supported the development of transport plans in the 33 provinces, the rehabilitation of 3,000km of road, maintenance of 12,000km of road, and the training of 14,000 staff.

DFID tackling on-going challenges

RT3 was the first large transport project in Vietnam to implement the principles of the Hanoi Core Statement on Aid Effectiveness, and as such it was significantly more integrated into government systems than its predecessors. All of RT3's support was captured in provincial transport plans and budgets. But concerns over the procurement issues which emerged under RT2 precluded the adoption of a budget support modality, and a high degree of attention was placed on managing the relatively high risks associated with the use of government systems. The Bank and DFID developed an anti-corruption strategy to deal with these risks and provided incentives to improve performance in this area. An extensive amount of research and technical assistance was undertaken by both the Bank and DFID in order to better understand the economic governance issues associated with the transport sector. DFID was also working closely with the GoV to improve the macro level environment for infrastructure investment policy and regulations under the various PRSC cycles, and synergies between PRSC policy actions and RT3 were created.

At the investment level a number of mechanisms were used to address potential corruption issues. This included the development of a needs-based formula to allocate funds to provinces in a more transparent fashion, the engagement of local communities in investment decision making, and the training of private contractors in competitive bid procedures. The issue of targeting was seen by DFID as particularly important. Key informants within the GoV commented on DFID's insistence that RT3 funds be concentrated in fewer, poorer provinces using a better pro-poor allocation model than what was used under RT2. After some intense dialogue involving DFID, the World Bank and MoT this resulted in a reduction of targeted provinces from 46 as suggested by the GoV to the final number of 33. The project also used a system of incentives to improve performance at the provincial level. It instituted a system of ex post, annual audit and procurement reviews supplemented by six-monthly implementation monitoring. Incentives were also provided to provinces that performed well in the area of anti-corruption and these provinces were rewarded with additional resources and discretion over resource use.

As well as seeking to improve the financial management aspects of rural road implementation the project also sought to address the issue of maintenance in a more systematic way. The investment and maintenance challenges of the rural road sector were significant. It was estimated that US$ 3 billion was required between 2007 and 2012 to fund the sector to an appropriate level. Only 55 per cent of that was provided by the GoV, RT3 would provide 12 per cent, and after other ODA projects were taken into consideration there was still a US$500 million shortfall. This emphasised the importance of reducing wastage and prioritising maintenance which has the highest economic returns and best access outcomes. At the

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[133] *World Bank (2007) Memorandum of Understanding for the Administration of the Third Rural Transport Project IDA-DFID, January 2007*
[134] *DFID (2007) RT3 Program Memorandum, unpublished internal document*

beginning of RT3 less than 10 per cent of the required maintenance budget was available to provinces.[135] DFID and RT3 sought to work with the MoF through the PRSC mechanism to ensure there was appropriate allocation of maintenance funds through the GoV budget. In 2008 a Prime Ministerial Decree was issued to commit 6.8 per cent of project funding to maintenance.

- **Project Implementation**

Implementation of the project was delayed from its original start date of 2006 due to the Banks on-going investigation into the corruption scandal under RT2. Further delays were experienced due to the 'inherent challenges posed by the countries protracted administrative procedures, which was one of the complications associated with working in partner systems.[136] After nine months only 0.1 per cent of funds had been disbursed.[137] Additional capacity building within the MoT was needed to address this issue. There was also a need to recalibrate project funding and expected outcomes due to problems caused by inflation and associated price escalation.[138] Engineers involved directly in the management of RT3 commented on the problems this caused from a contracting perspective – the different policies of the World Bank (which did not allow for price escalation after contracting) and the GoV (which did) led to significant confusion at this critical stage. Despite these initial implementation delays the project did pick up speed as procurement and administrative procedures became ironed out. A new formula to compensate for inflation was developed and this helped reduce confusion and speed up the procurement process.

By December 2011 significant progress had been made: 1,900 km of road had been rehabilitated, enhancing mobility for 1.8 million people; 15,826 km of road had been maintained, which was already ahead of the target; and 13,341 people had been trained in rural road management, planning, financing and maintenance. Building on these achievements, DFID decided in 2012 to provide additional funds for the Rural Transport Additional Financing component. This £5 million contribution aimed to sustain and build on progress in maintenance and management of rural roads by providing additional funds for maintenance, poor rural women's empowerment, institutional strengthening and evaluation, and lessons learned.[139]

The additional financing component raised an extra US$100 million, allowing the project to meet (and in many cases exceed) its original targets, which were affected by the inflation issue mentioned above. By the end of December 2013 the road length rehabilitated by RT3 was 3,366 km which exceeded the original target of 3,150 km and 19,508 km of road was maintained, which was well beyond the 17,000 km target.[140] A review conducted in 2013 looked at the sustainability issues associated with the various components.[141] With regards to rehabilitation, the report found that whilst the additional financing had allowed the original targets to be reached (albeit at significantly greater cost) there were some issues with the provision of 'all-weather access'. The report noted that insufficient attention had been given to network linkages and as a result improved roads linked to unimproved ones; further, some road improvements did not include the full length of the road and did not link to important road links. These issues undermined the all-weather access objective.

In the area of maintenance the report noted that RT3 had contributed significantly to the building of a maintenance culture in Vietnam, with the introduction of maintenance procedures and systems, however the report noted that there was still a long way to go to ensure this culture was mainstreamed. One particular issue was the problems associated with the introduction of inappropriate road maintenance systems (developed with extensive funding from DFID), which for various reasons were not fit-for-purpose. After years of trial and error simpler software system was found in neighbouring Laos (Provincial Road Maintenance

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[135] *DFID (2007) op.cit.*
[136] *World Bank (2008) Implementation Status and Results Report, VN-Rural Transport 3 project, 6 February 2008, p. 9*
[137] *Socialist Republic of Vietnam (2008) Aide Memoire, Third Rural Transport Project, Supervision Mission, June 9-25 2008*
[138] *Ibid – inflation was 28% year-on-year in August 2008*
[139] *DFID (2012) Business Case and Intervention Summary, RT3 Additional Financing, unpublished internal document*
[140] *Van Dissel and Giang (2013) Sustainability Review of the Third Rural Transport Project in Vietnam, Final Report, Cartier Consult, December 2013*
[141] *Ibid*

System – ProMMs) and customised to Vietnamese conditions (with further DFID funding). There are on-going issues with this system and there is a risk that it will be dropped by MoT once it is no longer required for project purposes (a conditionality stipulated by DFID). Aside from this, some significant advancements in the area of maintenance were evident including the piloting of women's maintenance groups, which was a highly successful and beneficial intervention funded by DFID that is in the process of being scaled up. The allocation of funds for local road maintenance is still relatively non-existent however, and only one province (Lao Cai) has a budget for this. At the national level though the GoV has recently instituted a road maintenance fund which raises funds for all roads in the country through a fee on registrations, and for the first time this provides an on-going source of revenue for rural roads in Vietnam - although it is not enough to cover the significant recurrent costs.

At the institutional level the report was less complementary suggesting that MoT continues to lack sufficient engagement in the rural road sector. For example RT3 supported MoT to further develop a Rural Transport Strategy (building on the work of DFID almost 10 years before), but this is not used in a practical way. It also made significant progress in developing rural road standards but these have also not been fully incorporated into MoT procedures. Whilst there has been a large amount of training undertaken there does however seem to be a lack of buy-in by MoT.

- **Results of RT3**

In 2014 the World Bank commissioned a report that sought to evaluate the socio-economic outcomes of RT3.[142] The report used a number of methods to assess the contribution of RT3 to poverty reduction. Extrapolating the model developed by Fan[143] the report suggests that RT3 lifted approximately 510,000 people out of poverty -200,000 more than its original target. Further, using rural transport investment and poverty statistics the report also claimed that RT3 helped reduce poverty nationwide by 0.06 per cent between 2008 and 2012. The report then compared provinces with the project to those without the project and found that poverty in RT3 targeted provinces decreased by 8.5 per cent between 2008 and 2012 compared to the 4.3 per cent reduction outside the target areas. The report made no attempt to review the relative poverty impact of RT3 on different ethnic groups.

The evaluation also drew on survey data, focus group discussion and interviews in six of the 33 targeted provinces to assess the benefits of RT3. These investigations found that whilst frequency of travel hasn't changed a great deal, ease of travel has changed significantly and travel time and costs are reduced. Travel to school and markets is considerably easier and faster and freight services are more readily available. In total 85-92 per cent of respondents reported an improvement in living conditions (e.g. increased income, improved access to health and education services) as a result of RT3. Balanced against this were reports that there was limited local participation in road planning exercises (as originally planned) and evidence of rapid deterioration of road surfaces.

v) Summary of DFID's support for Rural Transport

In summary, DFID began providing funding for rural transport soon after the trade embargo was lifted. At that time donors and even the GoV demonstrated little interest in rural roads. DFID, along with the World Bank recognised the poverty reduction attributes of rural road projects and embarked on a significant and long term period of investment over three phases and 18 years. The early challenges were significant: inertia within the MoT, lack of a maintenance culture, little funding, no standards, no rural roads strategy, problems with financial management, and issues with operationalising the decentralisation agenda to name a few. Over time significant achievements were made: a maintenance culture was developed; over 700,000 people were lifted out of poverty; thousands of kilometres of roads were constructed and maintained; standards, systems and processes were developed; role and responsibilities for rural road management were determined; and financial management systems were strengthened. DFID technical assistance also

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[142] CCTDI (2014) Evaluation: Socio-economic Outcomes of Vietnam's Third Rural Transport Project, Hanoi February 2014
[143] Fan et al (2004) op.cit.

contributed to the operationalisation for the first time of a road maintenance fund which assisted with providing finance for road maintenance. DFID stayed the course in the face of significant challenges and chose to tackle corruption issues directly by working closely with the GoV and the World Bank. The movement towards the use of more government systems was appropriate but this also had its own challenges from an administrative perspective. DFID played a particularly important role in linking intervention level challenges to higher level macro issues that could be addressed through policy dialogue and PRSC policy actions. Whilst some of its TA was inappropriately targeted and wasteful, and it's institutional strengthening activities (within MoT) somewhat ineffective, it's provision of long term, principled and poverty focused support contributed greatly to the overall achievements in this sector.

MDG2 –Primary Education

The following section provides an overview of DFID's support to education, which has spanned the entire evaluation period and totalled £76 million. As with many of its other programs the vast majority of DFID's development assistance has been delivered in cooperation with others, primarily the World Bank and the GoV.

In 1997 DFID committed £3.625 million to the English Language Teacher Training Project (ELTTP). This was DFID's first partnership with the Ministry of Education and Training (MoET). This bilateral project was developed in the year prior to the inception of the 1998 CSP at the request of the GoV, who, since the early 1990s had replaced Russian with English as the primary foreign language taught in lower secondary schools. The teaching of English supported the GoV's regional integration agenda and responded to a significant demand for English language training.[144] DFID had been involved in English language training in Vietnam since the lifting of the embargo in 1993, but this was the first time it had worked directly with MoET on a large bilateral project. DFID considered this an important relationship building program and the first step in what it hoped would become a deeper involvement in education in Vietnam[145]. In the late 1990s there were a reasonably large number of foreign language teachers (many of whom were former Russian language teachers) but the quality of instruction was variable, there were no statistics on English language competency, no English language training materials, and no qualification frameworks.

The project developed English language training methods and materials for use in lower secondary schools and teacher training colleges in 22 provinces. In 2001 the project was extended by a year to fulfil its original objectives, which were delayed due to start-up issues working with MoET, which was to be expected noting the incipient nature of the relationship.[146] Whilst no completion report is available to review, annual progress reports suggest the project was on track to achieve its targets, particularly after the extension. The program developed English language training modules and trained a high number of tutors to deliver these training courses. Teams were trained to deliver a 180 hour English language module to upwards of 175 trainers per year in 17 provinces. Tutors were also trained to deliver six-month intermediate courses in English to 400 trainers per year each of the 22 targeted provinces. The program also developed, piloted and implemented English language syllabuses in universities and trained higher education staff to teach new courses in English at Bachelor and Masters levels.[147]

In 2002 DFID acted on its intention to engage more deeply in the education sector and committed £8.256 million to the five-year Primary Teacher Development Project (PTDP). This US$35.75 million project was the first of a number of partnerships between DFID and the World Bank in the education sector. The focus of the program was on improving the quality and efficiency of primary teaching in the country. As noted in Section Two, by the early 2000s Vietnam had made significant advancements in the area of universal primary enrolment (MDG2), and these levels were on average above 90 per cent. However, there were still major disparities in achievement between most ethnic minority groups and the majority population, and between urban and remote populations. In 1999 the GoV introduced the Education Law which aimed to address some

[144] *DFID (1997) English Language Teacher Training Program – Project Memorandum, unpublished internal document*
[145] *Ibid*
[146] *DFID (2001) ELTPP Project Extension Rationale, unpublished internal document*
[147] *DFID (2002) Output to Purpose Report, ELTPP, unpublished internal document*

of these issues. The Law acknowledged the duty of the state to guarantee equity in education and the concomitant need to prioritise the provision of education to ethnic minorities and other disadvantaged groups. It also prefaced a move towards improving education quality and the efficiency of the education system more generally to address these issues. At the same time a series of education reforms were taking place between 2002 and 2006 including the introduction of a new curriculum, which required the development of new teaching methods and an increase in the hours of instruction.

Whilst these developments were positive there were still many challenges in the sector, including a shortage of specialised teacher skills, low teacher pay and motivation, lack of teaching materials and general lack of human resource capability and management processes.[148] Of particular concern was the high level (20 per cent) of teachers that did not meet the government's own minimum qualification standards, many of whom were based in remote parts of the country serving ethnic minority communities.[149]

In order to help address these challenges the project implemented the following components in 10 pilot provinces:

1. Develop professional standards for teachers;
2. Develop training program for teachers and education managers;
3. Develop quality assurance mechanisms;
4. Revise the terms of service for teachers; and
5. Strengthen capacity for project coordination, planning and monitoring and evaluation.

As noted by senior key informants from the World Bank and DFID interviewed for this evaluation, the importance of this project lay in the fact that it, for the first time, focused on a quality-based conception of standards. At that time standards in Vietnam were very much input and infrastructure based; they included metrics such as the number of classrooms, number of schools, teachers per classroom and similar issues. The focus on quality standards was a new conceptual approach and one that Vietnam needed support to develop – a fact that was corroborated by senior officials from MoET consulted during this evaluation. It was hoped that the focus on quality standards would provide incentives for a shift away from the didactic and prescriptive model of pedagogy that was prevalent in Vietnam at the time, towards a more student-centred, outcomes-based approach that rewarded teachers for their teaching skills not their seniority.[150]

Supervisory missions conducted during the mid-term of the project highlighted some significant progress in the development of professional standards and the review and adoption of the new curriculum, but noted some delays in the development of training modules.[151] These delays were associated with a change in the scope of Component B which was designed to have more national level impact -including the design of training modules for colleges and universities and the design of additional training modules in support of the newly introduced curriculum.

As noted by the World Bank, whilst this delay did lead to an extension of 18 months it scaled up the impact of the project quite significantly.[152] The new curriculum for colleges and universities was formally adopted by the GoV through two decrees, and the project directly trained 6,000 teachers using this curriculum. Further, and most importantly, the teacher training modules developed to support the roll out of the new curriculum in the ten target provinces were eventually rolled out to the remaining 54 provinces with funding from MoET – the timeliness of the development of these materials ensured national level impact as the demand from teachers for this guidance was high. There was also evidence that the maths and reading abilities of students in the ten target provinces increased significantly between 2001 and 2007. Aside from these achievements the project also directly contributed to the adoption of numerous decrees and policies in

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[148] World Bank (2001) Project Appraisal Document, Vietnam Primary Teacher Development Program, October 6 2001
[149] World Bank (2008) Implementation Completion and Results Report, Primary Teacher Development Program, April 22, 2008
[150] Ibid
[151] World Bank (2004) Results of World Bank/DFID Supervisory Mission – Primary Teacher Development Program, 1 July 2004
[152] World Bank (2008) op.cit.

various areas of teacher quality, human resource management and training, including: teacher classification scales, teacher pay rates, teacher workload policies, quality assurance and accreditation and the adoption of school charters which emphasised the provision of high quality education.

Alongside the focus on quality improvement at the national level, DFID was also specifically seeking to improve education outcomes for disadvantaged children through the Primary Education for Disadvantaged Children's Program (PEDC). DFID provided £26 million to this World Bank administered program between 2003 and 2009. Total funding for the project was US$243 million, US$51.5 million of which was provided through a multi-donor grant mechanism with support from the UK, Canada, Australia and Norway, with additional loan funds from the World Bank and a US$43.3 million contribution from the GoV. The program sought to improve access to primary school whilst also improving the quality of education available to disadvantaged children. Disadvantaged children were classified as children who were not enrolled in school, or enrolled but at risk of dropping out; at a school that did not meet a minimum school quality level; disabled; or from a vulnerable group such as girls from certain ethnic minorities, street children or migrant children.[153]

The program aligned with the GoV's '2010 Education Strategy', which aimed to provide high quality basic education to all students by 2010. In particular it sought to address the increasing disparity in primary education that was evident between urban areas with high levels of economic growth and more remote, economically disadvantaged areas – this disparity was reviewed at length in Section Two. As noted by a number of senior key informants from the GoV and donor agencies interviewed for this evaluation, the increasing disparity in education achievement, as evidenced through test statistics and various education metrics, was a significant concern considering the government's commitment to equity and social justice – as enunciated in the recent Education Law. Aside from the differences in education achievements, extensive differences in per capita expenditure on education, between urban and remote areas was also particularly alarming and further exacerbated existing inequalities. PEDC aimed to address this issue.[154]

The program targeted approximately 2.7 million children in 4,272 core schools and 14,290 satellite schools in 227 districts throughout the country. This amounted to 70 per cent of the disadvantaged child population as it was then known. The program aimed to ensure that all of these schools achieved a minimum fundamental school quality level by 2010, it sought to lift net enrolment and student completion rates in these areas to 96 per cent and 86 per cent respectively, and it sought to influence an upward trend in grade five maths and Vietnamese test results in target areas over the medium term. The program also sought to strengthen guidelines for the education of disadvantaged children, and the capacity of MoET and provincial and district education officials to plan, implement and manage such programs.

The program provided education authorities and school communities in poor districts with additional resources for physical infrastructure, teacher training, curriculum improvement, the provision of educational materials and community grants. This pro-poor targeting was very important from an equity perspective. For example research commissioned as part of the PEDC program found that there was up to 700 per cent difference in government funding for education between the highest and lowest poverty quintiles, that the absolute gap had widened appreciably, and that this funding shortfall had a direct impact on results, which for the poorest had declined at a national level over time.[155]

Central to the project was the development and application of Fundamental School Quality Levels (FSQL), which were developed by the PEDC program and served as a basis to raise school performance. The FSQLs included a number of indicators of performance under five categories: physical infrastructure, teaching staff, school organisation and management, education socialisation and education achievement and quality.[156] The development of these standards was a further shift away from the infrastructure and input-based standards primarily used by the GoV. All schools in a targeted district were eligible for funding

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[153] *World Bank (2003) Project Appraisal Document, Primary Education for Disadvantaged Children Program, 23 January 2003*
[154] *Ibid*
[155] *Carr-Hill, R and N. Lang (2009) Achievement at District Level (2001-2007) Additional Analysis Concerning the Possible Effects of PEDC, unpublished PEDC report*
[156] *World Bank (2003) op.cit.*

provided the school was below the minimum FSQL standards. School Development Plans were formulated by school communities and the amount and type of assistance was allocated based on the assessed need. Continuing participation in the program was meant to be conditional upon the school demonstrating progress towards the FSQL objectives; however in practice once schools entered the program they tended not to graduate. Some funds were distributed via a Community Support Fund (CSF), which targeted the poorest students as determined by local Parent Teacher Associations (PTAs). These funds totalled approximately VND 3-4 million per school per year and were used to support poor students with clothes and school materials, fund class consumables and minor school repairs. The bulk of FSQL-related expenditure was provided in the form of in-kind support for civil works (classrooms, toilets etc.), school teaching materials, and furniture and technical services.

A recent review of PEDC highlighted some of challenges the program faced from an implementation perspective.[157] Many program management activities were centralised in a project coordination unit (PCU) but the highly dispersed nature of the program engaged a large number of capacity constrained district officials and this led to some delays. Further, the different administrative systems required by the World Bank and GoV also led to implementation delays at project start-up. Coupled with this was the weakness and fragmentation of education data in the country which affected resource allocation and monitoring. In response to this PEDC developed a new comprehensive primary education data collection system – the DFA which included the annual collection of data in all primary schools across the country. Many aspects of the project were positively reviewed, however, including the commitment to pro-poor resource allocation, the incentives to engage the community in education socialisation, and the flexible implementation mechanisms developed by the PCU that allowed schools to assess their own needs and respond accordingly.

The project reported some significant achievements and met most of its headline indicators.[158] For example by 2009, 81.3 per cent of PEDC schools met the FSQL standards, which were up from 44.5 per cent in 2004. This improvement was double the national average and three times higher than achievements in districts (in the same province) not targeted by the program. Enrolment rates also increased appreciably from 84.7 per cent in 2004 to 97.9 per cent in 2009 -the female enrolment was even higher at 99.2 per cent. The primary completion rate also improved from 89 per cent in 2005 to 98.2 per cent in 2009. Importantly, the grade 1-5 dropout rate declined from 4.5 per cent in 2005 to one per cent in 2009. Less success was achieved in other areas of the program, particularly in the enrolment of disabled children, which decreased over the program period, and the repetition rates in some grades which increased. DFID conferred a high impact rating score on this project (82.50 per cent) due to its various high level achievements.

DFID highlighted a number of issues that needed to be addressed to ensure the sustainability of project outcomes, these included the formulation of an inclusive education policy, the widespread use of FSQL and its integration into the proposed new Education Management Information System, the integration of PEDC elements in teacher training program, the maintenance of school buildings by communities, and the provision of funding for teaching assistants in schools with particular ethnic communities. Whilst MoET made legal commitments to these sustainability issues and established sustainability committees through various decrees, DFID expressed concern that more emphasis was placed by the GoV on demonstrating how existing programs, decrees and policies already addressed these issues, as opposed to targeting key budgeting issues directly.[159] These concerns were mirrored by the World Bank in the end of program implementation and results report.[160] The Bank noted that several mechanisms existed for the continuity of some PEDC outcomes, including the advent of the SEQAP program (discussed below), and the GoV's own National Targeted Programs for Education. However, there were concerns regarding the discretionary

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[157] *Nguyen, L.T (2014) "Primary Education for Disadvantaged Children Program", in M. Poisson (Ed) Achieving Transparency in Pro-poor Education Incentives, International Institute for Education Planning, UNESCO Publishing, Paris*

[158] *DFID (2010) Project Completion Report, Primary Education for Disadvantaged Children Program, March, 2010, unpublished internal document*

[159] *DFID (2010) op.cit.*

[160] *World Bank (2011) Implementation Completion and Results Report, Primary Education for Disadvantaged Children Program, 29 June 2011*

spending of provinces, which control education funds, and the impact this might have on the continuance of outcomes. Communities, schools and districts involved in PEDC activities were seen as important advocates for the continuance of PEDC-related programs. In some places a legal framework was not in place to support elements of the program - i.e. the provision of ethnic language speaking teaching assistants in schools and this was noted as a significant risk to sustainability.

Case Study 3 – Targeted Budget Support for Education for All Programme

i) Background

In 2005, after a number of years supporting World Bank administered education programs, DFID moved to support the GoV's own national targeted program for education (NTP-E). DFID provided US$38 million to the US$130 million targeted budget support for NTP-E implementation program (TBS-EFA), along with the World Bank, European Commission, Canada, Belgium and New Zealand. The program had two components: support for the implementation of FSQL standards in disadvantaged schools, and technical assistance and capacity building support to various levels of the education system - with a primary focus on province and district level education agencies that were responsible for the execution of the broader NTP-E program. Donor funds were pooled and then disbursed through GoV systems and there was no tracking of these funds. The program utilised government systems entirely and sought to harmonise donor support in this area, whilst building on synergies with other programs such as PTDP and PEDC.[161]

ii) Development Objectives

The EFA program supported the GoV's National Education for All Action Plan, which was launched in July 2003. This fully costed plan committed the GoV to provide basic education (grades 1-5) for all students by 2015. The plan recognised that whilst significant achievements had been made in providing access and improving quality, many challenges remained, particularly amongst ethnic groups and those in remote areas. High rates of poverty, the prevalence of local languages, and a general lack of financial resources were significant constraints to universal basic education. The financial issue was a particular problem. For example, despite the increase in education spending, which was 17 per cent of GDP in 2003, there were significant funding gaps in basic education. Funds for basic education came from central, provincial, and district budgets augmented by community contributions, which were significant. These contributions were a burden for poor households. The GoV recognised that universal basic education would not be achieved without compensatory mechanisms in disadvantaged areas. The GoV estimated that between US$2 and 2.5 billion was required across the course of the Action Plan to fund the private contribution shortfall, and its NTP-E program was designed to help address some of this gap.[162]

Aside from the shortfall in funding, the recurrent funding that was available was allocated inefficiently, from a pro-poor perspective.[163] Recurrent funding levels were determined on the basis of population, as such provincial and district officials favoured schools that were in densely populated areas, as opposed to sparsely populated ones, which also happened to be where high proportions poor and disadvantaged communities resided. In contrast the TBS-EFA program supported the utilisation the FSQL model in the much the same way as PEDC to ensure that funds reached disadvantaged areas. The program built on many of the lessons from PEDC and its experience in providing support to these communities.

Component two of the program was designed to assist those provinces and districts that faced capacity constraints in the delivery of NTP-E, which were also many of the poorer areas. As such it provided support to those areas suffering from both financial and institutional gaps – an important issue that will discussed more fully in the synthesis section. It also provided support for the development of policies at the central level in areas such as full day schooling, models of community contribution for poor children and student teacher ratios.

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[161] *World Bank (2005) Project Appraisal Document, Targeted Budget Support for National Education for All Plan Implementation Program, May 18 2005*
[162] *Ibid*
[163] *Ibid*

iii) DFID's role

According to key informants interviewed for this evaluation, DFID was interested in TBS-EFA for a number of reasons. The program directly aligned to its commitment to the MDGs as articulated in the 2004 CAP and it supported DFID's strategic goal to continue to move towards the use of government systems. DFID also saw the various education and PFM reforms supported under the PRSC mechanism as directly relevant to the program. The program was also supported by research on poverty that DFID supported under its PAPAP funding. A large range of fiduciary risk assessments and other financial management activities supported by DFID and the World Bank such as those through PFM-MP also gave DFID growing confidence in the financial management capacity of the GoV. As such the program was a natural extension of much of the work DFID had supported up to that point.

As noted by one senior World Bank key informant, DFID and World Bank sought to fund a PEDC-like program across the country and work at the national level to strengthen government systems to implement programs that specifically targeted disadvantaged children. Informants noted the risks associated with a targeted budget support arrangement in this context, particularly within the decentralised legal framework of Vietnam, however DFID was particularly assertive in its promotion of this approach. The funding arrangements also caused some problems within the donor group; whilst there were some obvious benefits, from an aid harmonisation perspective, with having multiple donors funding such a program, there was, according to several DFID and World Bank informants, constant requests from donors for financial tracking and programmatic targeting, which was impossible under such a modality. Within this context DFID's aid effectiveness focus was highly appreciated by the World Bank in particular.

iv) Project Implementation

An annual assessment conducted by DFID in 2007[164] noted a number of issues arising from the joint donor annual review. Whilst progress had been made in a number of areas, including funds disbursement to the provinces, financial reporting and increases in the state budget allocation to NTP-E, "a number of challenges emerged that threatened to significantly affect the program"[165]. These included: problems with the slow start up and implementation of the technical support component, which was key to strengthening the effective delivery of NTP-E; issues with the consistent use of FSQL as a priority tool for planning, resource allocation and monitoring; and, failure to engage with MoET in effective policy dialogue. A lack of MoET leadership was seen as critical issue. Aligned with this was its failure to influence programing and resource allocation decisions at the provincial level, which in the devolved Vietnamese context is where fund allocation decisions are made.

In September 2007 a series of meetings were held between representatives from donor agencies and GoV officials in MoET, MoF and MPI. The aim of these meetings was to find a way to address various planning, budgeting, execution and M&E issues. Donors expressed a desire to see stronger GoV oversight of the program, which in their view was weak[166]. They called for the adoption of a cross-sectoral approach and more coordination between GoV agencies involved in the program. Donors also noted how the decentralised context of the program affected budgeting and pro-poor allocation issues. Ministers with the key GoV agencies also voiced a number of key concerns including: the inefficient allocation of funds; the effect of provincial autonomy on inter-sectoral collaboration; limited human resource and capacity (particularly in planning and financial management) within MoET; weak collaboration between central and decentralised levels; and inadequate tools for planning, budgeting and monitoring.

In response to these challenges the GoV established a roadmap to strengthen NTP-E planning that involved a number of changes to the program structure and implementation arrangements, including: the realignment of roles and the introduction of new mechanisms for coordination; more capacity building work in MoET and at the provincial level in areas such as financial management and planning; the introduction of an NTP-E

[164] *DFID (2007) Summary Review, Poverty Reduction Budget Support – Education for All*
[165] *Ibid., p.1*
[166] *TBS-EFA (2007) Brief for Inter-Ministerial Annual Review Meeting, September 2007*

Management Information System; instruction from the Prime Minister for enforcement at the provincial level; and other mechanisms that were designed to enforce the existing instructions and law at sub-national levels.

A further review by DFID in 2008[167] noted that implementation in the third year of the program had improved alongside a greater understanding of the budget support modality. New coordination and dialogue mechanisms were introduced including the appointment of a program coordinator and the establishment of joint donor/government thematic working groups; a new, more coherent approach to planning was developed and rolled out; improvements were made in the area of pro-poor monitoring with the better disaggregation of results; improvements in the pro-poor allocation of resources were also made; an inter-ministerial circular was developed by the GoV that clearly outlined roles and overall program coordinator was assigned; and, importantly MoET became more engaged in component 2 and demanded more technical assistance and capacity building which saw activities under this component increase significantly after a slow start-up. Despite these achievements, DFID noted a number of on-going challenges facing the program. For example, the increased use of FSQL as a tool for planning and pro-poor allocation was required to meet the objectives of the program, there was a need to strengthen financial management and procurement systems and improve financial transparency more generally and further advancements were required in the targeting of education inputs in ethnic minority areas to address the growing equity gap.

v) Results

A final review of program outcomes in 2011[168] highlighted the significant progress of the NTP-E and the importance of the targeted budget support for the education achievements realised; it also pointed to a number of on-going sustainability and pro-poor targeting issues that needed addressing. At the purpose level the program reached and exceeded its targets in many areas. Net enrolments in 2011 were 99.6 per cent across the country, slightly above the 99 per cent target, which meant that the GoV basically achieved the universal basic education target four years in advance. There was still a problem in ethnic communities however, with up to 5 per cent not attending school regularly. The national primary completion rate increased to 99.6 per cent in 2011 up from 81.9 in 2006, which exceeded the 95 per cent program target – however whilst rates also increased in ethnic communities (up to 79.8 per cent in 2011 from 60.6 in 2006) they were still way behind the national average and the statistics for Kinh majority. Achievements in the areas of school drop-out rates were also impressive falling from 2.5 per cent to 0.6 per cent between 2006 and 2011; however the rate for ethnic monitories whilst falling very fast was still high by comparison (6.1 per cent in 2006 to 2.3 per cent in 2011). The assessment noted the strong commitment of the GoV to basic education for all but it highlighted the need to continue to better target children in disadvantaged areas of the country, who continued to lag significantly behind the national average.

The review found that the TBS support helped improve school quality, which in turn contributed to better achievements in enrolment and retention. The support also helped improve the capacity of agencies to track performance, but it noted there was a way to go to achieve a consistent need based approach to planning and budgeting. For example, key FSQL indicators were used for NTP-E budget allocation which helped improve pro-poor targeting, financial management systems were strengthened through the development and roll out of a treasury budget management information system, and training courses were conducted on medium term education planning, financial management and M&E in all provinces. There were some concerns about lack of mainstreaming of the complete FSQL and DFA into MoET systems, but in general the review noted the relatively high level of mainstreaming of TBS-EFA developed systems and processes into MoET and noted that this was a benefit of working directly with the GoV through the TBS mechanism.

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[167] *DFID (2008) PRISM – Annual Review of Poverty Reduction Budget Support – Education for All, 11 April 2008, unpublished internal document*

[168] *DFID (2011) Project Completion Report, Targeted Budget Support for Education for All, December 2011, unpublished internal document*

vi) Summary

A number of lessons for future partnerships in education were noted by the review referred to above. The TBS modality was considered the preferred model of delivery in the Vietnam context as there is more probability that new approaches will be mainstreamed in to GoV systems using this approach – something that was not evident in PEDC for example. Key to the success of this approach is to work directly with regular public servants in line ministries not PMUs. A challenge is the amount of TA that is required at the provincial level, something that was underestimated in TBS-EFA and which impacted upon the program. The decentralised nature of all aspects of education service delivery in Vietnam calls for significant engagement over a long period at the provincial level, the slow start up of component two of TBS-EFA therefore had an impact in a number of areas. Overall, whilst the project helped the GoV make some significant achievements in education access, it could have done more to strengthen education governance at the sub-national level and pro-poor aspects of planning, budgeting and execution in particular.

In 2009 DFID further extended its funding for education by committing US$23.9 million to the US$181.38 million World Bank administered School Education Quality Assurance Program (SEQAP). Additional funds were provided by the GoV, the World Bank and Belgium. The objective of this program was to "improve learning outcomes and primary education completion for primary students, particularly disadvantaged primary students, through supporting the Government's full-day schooling (FDS) reform".[169] The program sought to support the GoV's policy on FDS and its recently launched Education Development Strategic Plan (2008-2020), which aimed to develop the teaching force and facilitate the move towards a more student-centred, individualised education.

The program sought to address the many challenges that continued to face the education sector in Vietnam. There were increasing disparities between the Kinh majority and ethnic minority groups, and between the highest and lowest poverty quintiles, as evidenced by nationwide maths and literacy tests. The quality of education provision was a particular issue, whilst enrolment levels were increasing (as evidenced by the case study of TBS-EFA above), there was a concern that the quality of education was highly variable, with richer, majority Vietnamese accessing a better education than poorer, often ethnic minorities; and thus widening the knowledge gap and the capacity to benefit from the advancements in the economy was also widening.[170] Time at school was also a significant part of this equation as richer students could afford additional tutoring to make up for the widespread lack of FDS – 40 per cent of students in 2009 were still in half day schooling.

SEQAP focused on enhancing the broader enabling environment for FDS in Vietnam. It sought to improve the policy framework for FDS through the development of a FDS model and roadmap; it aimed to improve human resources for FDS through the professional development of teachers and school leaders and improvements in quality assurance; and it sought to improve the physical resources in support of FDS, which included the building of infrastructure and the provision of funds for O&M, teaching materials and other consumables. The project also provided demand side support for disadvantaged students through grants to the most vulnerable – something that was particularly emphasised by DFID.

The project built on a number of outcomes from other DFID and World Bank funded projects. It sought to broaden the application of the teaching standards developed through PTDP to other provinces, and to include principals in that exercise, as well as incorporating performance appraisal into those standards. It also sought to improve the definition and applicability of the FSQLs by factoring in instructional time. The program also sought to support the autonomy of schools to decide on funding allocation issues.

The administrative structure of the program consisted of a SEQAP office in MoET at the central level with executing agencies at the provincial and districts levels. The majority of funds were disbursed on-budget to the provinces and districts, with a small amount spent off-budget for technical advice, capacity building and project management at the central level. The sub-national education agencies had full responsibility for the

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[169] *World Bank (2009) Project Appraisal Document, School Education Quality Assurance Program, 31.3.2009*
[170] *Ibid*

planning, spending and acquittal of SEQAP funds spent at the sub-national level. This system required the development of a dual system of accounting which caused some teething problems.

According to key informants interviewed for this evaluation, the program experienced some significant delays in start-up, primarily due to the complexities of the financial management systems and the low capacity with the SEQAP office in MoET. This led to a need to extend the project beyond its original end date. Towards the end of 2013 DFID decided to reallocate the unspent funds it had allocated (approximately US$5 million) away from SEQAP and towards another unrelated World Bank program – the HIV/AIDS Prevention Program. DFID was concerned with the slow implementation of the project and was under pressure to program and expend funds, particularly considering the planned closure of the country office in 2015.

Reports on the progress of SEQAP have not been made available for this evaluation and it is not possible to comment on final results as the activity was not finalised at the time of writing this report. Senior officials directly involved in the implementation of this project however have provided some highly interesting insights into the project that may help frame discussions about the remaining challenges in education reform and the most appropriate modalities for development cooperation in education. Informants noted that the program is extensively transaction heavy requiring significant support from World Bank staff in Vietnam and from HQ. The lack of capacity within the SEQAP office has led to a lot of consultant driven work and this has caused problems with ownership within MoET. Capacity constraints at the centre and in the provinces, coupled with a disbursement mechanism which directs funds straight to sub-national budgets has affected the take up of FDS criteria in the provinces, who due to the Budget Law can allocate funds as they please.

vii) Summary of DFIDs support for the education sector

After the advent of the 1998 Country Strategy DFID moved away from the provision of English language training and towards a more strategic, deeper engagement with the GoV and the World Bank in the education sector. DFID supported the GoV’s priority to reduce the disparity in education achievement between ethnic minorities and the Kinh majority and between the poor and non-poor. A major focus of DFID-supported programs was lifting the quality of education provision – through the raising of teaching standards, through ‘fundamental school quality standards’, and through the promotion of FDS. Over time standards were lifted and there was an important shift away from an input-based, infrastructure-centric approach to a broader, more holistic approach that can better address the need for student-centred education and better learning outcomes. This was a significant achievement.

DFID funded a number of education programs that addressed these issues in parallel but through different modalities. Each modality had its own trade-offs. World Bank administered systems were low risk but had complicated procedural requirements and duplicate accounting systems were required; whilst the use of government systems was risky but simpler in some respects. Working with MoET that do not have control over the budget appropriations for education and faced significant capacity constraints, was also an issue in a number of programs. Whilst education disparities did improve over time they remain significant and a number of challenges exist. Not the least of which is the issue of targeting. Education spending is determined at the sub-national level. Capacity constraints at sub-national levels, incentives to spend funding in populated areas, and issues with the consistent application of MoET policies and standards has affected the performance of programs and the sustainability of outcomes.

MDG 6 – HIV/AIDS

Case study 4 – DFIDS’s Long Term Support to HIV/AIDS Programmes

i) Background

One of DFID’s longest and most focused areas of support has been to HIV/AIDS prevention. Between 2003 and 2013 DFID provided £41 million to two programs: the Preventing HIV in Vietnam Program (PHP) and the HIV/AIDS Prevention Program. Under both programs DFID promoted a harm reduction approach to HIV prevention that targeted at-risk populations, whilst working with the GoV and partners to build capacity for strategic planning and devise innovative models of implementation in this important sector. This case study discusses the objectives of DFID's support, summarises the results, and assesses the impact of the two programs.

The HIV epidemic in Vietnam emerged in the early 1990s. The first case was reported in Ho Chi Minh City in 1990. The epidemic grew rapidly from 1,710 reported cases in 1996 to a maximum of 30,846 in 2007.[171] The epidemic in Vietnam was (and remains) concentrated in three populations: people who inject drugs (PWID), men who have sex with men (MSM) and female sex workers (FSW). Historically, the primary route of HIV transmission has been through PWID, however, over the years prevalence in the female population (through so-called intimate partner transmission) has increased and these cases now represent 34 per cent of all new reported cases.[172] HIV cases have been reported in all of Vietnams 63 provinces, 98 per cent of all districts and 77 per cent of communes. In total 249,660 cases have been reported; of these 197,335 people currently live with HIV and 52,325 have died due to AIDS-related illnesses.[173]

In the early 2000s there was concern within the GoV and amongst donors about the trajectory of the epidemic and whether or not it would spread to the general population– this was one of the primary motivations for DFID's initial involvement in the area.[174] Aside from the epidemiological concerns, there was also, in DFID's view, a lack of focus on harm reduction, which was seen as a highly effective way to prevent the spread of HIV.[175] The GoV's initial response to the HIV epidemic was largely punitive, particularly once it became clear that drug use was associated with relatively high rates of HIV infection. The rapid escalation of drug use and HIV cases led to government campaigns that linked the spread of HIV to the 'social evil' of drug use.[176] GoV measures to address this issue included the confinement of drug users in drug treatment centres (so-called '06' centres) where they underwent detoxification and, in some cases, hard labour.[177] As noted by two senior Vietnamese sociologists interviewed for this evaluation the focus on punishment led to the stigmatisation of HIV sufferers and created a very difficult socio-political and policy environment for the implementation of harm reduction programs. There were some significant barriers to the adoption of such approaches within Vietnam at the time.

ii) DFID's first HIV program - The Preventing HIV in Vietnam Program

Development Objective

In 2002 DFID designed its first HIV prevention program. DFID contributed £17.5 million to the Preventing HIV in Vietnam Program (PHP) between 2002 and 2009, which was implemented in 21 provinces. The program was co-financed by the Norwegian Government, who contributed NKK 10 million, and the GoV which made a counterpart contribution of VND3.6 billion. The World Health Organisation (WHO) was the executing agency working alongside the Ministry of Health (MoH). The aim of the program was to 'prevent a generalised HIV epidemic in Vietnam -with HIV prevalence less than one per cent of the population at the end of the program'. It sought to address five key issues that DFID experts considered necessary to combat the rising epidemic, these included:[178]

a) The need for national and provincial policies, strategies and practices that support effective HIV prevention. DFID recognised that the provinces were programmatically autonomous but largely financially dependent, and that interventions needed to be customised to the stage of epidemic in each province. Programs also needed strategic, policy and funding support at the national level to be

[171] *Government of Vietnam (2012) Vietnam AIDS Response Progress Report 2012, National Committee for AIDS, Drugs, and Prostitution Prevention and Control, Hanoi March 2012*
[172] *Zhang, L et al (2013) Evaluation of a Decade of DFID and World Bank Supported HIV and AIDS Programs in Vietnam from 2003 to 2012, University of New South Wales*
[173] *Government of Vietnam (2012) op.cit.*
[174] *DFID (2002) Preventing HIV in Vietnam, Program Document, January 2002, unpublished internal document*
[175] *Ibid*
[176] *Tomori et al (in press) "In their perception we are addicts" – Social Vulnerability and Sources of Support for Men Released from Drug Treatment Centre in Vietnam, International Journal of Drug Policy, 23 May 2014*
[177] *Ibid*
[178] *DFID (2002) op.cit.*

sustainable. The program sought to reduce prevalence in the 21 provinces whilst also targeting the spread of HIV from provinces with high levels of drug user and sex worker epidemics;

b) The need for condoms to be available at affordable prices in areas where sex is sold. This would build on the work of DKT international that had been using social marketing approaches to increase condom access throughout the country. A key strategy was ensuring that condoms were made available in non-traditional outlets (NTOs);

c) Promotion of safe sex among those who are most likely to bridge the epidemic (i.e. PWID and FSW). This included building an enabling environment for condom use and engaging sex workers in appropriate safe sex campaigns;

d) Improving the quality and effectiveness of STI services for sex workers and their clients. Expanding on model programs already developed by WHO and DKT; and

e) Decreasing transmission to and from injecting drug users. Through harm reduction programs such as the provision of syringes as directly and as innovatively as possible.

Project Implementation

Specific outputs were developed for each of the key aspects of the program. An MTR conducted in 2007 highlighted some of the difficulties faced by the program at start-up.[179] It found that joint management by the WHO and MoH was found to be unworkable and problems in decision making, administration and budgeting affected the capacity of the project to reach target groups. In 2006 sole responsibility was given to the Vietnam Administration of HIV/AIDS Control (VAAC) in the MoH, which established a project management unit (PMU) to administer the project. This helped refocus the project, strengthen GoV ownership, and improve efficiency considerably. Government ownership was further strengthened in the early years of the program with the advent of the Law on HIV/AIDS in 2006, which helped create a more supportive legal framework for the sector, and by the adoption of the National Strategy on HIV/AIDS Prevention and Control which was approved in 2004. Aside from MoH the program also developed strong partnerships with the Ministry of Labour, Invalids and Social Affairs (MOLISA) and the Ministry of Public Security (MOPS), which were critical for the success of work amongst populations of sex workers and drug users. Programs targeting drug users in '06 Centres' managed by MOLISA were also piloted.

The MTR noted the on-going dissatisfaction with the work of DKT (an NGO who was coordinating the distribution of condoms), and their inability to meet condom distribution targets. The problem wasn't necessarily the quantum of distribution but the targeting of distribution outlets themselves. The MTR criticised the lack of access to non-traditional outlets, and noted that for HIV prevalence to decrease condoms needed to be available in venues where people socialise and where sex occurs, which was not happening. There were also significant issues with the stocking of condoms and the technical services provided by DKT more generally. Progress in the area of harm reduction for PWIDs was progressing well however, with increasing infrastructure and services being established, but there was an ever-increasing demand for these services. The report also noted the lack of customised strategies for the different at-risk sub-populations and called for more work in this area. One particular constraint was the lack of an appropriate M&E framework – including the lack of a baseline survey (which was planned but never undertaken) and the lack of sample surveys.

An annual review in 2008[180] reported significant progress in implementation since the MTR. The GoV continued to strengthen the legal and policy framework for HIV/AIDS prevention through the implementation of seven programs of action under the National Strategy, funding for HIV increased by 58 per cent in 2006-7 (compared to 2004-5), and significant human resources were being deployed at central and provincial level. DFID and the WHO strengthened the monitoring of DKT's performance and increases in condom distribution were observed particularly in non-traditional outlets - up to 11.2 million condoms in 2007 alone. The program provided significant technical and model development support to the provinces to deliver more ambitious

[179] *O'Loughlin, W et al (2007) Preventing HIV/AIDS in Vietnam – Midterm Review of the Project, unpublished internal document*
[180] *DFID (2008) Annual Review, Preventing HIV/AIDS Program, 13 June 2008, unpublished internal document*

harm reduction programs for PWIDs and needle distribution increased to seven million units in 2007 (a fivefold increase over 2006). M&E was also strengthened as the program relied more upon the technical assistance of the WHO to supervise monitoring missions and strengthen the capacity of independent technical institutes involved in the program. Key to these improvements was clearer financial management guidance, monitoring and reporting requirements; increased decentralisation; and more frequent donor supervision and problem identification.

- **Results**

The Project Completion Report in 2009 provided a highly positive review of the program.[181] HIV prevalence in the country decreased from a projected 0.55 per cent to 0.42 per cent in 2008, which was well below the one per cent goal of the program. The legal and policy environment was significantly strengthened and the GoV budget for HIV/AIDS grew by threefold over the course of the program; whilst this was not enough to meet the demand it nevertheless demonstrated a significant commitment by the GoV. The program helped build multi-sectoral coordination by increasing engagement between relevant GoV agencies, and importantly helped support the participation of civil society groups in the fight against HIV through establishing the VPN+ network. On the service delivery side needle distribution increased dramatically during the course of the program, from 1.5 million in 2006 to 15 million in 2008, as a result between 45 per cent and 90 per cent of PWIDs used clean needles. Condom distribution also increased considerably, particularly in non-traditional outlets increasing to 38 million. Importantly, the program also moved into new, long resisted areas, such as the piloting of methadone programs in two provinces.

It was towards the end of this program that a rapid reduction in HIV prevalence occurred in Vietnam. From a height of 30,846 reported cases of HIV in 2008 rates decreased very rapidly to 20,240 in 2009 and then down to 14,125 in 2011[182] – the contribution of DFID's efforts to this reduction will be discussed further below.

iii) Scaling up harm reduction through the HIV/AIDS Prevention Program

At the end of PHP DFID decided to continue its work in HIV/AIDS prevention but to scale up activities by contributing to the World Bank's existing HIV/AIDS Prevention Program. DFID contributed £23.5 million to this program between 2008 and 2013. DFID's support built on the existing World Bank program which had been in operation since 2005 in 18 provinces –some of which overlapped with DFID's PHP provinces. Provinces in which the two donors were operating were combined and a total of 32 provinces were targeted. A requirement of DFID funding was that 60per cent of combined project resources should be allocated to harm reduction activities. The project was executed by a PMU within VAAC, which already had many years' experience executing the DFID funded program.

- **Development Objectives**

This program aimed to scale up many of the harm reduction activities developed during PHP to curb the spread of HIV from high risk groups to the general population. It was the largest harm reduction program in Vietnam at the time. Whilst a number of other donors were active in Vietnam, many of the larger ones (e.g. the US Government's PEPFAR program) could not provide funds for work with drug users and sex workers due to their own domestic policy constraints. Key experts interviewed for this evaluation noted the importance of DFID's significant, but flexible, approach towards harm reduction in this somewhat constrained financial environment.

In response to changes in the epidemic the program expanded focus and included: PWID, FSWs, and also MSM, and people living with HIV/AIDS (PLWHA). The project aimed to ensure that prevalence rates in these groups continued to decline, keeping the prevalence rate amongst adults down below 0.5 per cent, PWID to below 13 per cent, FSW's below 3 per cent and MSM below 17 per cent. It also sought to scale up and institutionalise best practice models of HIV and AIDS control.

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[181] *DFID (2009) Project Completion Report, Preventing HIV/AIDS Program, unpublished internal document*
[182] *GoV (2012) op.cit.*

In 2012 DFID's contribution to the project was increased by £6.2 million as funds were diverted from other sectors (primarily from the SEQAP program as noted above). These funds were critical to the ongoing efforts to achieve the MDG target of reversing HIV incidence which was in danger of not being met. Donor funds for HIV prevention activities decreased rapidly in 2012 as the Global Fund cancelled Round 11 of its funding and the US Governments PEPFAR program reduced its commitments faster than expected. The GoV's funding for its targeted program for HIV was also slashed by 50 per cent due its own domestic economic problems – as highlighted in Section Two.

Results

A project completion report in 2013 provided a positive assessment of the program.[183] Prevalence rates in each of the at-risk communities targeted by the program were below the original objectives. Among FSW, prevalence decreased from six per cent in 2002 to 2.7 per cent in 2012 and the rate of infection in the PWID population decreased substantially from 29 per cent in 2001-2 to 11.6 per cent in 2012. The nationwide adult prevalence rate was far below the 0.50 per cent program target, sitting at 0.33 per cent in 2012, and well below the generalisable threshold of one per cent. The data on MSM was not conclusive as this sub-group was only added to the sentinel survey in 2011, but the available data from four provinces suggested prevalence rates were down to 16.7 per cent. The project also exceeded many of its distribution targets, for example distributing 23 million needles in 2012 - 5 million more than the planned 18 million. The use of varied and creative channels of distribution, and the commitment of local authorities through provincial level action plans helped explain these achievements. The number of communes involved in program activities also increased over time which helped extend coverage, rising from 287 in 2006 to 1,823 in 2012.

Condom distribution also exceeded the targets set. Condoms were distributed through two channels: free distribution to FSW, and social marketing through pharmacies and non-traditional outlets. An estimated 326 free condoms were distributed per FSW each year, which exceeded the target of 240. As of December 2012, around 39 million condoms were distributed through the social marketing program -almost half through non-traditional outlets. The program also made significant progress in the area of methadone treatment. The GoV released a decree on methadone treatment in 2012 relaxing eligibility criteria and simplifying the process. Eleven methadone treatment centres were in operation by the end of the program with 2200 patients enrolled in methadone treatment in 2013.

Aside from harm reduction activities significant advancements were also made in improving the enabling environment for HIV/AIDS prevention. Between 2003 and 2013 118 regulatory and technical instructions were issued by the Prime Minister, Ministries and various mass organisations in support of HIV and harm reduction interventions. Most importantly, from a harm reduction perspective, the GoV introduced a new law in 2009 that effectively decriminalised the illegal use of narcotics, removing the legal basis for arrest and imprisonment and designating drug addicts as 'patients' not criminals – this was a significant shift from the punitive approach preferred only 10 years before. However, it should be noted that drug users continue to be subject to rehabilitation in '06' centres (and hard labour if they are repeat offenders), and this continues to cause serious problems both with regards to treatment and stigmatisation.[184]

The impact of DFID's support

An evaluation conducted in 2013[185] reviewed the impact of DFID/World Bank support to HIV/AIDS programs between 2003 and 2013. This evaluation used a mathematical epidemic model to investigate the impact of these programs at a national level. The model simulated the HIV epidemic in Vietnam using best practice HIV epidemic modelling techniques informed by historical HIV surveillance data. The evaluation found that the programs were appropriately designed and targeted over 80per cent of the PWID (n=167,541) and FSW (n=51,844) populations in Vietnam, however it concluded that there were not adequate resources for MSM programs and that this sub-group should have been targeted earlier.

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[183] DFID (2013) Project Completion Review, HIV/AIDS Prevention Program, November 2013, unpublished internal document.
[184] Tomori et al (2014) op.cit.
[185] Zhang et al (2013) op.cit.

With regards to programs targeting FSWs, the evaluation found that there was an imbalance in the selection of at-risk target groups, with venue-based sex workers receiving significantly more outreach and resources than street-based workers, who engage in a larger number of sex acts and are more vulnerable to HIV infection. It seems the recommendation from the PHP MTR in 2007 to develop more customised approaches to target at-risk sub groups was not followed through. In total condom coverage increased from 58.2 per cent in 2006 to 89.2 per cent in 2012 in the sex worker population. The cost per FSW was US$34.50. With regards to PWID the evaluation estimated that an average of 152 clean needles were distributed per PWID per year, at a per capita investment of US$25.40 per PWID. As a result coverage increased from 22.5 per cent in 2006 to 70.4 per cent in 2011.

Combined, these efforts had a statistically significant impact on the prevalence of HIV at the national level. The evaluation found that in the absence of DFID/World Bank funded programs the incidence of HIV prevalence would have increased by 18.1 per cent among the PWID population and 3.4 per cent in the FSW population by 2012. As such the programs averted 33,054 HIV infections, 924 HIV-related deaths and 17,932 disability adjusted life years. The majority of these benefits were in the PWID population. Importantly, the impact assessment found that if the programs supported by DFID and the World Bank are not supported into the future then the number of new HIV infections will rise by 4,698 by 2020 - , which is considerable noting that the number of new reported cases in 2011 was around 14,000.[186]

iv) Summary of DFID's support for HIV/AIDS

DFID provided a significant amount of financial support for HIV/AIDS prevention programs over a ten year period. It made a very significant contribution to the reduction in HIV prevalence witnessed after 2008. In the early 2000s the enabling environment for HIV prevention was sub-optimal and implementation was challenging. Over time as the GoV's awareness of the benefits of these approaches increased – as demonstrated by DFID-funded harm reduction programs – new policies, laws and strategies were developed and implemented and domestic sources of funding increased. The programs themselves faced some implementation challenges that were swiftly rectified, ownership by the GoV was prioritised and innovative models of working with the provinces were devised. Both programs had significant impacts beyond their original objectives. As a result of these interventions (and others) the reported cases of HIV reduced significantly after 2008 and continued to decline. However, significant challenges remain. Recent funding cuts from international sources, some of which result from decisions to phase out aid to Vietnam, may have an impact in the future. Domestic sources must be found to replace these, but budgetary problems have precluded this so far. The epidemic is also changing with increasing cases of HIV transference to women by their long term partners. This coupled with the need to target more resources towards the MSM population, signals a shift in the future of HIV/AIDS prevention approaches in Vietnam.

MDG 7 – Environmental Sustainability (Rural Water and Sanitation)

In 2009 DFID committed £17.3 million through its Rural Sanitation Program to support the final years of the GoV's National Target Program for Rural Water Supply and Sanitation II (NTP-RWSSP II). Around that time 75 per cent of the population had access to improved water supply, but achievements in sanitation were lagging far behind. With access in poor provinces ranging from 18 per cent to 51 per cent, levels of sanitation coverage were far below the GoV's target of 70 per cent by 2010 and behind MDG targets. The lack of access to sanitation services by the poor was a particular concern of DFID's and their primary motivation for supporting this sector.[187] DFID wanted to support a concentrated push on rural sanitation by injecting a significant amount of funds through NTP RWSSP II to help get the sanitation goals back on track. It also sought to influence the design of NTP RWSSP phase III which was to begin in 2012. The overall objective of DFID's support was to help increase access to hygienic water and sanitation services for the rural population and especially the poor in ethnic minorities.

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[186] *GoV (2012) op.cit.*
[187] *DFID (2009) Vietnam: Support to National Target Program for Rural Water Supply and Sanitation, 26 November 2009, unpublished internal document*

DFID provided an extra £11 million directly to the NTP, which aimed to improve access to latrines and hygienic water supply, whilst fostering sanitation and hygiene practices. DFID also provided funds for technical assistance (primarily in the area of developing local sanitation models), capacity building and analysis. Importantly, DFID provided a significant amount of funds (£4 million) to the Social Policy Bank of Vietnam (SPBV) which provided low interest loans to poor householders for the purchase of latrines and water supply services. DFID's support directly subsidised the interest rate on these loans thus improving the affordability of these services. The loans were mediated through commune-based organisations such as the Women's Union, Youth Union and Veterans Union.

An annual review in 2012 outlined some of the program-level achievements and sought to identify DFID's specific contribution to the program.[188] The report noted that sanitation coverage at the end of 2011 was 55 per cent, and that the program was on track to achieve its 60 per cent target by the end of 2013. 756,000 latrines were built in 2011 alone and the growth rate in construction had increased by 5 per cent per year, increasing from 2-2.5 per cent per year in earlier years of the NTP. Good progress had also been made in the area of water supply access; coverage was at 79 per cent by mid-2012, well on the way to achieving the 82 per cent goal by the end of 2013. There had been some significant delays in the area of credit support to the SPBV, due to problems with administrative procedures and clarifying financial arrangements but these were rectified in 2012 and the rate of loan provision was increasing substantially – 206,000 loans were provided in the first two months of the program. There had been some significant progress in the design and piloting of customised sanitation interventions, an area of DFID focus. DFID was working with SNV in two provinces to pilot and then scale up sanitation solutions for different geographical and poverty settings. DFID was also working closely with the Ministry of Health (MoH) to strengthen coordination between itself and the SPBV to ensure that the poor had better access to credit under the SPBV program. Its TA was also supporting 'mobile teams' who were travelling to provinces providing technical advice on Community Led Total Sanitation (CLTS) in an effort to increase demand for sanitation services.

With NTP III coming online in March 2012 DFID was worked hard with the Vietnam Health Environmental Management Agency (VIHEMA) within MoH to design the implementation plan for the sanitation component of the new program. When DFID joined the program in 2009 overall management of the NTP rested with the Ministry of Agriculture and Rural Development (MARD) who, as a number of key informants interviewed for this evaluation pointed out, were primarily interested in water supply provision. This hindered the achievement of the sanitation objectives. NTP III had a different structure with management of the sanitation component resting with VIHEMA who worked with the provinces, SPBV and donors to implement the NTP III sanitation plan. Key informants from the GoV highlighted DFID's instrumental involvement in this shift in design, its strong technical support of VIHEMA's activities, and its focus on better pro-poor targeting.

As noted by informants from DFID and VIHEMA, both agencies were seeking to move towards a more holistic approach to the provision of sanitation services, one that included demand, supply and financing elements. The demand for sanitation services within poor communities was influenced by promotion through workshops and training using CLTS methods. Supply involved the training of local masons and other service providers and the development of sanitation standards (SANMARK), whilst finances were provided through the credit programs of the SPBV. The focus was very much of strengthening all aspects of the system and sequencing these services in a way that maximised uptake. Whilst conceptually this program made sense, the timing of the various components, i.e. community workshops, local capacity to supply latrines, availability of financing and support from the district health officials was a challenge.

A joint donor review in 2013[189] of NTP III highlighted the significant progress that had been made in the area of access, with a large number of provinces on target to achieve the NTP III target of 65per cent by 2015. However, the report did highlight some on-going challenges which are very similar to challenges faced by other NTP programs discussed in this report. The most significant of these was the inadequate budget

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[188] *DFID (2012) Annual Review: Support to National Target Program for Rural Water Supply and Sanitation II, unpublished internal document*

[189] *NTP III (2013) Vietnam Rural Water Supply and Sanitation, Joint Annual Review, Aide Memoire*

allocation for sanitation and hygiene at the provincial level and the problems with incentivising provinces to allocate funds for these NTP objectives. An analysis of provincial budgets showed that expenditure in the 'softer' areas such as promoting behaviour change in poor districts was far too low. As a result of this, stronger guidance on expected budget allocation was recommended and provinces that failed to comply with NTP funding directives were advised they would have their NTP-related recurrent and investment budgets suspended. Another challenge was the issue of O&M, which not unlike other programs was proving challenging for local community-managed water supply projects. The lack of local budgets for the maintenance of water supply systems was leading to system breakdown; this was exacerbated by the allocation issues noted above.

In December 2013 DFID's support to rural water supply and sanitation ended. A project completion report highlighted some of the programs key achievements and challenges.[190] DFID's support was particularly important in the area of credit provision, as was corroborated by key informants from the GoV interviewed for this evaluation. DFID's contribution through the SPBV helped increase loan provision by 25 per cent in 2012 and 12 per cent in 2013; most of these additional clients were in the lowest poverty quintiles. There was evidence that the gap in access to sanitation services was progressively decreasing as a result of this and other aspects of the program, which was the original objective of DFID's support. Access to latrines by the lowest poverty quintile increased from 37.7 per cent in 2008 to 47.9 per cent in 2010. DFID's 'concentrated push on rural sanitation' contributed significantly to these achievements. However, the report also noted the on-going issues with provincial level budget allocations and the impact this may have on the sustainability of outcomes, particularly due to a lack of O&M funds and the resultant breakdown of community-level water supply systems.

Summary

Recognising that progress under this important MDG had stalled, DFID decided to inject significant funds in order to get MDG 7 back on track. Strategically DFID wanted to influence the design and implementation of the large targeted program for water and sanitation, specifically the sanitation aspects which had floundered somewhat under the management of MARD who focused more on water supply. Working with VIHEMA, DFID managed to develop a holistic approach to sanitation that included training, community awareness raising, the design and application of standards and the provision of finance through VBARD. This well timed intervention and holistic approach gave new impetus to sanitation and helped Vietnam get this MDG back on track.

4.3. DFID Support for Cross Cutting Issues

DFID has a history of identifying two cross cutting issues: (i) gender equality and empowerment and (ii) environment sustainability owing the challenges of climate change. In what follows we focus on the first of these issues. This is not to imply that DFID has not been conscious of the issue of climate change, and issue of tremendous importance to Vietnam. As mentioned above, the DFID Vietnam Operation Plan for the period 2011-2015 recognised the importance of climate change for the sustainability of development achievements. It simply implies that directly addressing climate change has not been a major operational imperative of DFID's MDG Pillar. This is not a criticism of DFID's priorities in Vietnam.

Gender Equality and Women's Empowerment

A key feature of DFID's support over the evaluation period has been its consistent focus on promoting gender equality and women's empowerment. At the strategic level, all of DFID's country program documents since the inception of the country program in 1998 have articulated support for gender equality. DFIDs support for gender equality was operationalised through various means, including through policy dialogue

[190] *DFID (2013) Project Completion Report, National Targeted Program for Rural Water Supply and Sanitation, unpublished internal document*

with the GoV within the context of PRSC negotiations, through influencing the design and targeting of programs implemented by multilateral partners and the GoV in areas such as education and HIV, and by directly contributing additional funds for programs that had demonstrative gender outcomes (such as through RT3).

Key informants from the GoV interviewed for this evaluation noted DFID's consistent promotion of gender-related issues within PRSC negotiations in particular. As noted above, gender issues did not feature in early PRSC cycle discussions, this increased over time with DFID's consistent promotion. Over time some significant gender outcomes were achieved including increases in the proportion of women represented in the national parliament and the introduction of the Gender Equality Law in 2006. Important reforms in domestic violence, land tenure and gender bias in SOEs were also achieved.

As noted in Section two Vietnam has made significant achievements in promoting gender equality and women's empowerment (MDG 3). One of the key achievements is eliminating the disparity between males and females in education achievement has been achieved. In fact, in 2012 female enrolment exceeded male enrolment. Whilst DFID's support for education in disadvantaged communities has contributed to improvements in education status, these achievements have not been as significant as those within the majority community and an imbalance continues to exist within many ethnic communities with regard to educational achievement. DFID's consistent support for education over many years contributed to the achievements observed at the national level, but these achievements were not as stark in regional and remote populations.

DFID's support for HIV/AIDS was also important from a gender perspective. As noted above DFID was instrumental in the development and scaling up of a harm reduction approach to HIV/AIDS for over ten years. This helped transform attitudes within the GoV towards the prevention of HIV/AIDS. A key focus of both the DFID bilateral and DFID/World Bank program was the provision of condoms to Female Sex Workers (FSW) – a significantly marginalised community within Vietnam. As noted above the impact assessment conducted following the conclusion of the HIV/AIDS program estimated that over 80 per cent of the FSW population in Vietnam had been targeted by this program. Without this program the prevalence of HIV/AIDS in the FSW population would have increased by 3.4 per cent.

DFID also played a major role in promoting women's empowerment through the RT3 program, This included providing additional funding for the empowerment of poor rural women through the innovative women's maintenance component of that program.

Throughout almost the entire country program DFID has also supported the activities of the Women's Union. A number of DFID funded programs have used the services of the Women's Union in the facilitation of loans (e.g. under the Rural Sanitation Program) and for the development of community development plans (e.g. under HTPAP).

When asked about the gender achievements of the program, one senior key informant from DFID interviewed for this evaluation considered that one of the agencies most important achievements was the professional development of the large cadre of Vietnamese women that have worked on DFID programs as advisors and program officers over many years. A strong culture supporting women's advancement was noted by local staff and UK-based staff interviewed for this evaluation.

DFID has been a strong and consistent advocate of gender equality and women's empowerment outcomes over the evaluation period. It has directly influenced the introduction of legislation that benefits women, it has contributed directly to the impressive educational achievements observed in the country, and it has provided important economic opportunities for women, whilst also seeking to improve the health and well-being of one of the most marginalised female populations in Vietnam – Female Sex Workers.

5. DFID Support for Governance

5.1. Strengthening Economic Governance and Financial Accountability

As noted above DFID's earliest governance-related programming focused primarily on strengthening economic governance and financial accountability within the GoV's central ministries. Between 2003 and 2007, DFID provided £338,000 to a Multi-Donor Trust Fund (MDTF) for the World Bank-implemented Public Financial Management Modernisation Project (PFM-MP), which as noted in DFID Vietnam's project concept submission was designed to 'complement and underpin the expansion of budget support under PRSC' by supporting the GoV's broader financial management modernisation program.[191] This US$ 8.5 million MDTF was funded by seven like-minded donors and sought to directly support the GoV's on-going Public Financial Management Reform Initiative (PFMRI). The PFMRI was comprised of five main components: budget management, tax administration, debt management, fiscal risk management of SOEs, and the management of public assets. Improved public financial management was recognised as a priority for the GoV, both to improve the efficiency of domestic expenditure and to strengthen central systems so that further external finance could be obtained and expended through budget support mechanisms. This was particularly important noting the scaling up of budget support that was to accompany the CPRGS, as discussed at length in the MDG report.

The MDTF was a highly flexible facility that aimed to help the GoV become a 'confident customer' with the ability to identify options, and articulate its priorities and technical requirements in the area of PFM. This facility provided Ministry of Finance (MoF) staff with international experience of comparable PFM reforms, undertook important technical and feasibility assessments, piloted new approaches, and trained staff in important PFM areas. The Mid-Term Review commissioned by the like-minded group in 2006[192] noted that while the program had supported PFM reform more broadly through a broad range of activities, and while it had made some particularly important technical contributions, it had not "operated in accordance with the intention of the MDTF's contributors, which was that it should help the GoV be the 'confident customer' (identifying options, articulating its priorities and technical requirements), and building MoF's capacity to plan, implement and operate the reform process". Further the MTR noted that little attention was paid to the need for effective accountability for performance of the Fund against those original intentions, with little or no monitoring against outputs and outcomes. The MTR noted that like-minded donors (DFID included) were highly dissatisfied with the progress of the program and in particular its failure to address the original high level institutional strengthening objectives articulated in the design. In some respects this was seen as a lost opportunity due to the strong government commitment to PFM reform. The MTR concluded that a next phase of funding (if agreed) should be delivered in partnership with the MoF directly as the design originally suggested.

Alongside its support for the above-mentioned general PFM related facility, DFID also provided a £6.01 million grant to the World Bank between 2003 and 2011 for the Public Financial Management Reform Program (PFMRP), which focussed more specifically on improving budgetary processes. This was an important component of the much larger US$ 71 million largely IDA-funded program. DFID's grant funding was used to fund technical assistance activities, provide training for MoF staff, recruit local and international consultants, and conduct study tours and workshops in relevant areas. The objective of PFMRP was to

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[191] *DFID (2002) Project Concept Note* – Vietnam Multi-donor Support for Financial Management Modernization in the Public Sector*, unpublished internal document*

[192] *Like Minded Donor Group and European Commission Mid-Term Review of Multi-Donor Trust Fund in Support of the Public Financial Management Reform Initiative, February 2006*

strengthen the capacity of the GoV to plan, execute and report on its budget and to improve the transparency and accountability of budgetary processes and systems. Considering the significant funds invested in general budget support, and the growing domestic resources available to the GoV, this project was a strategically important one for the World Bank and DFID.

Strategically, DFID considered that the project directly supported a number of objectives outlined in its 1998 CSP[193] including the wish to reduce transaction costs while working with the GoV, work through others and strengthen relationships (in this case the World Bank), and improve the poverty impact of public expenditure. DFID was particularly interested in laying the foundation for eventual sector-wide approaches in education and transport, and saw this as a good way to strengthen fiduciary systems in a way that would support such an eventuality. The MDG report provides a significant amount of information on how this played out.

The program consisted of three main components. First, it aimed to strengthen treasury and budget management through establishing a Treasury and Budget Management Information System (TABMIS) and rolling this system out through the MoF. Second, it aimed to strengthen state budget ad investment planning by developing medium term fiscal frameworks for MoF and the Ministry of Planning and Investment that were linked to national development plans. The program also included the preparation of Medium Term Expenditure Frameworks (MTEFs) in specific sectors and improving the capacity to prepare and oversee these frameworks. Third, the program sought to strengthen the capacity of the GoV to manage public debt, this included improving the monitoring of fiscal risks and contingent liabilities and building capacity for debt recording.

DFID's grant provided an important source of funds for various technical aspects of the program, technical proficiency that did not reside in Vietnam at that time -this was particularly the case for the development of the TABMIS, which was a large and complicated component. This important component did experience significant delays due to a lack of capacity within the MoF and due to various technical difficulties associated with the deployment of the information system. This caused significant delays in the program. The piloting and roll out of the Medium Term Fiscal and Expenditure Frameworks was also delayed extensively due to legal and other administrative and capacity problems. An annual review by DFID in 2010 commented on the frustration these delays caused.[194] This review suggested that the program was hampered by an inconsistent supply of appropriate technical experts with knowledge of TABMIS and with experience deploying such a large and complicated program within the Vietnamese context. The review also found that the original design was overly ambitious and there was a lack of a baseline regarding PFM capacity and an orderly and appropriate sequencing of activities based on existing PFM capacity. In the end, the program was extended by three years to accommodate the initial slow progress and sequencing issues.

DFID's early governance work with the GoV also extended to supporting the Ministry of Planning and Investment Inspectorate (MPII), which was established in 2003 to investigate and oversee all aspects of MPI activities both centrally and in the provinces. DFID provided £445,914 to this project between 2004 and 2006 after a direct request from MPI. DFID funds provided technical assistance that was deployed to strengthen the institutional processes and checks and balances of this newly form inspectorate, which had the ambitious target of deploying inspection functions throughout MPI and in Department of Planning and Investment in Vietnam's 64 provinces. DFIDs funds were used for technical assistance in the development of inspection operations manuals and procedures, drafting legislation required to support the inspectorates work, training inspectors, funding study tours to countries with strong inspectorates and monitoring and evaluating the quality of inspection activities.[195] The project gave the Inspectorate exposure to international models of good practice in public sector internal and external audit, and helped the inspectorate incorporate international standards into their policy and practice. This project was completed on time in 2006 but there is no independent evaluation or other verifiable information that can shed light on the effectiveness of the project or the sustainability of its outcomes.

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[193] *DFID (2003) Project Concept Note – Public Financial Management Reform Program, 4th March 2003*
[194] *DFID (2010) Annual Review – PFMRP, unpublished internal document*
[195] *MPII Capacity Building Project, Progress Report, 31st December 2005*

5.2. Strengthening Accountability and Anti-Corruption Efforts

As noted in Section 4.1, as the 2000s progressed DFID's work in governance shifted from a primary focus on economic governance towards a stronger focus on accountability and anti-corruption. It began to work more with a broader suite of partners including those in civil society. One of these new partners was Transparency International (TI), which was one of the first international NGO's to work in Vietnam on anti-corruption issues. DFID was one of the first donors to support TI's efforts in Vietnam, which were delivered through Towards Transparency (TT) a not-for-profit company established in 2008 to deliver TI's program. Between 2009 and 2013 DFID provided £359,920 for phase one of TI's Strengthening Anti-Corruption Demand Program. Through this program TT used evidence-based advocacy to increase the understanding of the forms and effects of corruption in Vietnam, engaged civil society and youth in dialogue on anti-corruption, and sought to influence the GoV's anti-corruption progress through contributing to policy formulation. As noted by key informants interviewed for this evaluation, this first phase helped build a degree of trust and collaboration between the government and TT, which did not exist before. These connections were facilitated to a great extent by DFID which helped link TT with government actors while also providing strong technical and policy dialogue support. DFID's increasing engagement in anti-corruption, as evidenced by their leadership in anti-corruption dialogue (after the departure of Sweden from that role in 2011), helped consolidate the programs achievements and provided avenues for strategic interventions in the anti-corruption space. DFID's strong and consistent leadership in anti-corruption (particularly after 2011) was noted by a number of donor agencies interviewed as part of this evaluation. Phase two of TI's program in Vietnam (2013 – 2017) is now focusing more on the implementation of anti-corruption practices in government, business and society and will build on the strong foundation set during the first phase.

In 2011, DFID began its support for the Vietnam Anti-Corruption Initiative (VACI) and has allocated £700,000 to that program through to 2016. VACI is implemented by the World Bank in cooperation with the Government Inspectorate, and is supported by a number of bilateral donors. From a strategic perspective VACI is an important component of DFID's broader approach to anti-corruption as it seeks to strengthen demand for anti-corruption in civil society, the media and the private sector. VACI seeks to build active stakeholder groups that can collectively exert increasing pressure for anti-corruption reforms within and outside of government. This innovative initiative includes a biennial competitive grant program that provides funds to various groups (e.g. private sector, civil society, government and media) to implement projects that seek to strengthen accountability and reduce corruption. Two of the three grant rounds (2011 and 2013) have been completed and a final one is scheduled for 2015. Eligible groups develop proposals that align to specific themes. In 2013, 24 grants were awarded from 130 proposals. The program also provides forums for these groups to interact and exchange ideas and information on the best ways to tackle corruption in different areas.

An annual review conducted by DFID in 2014[196] was largely positive regarding VACI's performance. Some concerns regarding the target of attracting 200 proposals per round were voiced but it was recognised that this was highly ambitious to begin with. Some improvements in the design of the VACI 2013 round led to higher quality proposals (and therefore projects) and a broader range of actors were involved. There now seems to be more of a focus on the quality (not quantity) of proposals. While it is too early to discuss the impact of the project, it is clear that there are some promising signs regarding sustainability. The process has engaged strongly with the GoV at a high level. The Prime Minister has given the Government Inspectorate the imprimatur to disseminate successful VACI project ideas to the provinces, and there is evidence that some activities are continuing on, and scaling up, after project completion - examples include community supervision models and the creation of university and youth networks.

In 2012, DFID further expanded its activities in the area of government accountability and empowerment by providing £5.5 million through to 2016 for the Vietnam Empowerment and Accountability Program (VEAP).

[196] *DFID (2014) Annual Review of Vietnam Anti-Corruption Initiative, January 2014*

This program is co-funded with DANIDA. The aim of VEAP[197] is to strengthen citizen engagement with the GoV through two complementary sets of activities: the formation of coalitions to influence policy making and implementation; and the engagement of civil society with the legislative and oversight agenda of the National Assembly. The first component provides funding for NGOs, academic institutions, think tanks and mass organisations to form groups and coalitions for change around certain themes. These themes address major governance challenges in Vietnam (e.g. land reform). DFID are involved in the development of these themes and have engaged a contractor to facilitate this process. The coalition component is based on a solid understanding of the political economy of governance in Vietnam and seeks to build organic coalitions which will be sustainable in the long term. This presents a number of challenges for DFID and it remains to be seen if these coalitions will sustain once the project funding has ceased. The second component includes releasing competitive calls for proposals for NGOs to engage in the law-making and oversight agenda of the National Assembly, and builds on some innovative work undertaken by DANIDA in this area. Overall, the program seeks to foster civil society engagement and to redress the weaknesses in institutional and political structures that undermine development achievement in Vietnam.

Alongside VACI and VEAP, DFID also supports accountability and anti-corruption efforts through its £2.4 million Anti-Corruption Strategic Fund (ACSF). This program is scheduled to run from 2012 to 2016. ACSF was designed to support the UKs position as the lead donor in anti-corruption, a role it assumed in 2011. The ACSF is a flexible fund that has three components. Component one seeks to increase understanding of the drivers of corruption in Vietnam. A competitive research grant process has been designed to commission innovative research on these drivers. Research grants have been awarded in numerous areas including: the impact of corruption on business, corruption in the forestry sector, and mapping Vietnam’s patronage systems. These research projects are on-going.

Component two adopts a multi-stakeholder approach to improve transparency in certain sectors through the piloting of global transparency initiatives, including the Construction Sector Transparency Initiative (CoST), the Extractives Industry Transparency Index (EITI) and the Medical Alliance Transparency Initiative (MeTA). Progress has been made under the CoST and the program is working closely with the Ministry of Construction and building on a strong two-year pilot. Fifty CoST-related projects are expected to roll out in the coming years in numerous provinces. Professional associations and NGOs are also involved in these initiatives but the project faces some challenges with information disclosure and engaging at the grassroots level. Progress under EITI has been less impressive after some strong hesitation by the Ministry of Industry and Trade to engage with NGOs in the sector. The dearth of active NGOs also creates a significant problem. DFID is seeking to build synergies with its VEAP program to crate coalitions in this area. The MeTA program did not progress as planned and has subsequently been dropped.

Component three involves supporting the establishment of coalitions of individuals, media, CSO and private sector groups to work against corruption. This includes working with journalists, civil society, and business groups. The greatest progress has been made with the business sector which reacted positively to the program’s many activities. The Vietnam Business Forum has established a working group on corporate governance, and the Chamber of Commerce has signed up to a collective action initiative (the Integrity Pledge), and there is a fledging business network against bribery. A recent progress report[198] positively reviewed the ACSF and identified many new areas of synergy between it and DFID’s other anti-corruption initiatives, including working closer with the Government Inspectorate. DFID’s level of support in this sector is such that one would expect a high level of synergy between its various anti-corruption programs.

[197] *DFID (2011) Vietnam Accountability and Empowerment Program, Business Case, December 2011*
[198] *DFID (2013) Vietnam Anti-Corruption Strategic Fund, Annual Review 25th May 2013*

5.3. Integrating Economic Management, Accountability, and Social Protection

One of DFID's most important on-going projects that seek to build on its previous economic governance, accountability and poverty efforts is the Vietnam Governance, Economic Management and Social Protection Program (VGEMS). DFID has allocated £6 million to this World Bank implemented program between 2012 and 2016. As noted in the DFID business case[199] this project is central to DFID's responsible graduation from Vietnam in 2016 as its seeks to influence a new wave of macro-economic, social protection and accountability reforms that can help Vietnam continue to grow, while reducing vulnerability and inequality and addressing the challenges of an increasingly globalised economy. VGEMS is strongly aligned to the GoV's SEDP (2011-2015) which identifies the need to strengthen transparency and accountability mechanisms, restructure the economy and improve the standard of living of ethnic minorities. The program also seeks to build on the long term partnership with the World Bank, while also reducing transactions costs for the GoV. The key program outcome is the adoption of significant reforms in the areas of transparency, macroeconomic stability and social protection by the end of 2015.

The program seeks to influence the formulation and adoption of reforms in the aforementioned areas through research, analysis and advocacy. With regards to transparency, the program works with different actors to advocate for better information provision in the area of government policies and operations. It undertakes sector studies on transparency-related issues, and analyses the structural and operational bottlenecks that impede greater transparency. In the economic management space, VGEMS provides high level technical support for public financial reviews and other macro-economic analysis, as well as conducting citizen and firm perception surveys and generating data on competitiveness and productivity. The aim is to develop policy reform advice, and in particular, to inform policy choices for the World Bank funded Economic Management and Competitiveness Credit (EMCC). In the area of social protection, VGEMS seeks to improve the capacity of the GoV in the measurement and monitoring of poverty data to target social transfers. It is supporting the development of a national Gender Indicators System (NGIS) and improvements to analysis of VLHSS data and the national poverty database. The aim is to design new cash transfer programs and pilot these. VGEMS therefore builds on DFID's long tradition of support for poverty and economic analysis which has been a hallmark of DFID's aid since the PAPAP program of the early 2000s.[200]

A review of the first year's progress was undertaken by DFID in August 2013.[201] For a program of such complexity it has progressed very well in its first year and seems to have laid the foundations for strong achievements in coming years. Progress in the areas of transparency and economic analysis has been most impressive including the dissemination of an Anti-Corruption Diagnostic and significant analytical work to inform the EMCC. There have been some challenges in piloting a social accountability mechanism and this may in fact be dropped from the program. The program has done some meaningful work with the General Statistics Office (GSO) in support of a Gender Indicator System. The program has also worked very closely with MOLISA on analytical work on inequality, and improvements to poverty surveys and other measurements have been made in cooperation with the GSO. Progress has been made in the area of social assistance and cash transfers, and a model for programs for poor households has been developed. Policy suggestions on how to rationalise and improve the targeting of social protection programs have also been made.

The annual review noted that VGEMS has started smoothly and builds on the solid work of other DFID funded governance and economic management programs. A key challenge will to continue to identify entry points for policy dialogue, particularly in sensitive areas such as social accountability, which has flagged.

[199] *Vietnam Governance, Economic Management and Social Protection Program, Business Case and Intervention Summary, 2012*
[200] *See the MDG report for a discussion of the influence of the PAPAP program*
[201] *DFID (2013) Vietnam Governance, Economic Management and Social Protection Program, Annual Review, August 2013*

Instead of spreading itself too thin in difficult political contexts, the program could, as suggested by DFID, be more selective and focused providing depth of analysis in key reform areas supported by strong policy advocacy.

6. DFID Support for Wealth Creation

6.1. Supporting SOE Reform

As noted above the Asian financial crisis had a dramatic impact on growth in Vietnam and in the late 90s and early 2000's a broad ranging reform process was instituted that sought to address perceived structural weaknesses in production and investment. SOEs were widely recognised as inefficient organisations, which relied heavily on public financial resources, they also carried substantial debts and a significant proportion of them were unprofitable. SOE reform was a priority of the GoV and it set some ambitious targets after the financial crisis, which donors sought to support. In the early 2000's DFID was also working to support the reform of SOE's in Vietnam, which was recognised as a key element of the on-going, but haphazard, reform process.

Between 2002 and 2006 DFID provided £4.18 million to the World Bank for the Vietnam Pilot Restructuring Project for 3 General Corporations (3GC) project. It also provided a grant for £890,000 for technical assistance and the employment of specialists within the Bank's SOE reform team. The 3GC project aimed to facilitate the more efficient allocation of state resources, strengthen competitiveness and generally improve the prospects for export-led growth – very ambitious objectives. The project sought to restructure the activities of three General Corporations (Vinatex, Vinacafe, and Seaprodex) and their associated SOEs. These GCs were (and are) leaders in three of the most important export markets in Vietnam: textiles, coffee production and seafood processing respectively. The project aimed to support the reform process by providing technical assistance directly to these corporations with a view to demonstrably improving performance, this would help build political and public support for the broader SOE reform processes, and militate against any policy reversals, which was a particular concern for donors noting the history of haphazard implementation of SOE reforms.[202]

Limited documentation on the progress and outcomes of this significant contribution to SOE reform precludes an assessment of its results. There is no final report or independent evaluation available for review. A progress report from 2003[203] documents some of the early progress in establishing a work plan of activities regarding corporate restructuring and discusses some of the legislative and other barriers to SOE reform. The report also highlights some of the initial challenges particularly with regards to human resource commitments on behalf of the GCs and their capacity to absorb the significant technical assistance generated as part of the project. History has proven SOE reform to be particularly challenging in Vietnam. Large GC's such as Vinatex, continue to undergo significant reforms, including recent private equitization, but also continue to be unable to compete with foreign competitors in many markets. As the analysis earlier points out SOE reform presents significant on-going challenges and opportunities for the GoV, from the documentary evidence it is not possible to assess the contribution of DFIDs funding to reform in this important area.

6.2. Supporting Trade Reforms

DFID recognised early in the 2000s that the continued growth of the Vietnamese economy would (among other things) be dependent upon trade reforms and the ability to adapt to an increasingly globalised economy. Early in the first decade of the new millennium the GoV flagged potentially joining the WTO and laid out a series of reforms that would be required to achieve that goal. In an effort to support these reforms,

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[202] *Vietnam Restructuring Project for 3 General Corporations, Project Document, 30th August, 2001.*
[203] *PWC et al (2003) Progress Report – Vietnam Pilot Restructuring for Three General Corporations, October 2003.*

DFID provided £224,644 between 2002 and 2004 for the Trade-Related Support Program (TRSP), which was delivered through the World Bank. Through this program important research on the enabling environment for enhanced trade was undertaken and specific reforms were prioritised. After Vietnam's accession to the WTO in November 2006, DFID provided an additional £3.42 million for the Beyond WTO (BWTO) initiative. This program was comprised of four components: (i) strengthening institutions of the market economy, (ii) addressing the social and economic challenges of integration for the rural sector, (iii) supporting capacity for management and coordination of integration, and (iv) supporting implementation of Provincial Action Plans.

This support complemented a wider pool of over US$ 50 million that was provided by 21 donors for activities associated with Vietnam's WTO accession. The World Bank, DFID, and AusAID co-financed project supported the implementation of the SEDP and was managed by the GoV using government systems. Noting the intense donor interest and support for WTO-related activities at this time, DFID was keen to ensure that the BWTO program reduced transaction costs for the GoV through the provision of coordinated technical and financial assistance and the use of government systems.[204]

An annual review conducted by DFID in 2009 gave the project an output rating of three (from a possible six), as at that time DFID thought that only partial achievement of the purpose and targets was possible.[205] This was due primarily to delays in the start-up of the program that occurred due to restructuring within the GoV as responsibilities shifted from the Office of Government to the Ministry of Trade and Industry (MOTI). Due to this there was a six-month delay in the production of the WTO Implementation Plan and the associated Operational Manual. Weak capacity within the programs steering committee office was recognised early on and augmented by a technical assistance team which DFID hoped would speed up implementation. DFID took the initiative to provide direct M&E support to the program office which helped with establishing the first year work plan. In 2009, the World Bank, DFID, and AusAID decided to extend the project's end date by one year to 2013 to make up for the delays in start-up.

A Project Completion Review conducted by DFID in late 2013 allocated a score of 'A' to the project, which means that the project met expectations in four of the five components. This was a significant improvement from the first annual review.[206] The most significant achievement was in the area of strengthening market institutions, which accounted for 40 per cent of all project costs. The project supported the formulation of policies and regulations in seven key areas including: competition, SOE reform, land, pricing, SME's, environmental services and international commitment compliance. One of the most significant outcomes was the changes to the land law that came about as result of the project. In November 2013 the new Land Law was approved by the GoV, this resulted in numerous improvements including: longer period of land use rights on agricultural land, stronger transparency and citizen participation in land use planning, better compensation for compulsory acquisition, more limited scope for state acquisition, and the development of electronic land information systems. Other significant achievements included improving the capacity of the Vietnam Competition Authority to ensure compliance in trade negotiations and introducing a Price Law in 2012.

The project helped strengthen reform and business development by improving access to international experience, building the capacity of those engaged in formulating and implementing reforms, and broadening public consultations, understanding and support for the reform process. After the conclusion of the project in 2013, DFID decided not to support a further phase of the program due to its decision to graduate from Vietnam in 2016. AusAID however decided to continue on and builds on many of the projects achievements through a more focussed program that targets SOE reform, competition and agriculture and rural development. A series of DFID annual reviews commented on the strong ownership and effective integration of the program across numerous GoV agencies, which bodes well for the sustainability of program activities.

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[204] *DFID (2006) Beyond WTO – Funding Submission, 18th September, 2006*
[205] *DFID (2009) Annual Review – Beyond WTO, 9th March 2009*
[206] *DFID (2013) Beyond WTO – Project Completion Review, December 2013*

6.3. Strengthening Public-Private Partnerships

As noted in the Section 4.1, DFIDs 2011-2016 Operational Plan foreshadowed a move towards greater engagement with the private sector and improving the enabling environment for private sector investment. This extends to building the capacity of the GoV to improve the enabling environment for Public-Private Partnerships (PPPs). To this end DFID has committed £1.177 million from 2012 to 2015 to the Public-Private Partnerships Support Facility (PPPSF), which assists the PPP office within the Ministry of Planning and Investment (MPI) to create a sustainable institutional and legal framework for PPPs in Vietnam. The adoption and better management of PPP's is a key element of the GoV's SEDP, as such partnerships provide an additional source of revenue for capital investment, enhance employment generation, diversify the economy, improve the management of government resources and help strengthen institutional governance.[207]

DFID contracted a commercial supplier to manage the PPPSF and work alongside the PPP office in MPI, and this supplier commenced work in September 2012. The main priorities of the facility are to develop an institutional framework for PPP's, including drafting new decrees to replace a now redundant decree (no. 71) to provide a clearer enabling framework for different PPP models; conduct project screening and feasibility studies; and develop sector PPP strategies. The Facility will also conduct training activities and improve recipient government skills in PPP project development, implementation and monitoring.

An annual review was conducted in November 2014,[208] this review highlighted some moderate progress since inception in 2012 but also highlighted some challenges associated with a slow start, variable technical quality of outputs, and a lack of substantial engagement with government partners. Some progress has been made in the area of legal support. During 2014, a new PPP Decree and Investor Selection Decree were finalised, and both are awaiting approval from the Prime Minister's Office. However, the production of these legal frameworks was delayed significantly and this has affected the pacing of other aspects of the program, such as capacity building and the production of PPP guidance. Some good progress has been made in the area of PPP feasibility studies and a number of promising studies have been undertaken in major transport, health and waste management projects.

The project has been affected by the decision to both move forward its completion date (from 2016 to 2015) and to reduce the original budget allocation from £2 million to the expected £1.177 million. The slow start-up of the project (which seems to have been due to MPI bureaucratic processes and a lack of responsiveness of behalf of the contractor) will have an impact on project outcomes. Going forward, DFID has prioritised the provision of high quality training activities, and seeks to work closer with MPI to ensure a well-trained PPP project development team can be established to take activities forward after its departure.

6.4. Supporting Pro-Poor Markets

In 2003, complementary to its work on trade reform, DFID provided £1.1 m to the Asian Development Bank for Phase one of the Making Markets Work Better for the Poor 1 Project (M4P1). The evolution of this project (and the subsequent second phase) was influenced to a high degree by DFID's broader interest in making markets work for the poor, which was articulated in its 2015 strategy paper on world poverty. A visit by a high level DFID delegation to Vietnam in 2003 also stimulated ADB's interest in this approach.209 DFID worked closely with the ADB to develop this project, which sought to provide insights on the impact of market-oriented policies on the poor in Vietnam, which was particularly important noting the WTO accession priority of the GoV as discussed above. DFID and the ADB sought to strengthen the capacity of local research institutions to undertake research in the area of market operations and poverty reduction.

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[207] *IMC (2013) Management of the Public-Private Partnership Support Facility, Vietnam, Inception Report, December 2013*
[208] *DFID (2014) Public-Private Partnership Support Facility – Draft Annual Review, November 2014*
[209] *DFID (2003) Making Markets Work Better for the Poor, Funding Submission, 7th April 2003*

The project generated 12 analytical studies on various market for the poor-related topics, which were widely disseminated to research institutions and line ministries. Twenty local research institutions participated directly in these studies, and over the course of the project the Institute of Labour and Social Studies developed significant expertise in participatory market assessments. Research commissioned under the project contributed directly to the Vietnam Human Development Report in 2006 and a number of market for the poor methodologies, analytical tools, bulletins, and policy briefs were developed. The project helped raise awareness of the making markets work for the poor (M4P) approach throughout Vietnam particularly through its website, which by the end of the project had over 90,000 visits. As a result of this project other donors became interested in the M4P approach and provided funding for associated projects, this included a US$ 34 million IFAD loan for a large M4P project, which built on much of the work undertaken during the DFID funded project.[210]

In 2006, DFID extended its support by providing £3.2 million for phase two of the Making Markets Work for the Poor II Project (M4P2) through to 2012. This project was also funded by the ADB but implemented by the MPI with eventual technical and implementation assistance provided by a private contractor. This second phase sought to build on the theoretical background and strong networks developed during the first phase through a more action-oriented approach. It sought to increase the participation of the poor in key infrastructure and rural markets in particular[211] by focusing on three key areas: public-private partnerships for infrastructure services, rural value chain development, and rural labour markets. The project had three components:

(i) Vietnam Challenge Fund, which was the largest component (US$ 3 million), through this fund grants were awarded to private sector organisations with the aim of improving the poor's participation in, and returns from, agricultural value chains. The projects were designed to test new supply chain systems and initiatives to deliver development benefits for the poor.
(ii) Policy Action Research (US$ 525,000), which provided competitive research grants for projects that could lead to the formulation and adoption of pro-poor policy change in three key areas of infrastructure services, value chain development and labour markets.
(iii) Capacity Building (US$ 230,000), which aimed to build capacity across Vietnam in M4P-type approaches building on the successful approaches already developed under Phase 1.

A Project Completion Review undertaken by DFID in 2012 recorded some significant frustrations with the implementation of the project.212 Most significantly, project start-up was delayed by two years due to the need to significantly restructure the implementation arrangements; as result the project did not commence in earnest until 2009. After this DFID took a much more active role in the early stages of the project helping push through the management and bureaucratic bottlenecks. The managing partner's lack of structural decentralisation and the very lengthy mobilization period were the key drivers of this delay. It was clear that working through another donor and with government partners in a program that sought to work directly with the private sector was not a suitable approach. In the end the Challenge Fund and Research components were implemented largely by a private fund manager which led to increased administrative costs (58 per cent compared to a standard 22-25 per cent) and this had an impact on efficiency and output.

Despite these frustrations DFID decided to continue with the program to demonstrate some results and help establish the pro-poor business model that the program was promoting. In the end, 11 projects were funded under the Challenge Fund but the failure rate (4/11) was higher than expected. Despite this, there was evidence that the modality was successful in leveraging private sector investment in relatively high risk pro poor businesses and this was a positive outcome that encouraged DFID to explore alternative modalities to deliver these benefits. The research component generated some high level research in numerous relevant areas but research agencies relied a lot upon the consultancy team for analysis and synthesis. The capacity

[210] DFID (2006) Making Markets Work Better for the Poor, Project Completion Report, 31st August, 2008
[211] Nathan Associates (2009) Vietnam: Making Markets Work Better for the Poor, Phase Two, Inception Report, August 2009
[212] DFID (2012) Making Markets Work Better for the Poor Phase Two, Project Completion Report, 21st August, 2012

building element, which was managed by MPI helped further raise awareness within the GoV and elsewhere of the importance of M4P approaches and built on the work undertaken as part of Phase 1.

The administrative and bureaucratic issues associated with the M4P2 project did not deter DFID from further pursuing M4P –type programs. It was clear from review documents that DFID thought the problems rested in the implementation arrangements and not the M4P approach itself. To this end, in 2012 DFID provided £7 million for the Vietnam Business Challenge Fund (BCF) program to 2016. Building on the learning from its engagement with the ADB under M4P2, DFID decided that the best way to implement the BCF was through a private entity selected through a competitive procurement process. The project is now being implemented by SNV. The BCF awards grants to firms through a competitive process in three areas: agriculture, infrastructure services and low carbon growth – all priority areas under DFID's wealth creation strategy and operational plan. The program design is innovative and builds on a model that was originally developed in the UK. Challenge funds such as this work by offering incentives to the private sector to test innovative pro-poor approaches to business that would not be viable on a purely commercial basis. The provision of public funds reduces the risk for firms pursuing these opportunities. This means that projects that may have high social returns and potential commercial viability can be pursued at a lower risk to the private sector.

The BCF seeks to deliver commercial benefits for the private sector in Vietnam while providing development benefits for the low income population (particularly ethnic communities and those in remote areas), these benefits include: job creation, higher incomes and improved access to basic goods and services.[213] The BCF co-invests in selected projects up to a limit of 49 per cent, private sector proponents must provide greater than 50 per cent of the cash investment as well as in-kind investment. Funding for each project is limited to US$ 800,000. At the end of 2013 the BCF had made investment decisions on eight projects, including: maize supply chain development, rice seedling multiplication, sustainable income sources for ethnic communities through the use of pharmaceutical plants, developing upland farming models, supply chain development for local mint species, improving scallop production and marketing, and improving clean water supply. All these projects have potentially significant commercial and developmental impacts. Total investment in these eight projects amounts to £5.56 million, with DFID's contribution estimated at £1.6 million - a leverage ratio of 2.49. The projects are estimated to create 8,096 jobs and increase the incomes of 218,590 people. Importantly female participation has been high and stands at 56 per cent of program beneficiaries.[214] The program has a strong M&E component and baselines for the eight selected projects have been conducted. The second round of project selection has commenced. There was no information available to this evaluation regarding the progress of the first round of projects, but according to DFID annual reviews the fund as a whole is tracking well and meeting the expectations set by DFID at project inception.[215]

6.5. Helping Vietnam Adapt to Climate Change

DFID's Operational Plan and Wealth Creation Strategy recognise the importance of helping Vietnam adapt to climate change, both from a poverty and wealth creation perspective. This issue is particularly important in Vietnam, with its long coastline and low lying deltaic regions. In 2010, DFID provided £2.9 million for the Vietnam - DFID-World Bank Climate Change Partnership (VNCLIP), through to 2014. The program was administered by the World Bank and implemented by the Ministry of Natural Resources and Environment (MONRE), the lead climate change coordination agency in Vietnam. Through this program DFID sought to help the GoV tackle a number of challenges that it needed to address to effectively and efficiently implement its National Target Program to Respond to Climate Change (NTPRCC).[216] The program also aligned with DFID's graduation strategy, which was to 'graduate through others,' and in particular, to build capacity in key areas. DFID recognised that the World Bank was adopting a more prominent role in the climate change

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[213] VBCF (2013) Fourth Quarterly Report, Vietnam Business Challenge Fund, 19th October, 2013
[214] All statistics from VBCF (2013)
[215] DFID (2013) Vietnam Business Challenge Fund, Annual Review, March 2013
[216] DFID (2010) Submission for Funding – UK-DFID Climate Change Partnership, 17th December, 2010

agenda and sought to further build its capacity and mainstream climate change into its lending portfolio. As noted in the funding submission[217] DFID sought to build on lessons from its other key trust fund partnerships with the World Bank, by ensuring that the Bank provided on-going funding for its own climate change expertise.

VNCLIP sought to address a number of critical constraints facing the GoV. These included government policy and institutional gaps, and in particular the inability of the GoV to analyse existing data and best practices and formulate policies; institutional capacity and coordination gaps, which stem from the cross-sectoral nature of climate change and the need for better inter-ministerial planning instruments, financing frameworks and policies, and integrated monitoring, evaluation and reporting; and research and knowledge gaps, which needed to be addressed to better understand which sectors are most vulnerable to climate change and to prioritise activities in these sectors.[218] The overall goal of the partnership was to ensure Vietnam would be less negatively affected by climate change impacts, and to help it transition to a low carbon growth path. In order to achieve this purpose, four outputs were prioritised: building capacity in five key ministries; incorporating climate change adaptation considerations in rural development and natural resource project designs; formulating a low-carbon development strategy for Vietnam; and, enhancing the World Bank's climate change capacity.[219]

An annual review conducted by DFID in 2012pointed to some mixed results in the early phase of the project.[220] Some reasonable progress was made on the analytical work and incorporating climate change considerations into government policies in the first half of the project. This included strengthening the climate change focus of the Water Law, developing an Adaptation Prioritisation Tool for strategic planning within the GoV, conducting climate public expenditure reviews and extending the global Wealth Accounting and Valuation of Ecosystem Services (WAVES) program to Vietnam. Achievements in the area of enhanced capacity and coordination in the five key ministries did not meet expectations however. The Project Coordination Unit within MONRE was particularly slow in working with related ministries and in the formulation of a steering committee and development plan for building inter-ministerial capacity building. The first two years of the project suffered from significant delays in this important component. There were serious concerns at this stage both within the GoV and DFID regarding the capacity of the MONRE PCU to manage this component of the project. In response DFID and the World Bank sought to speed up progress through high level policy advocacy.

By the project's end progress in the government capacity building and coordination component was still sub-optimal and during the Project Completion Review process this component received a score of 'C', which means that its outputs did not substantially meet expectation.[221] The slow recruitment of national advisers and the variable commitment and capacities within the five target ministries, severely compromised this program. This meant that there was little real opportunity to influence the implementation of the NTPRCC, which was one of the main objectives of the program. This was a lost opportunity as influencing this much larger program would have had important leverage effects. Despite the poor performance of the first component, there were some significant achievements in the remaining four components, and DFID allocated an overall score of 'A' to the program, which suggests it met its original expectations. Progress under component two was particularly strong. The quality and frequency of climate change analyses in key areas such as adaptation prioritisation, climate change and water resource management, climate public expenditure and the valuation of ecosystems improved significant during the program. The Adaptation Prioritisation Tool was adopted by the MPI and is being used to help the government streamline budget allocations involving climate change adaptation projects. Strong performance was also reported under component three. A National Green Growth Strategy was adopted by the government in late 2012 and this

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[217] *Ibid*
[218] *DFID (2010) VNCLIP – Intervention Summary*
[219] *DFID (2010) Vietnam – UK Department for International Development – World Bank Climate Change Partnership, Program Document*
[220] *DFID (2012) Vietnam – DFID – World Bank Climate Change Partnership, Annual Review, December, 2012*
[221] *DFID (2014) VNCLIP – Project Completion Review, March 2014*

important document built on the low carbon studies undertaken by VNCLIP. Important analytical work on energy metrics was also undertaken which allows Vietnam to accurately measure and report on its own emissions. Component four also progressed well, with capacity in the Bank being maintained after the project’s completion. The Bank now leads the development community in Vietnam in the area of climate change and is working closely with other partners on some of the activities funded under VNCLIP.

7. Characteristics of DFID Development Co-operation with Vietnam

Drawing on the material presented in Sections 3 to 6 above, this section discusses the salient characteristics of DFID's support for development in Vietnam over the evaluation period. These are not characteristics identified in DFID documents or other sources, but are those that are distilled by the authors of this report after conducting the investigation outlined in Sections 2 to 6 of this report.

The most prominent characteristics are the strategic consistency of DFID's development cooperation approach, its longitudinal programmatic focus and its spatial portfolio selectivity. In the context of long term development cooperation, strategic consistency is the extent to which a donor exhibits long term commitment to a consistent set of development cooperation organising principles. This not only includes formal commitment through planning documents and partner-level agreements, but also to the operationalisation of such principles in everyday interactions. Longitudinal programmatic focus is the extent to which a donor exhibits long term sectoral commitment, 'staying the course' in a sector despite the challenges, and building on previous achievements whilst tackling systemic issues. Spatial portfolio selectivity concerns the focus or concentration of DFID support in Vietnam. In the evaluation team's view these characteristics are necessary, although not sufficient, conditions for effective development co-operation.

7.1. Strategic Consistency

A dominant feature of DFID's support for the MDGs, Wealth Creation and Governance in Vietnam over the evaluation period has been the consistency of its strategic approach. It established a set of organising principles early on in the history of the country program and more or less stayed with these over the evaluation period. As noted above, the advent of the White Paper in 1998 had a significant impact on the delivery of the DFID program in Vietnam. The program moved from a relatively ad hoc one with an arbitrary focus on poverty and a set of disparate partnerships to a program specifically focused on poverty elimination and 'working with and through others'. Programming decisions and the everyday activities of staff were influenced by these two high level organising principles. Senior key informants from DFID directly involved in the program's delivery suggested that this consistency in approach was brought about by a number of factors including: policy consistency over time and the relative decentralisation of the Vietnam country office, and strong local staff capability.[222]

DFID's strategic consistency was founded on two factor or sub-characteristics: work with and through others and a broader, agency-wide, focus on poverty reduction.

7.1.1. Working with and Through Others

Working with and through others was the most striking characteristic of DFID's development cooperation with Vietnam. As noted above, of DFID's 34 MDG Pillar activities, 18 were delivered through multilateral partners and 10 were programed through the GoV either as general or targeted budget support. This characteristic

[222] The heavy use of locally engaged staff, with these staff holding reasonably senior positions and building their expertise during their often long periods of employment with DFID over time, is very important for the sustainability of DFID's contribution to development in Vietnam. This assumes that they remain in Vietnam after DFID closes its operation and continue working in development related positions. This is good for ongoing development capacity, and in turn sustainability.

was also exhibited by the Wealth Creation and Governance pillars. There was a reason why DFID made this decision and stuck with it; as noted throughout this report the rationale was primarily couched in terms of development effectiveness. It is instructive therefore to examine ex post the strengths and challenges this decision presented in order to understand the ramifications for development effectiveness.

Working with and through others allowed DFID to progressively strengthen its policy and systems-level alignment. At the strategic planning level, as GoV policies for poverty reduction matured, DFID strengthened its policy level alignment in a number of ways including: modifying the timing of its own strategic planning process (for example, aligning the 2007 CAP with the GoV SEDP) and developing more predictable and long term strategic partnering arrangements such as the 2006 DPA which aligned to the GoV's 10 year development plan.

At the national level, systems alignment progressed through the PRSC process, support for which was DFID's its largest single funding avenue. Aside from its financial support, DFID played an important formative role in the PRSC process, providing technical advice and analysis in many important areas, whilst instituting a number of reforms which helped bring other donors along. PRSC support had significant programming efficiencies and enabled DFID to engage with the GoV and others in high level policy reform discussions. This access gave DFID the opportunity to inform the reform process as well as being informed by it by understanding, for example, more about GoV capacity constraints and the realistic pace of reform.

As the GoV's capacity to implement nation-wide poverty reduction programs improved, DFID largely shifted from supporting multilateral programs to directly supporting GoV poverty reduction programs such as P135 (I) and (II). This was in line with its consistent drive to work more directly through government systems. This support allowed DFID to specifically target some of the poorer provinces in Vietnam, and it gave DFID a seat at the table, and an opportunity to influence GoV policy in areas like O&M funds provision, participatory processes, gender inclusion and financial management. DFID's support for improved financial management was evident in a number of large GoV programs. This support was important for a number of reasons, aside from improving the efficiency of program delivery, and the efficiency of domestic spending, it also led to improvements in the broader financial management environment which acted as a catalyst for other donors to support GoV implemented activities.

There were significant trade-offs in working through partner systems, whether multilateral or the GoV. Multilateral partner financial systems were less risky from a fiduciary perspective than GoV systems but a number of multilateral projects did suffer from significant inefficiencies, with long delays in implementation and difficulties working through complex partnering arrangements at multiple levels of governance. Multilateral partners established parallel systems that placed significant reporting burdens on GoV partners. Some program designs were very complicated with multi-faceted objectives. Aside from influencing designs DFID had very limited operational control over the funds it placed with Banks' and the GoV, and as such the efficiency of its development cooperation was, in large part, dependent upon the implementation efficiency of its partners – and some programs (such as CRLIP for example) were very inefficient and ineffective.

Regardless of the modality, most programs that sought to implement activities at a provincial level (basically everything except PRSC) had to work in an environment of progressive and uncertain decentralisation. During most of the evaluation period national level agencies and provinces were working through the political and operational ramifications of decentralisation. Practical experience with this was limited. In many programs there was a tendency to re-centralise activities if management at the provincial level was sub-optimal. Capacities within and between provinces was variable, particularly with regards to planning and project management, which DFID sought to build through most of its programs. National level policies in many areas (most notably education) where not consistently applied across provinces and this had an impact on the effectiveness of DFID-funded programs. The most crucial issue associated with decentralisation however, was the fact that provinces decided where to allocate scarce financial resources. A program's design might target particular populations of disadvantaged people (e.g. P135 (II)), or seek to improve service delivery in some way (e.g. education in disadvantaged areas), but ultimately when using GoV systems the financial decision on where to spend funds rested with provinces, and the decisions of provincial level officials were sometimes at odds with the development intent of DFID and its partners. For example, under P135 (II) provincial level allocative decisions meant that poor communes did not receive more total funding than non-P135 (II) communes, despite this actually being the intent of DFID's support, and in the education sector there was evidence of poor targeting in some provinces.

Whilst it did face some significant challenges working with and through others, DFID was able to influence the development agenda much more than they would have otherwise been able to, noting the relatively small size of their budget. DFID became a strong and consistent supporter of the World Bank and through this partnership they managed to influence the design and implementation of a number of large programs. DFID consistently promoted a focus on poverty and appropriate poverty targeting and utilised the technical products it helped produce through programs such as PAPAP to strengthen targeting. DFID also played an important role in influencing other bilateral partners to harmonise approaches through various modalities (such as PRSC or P135 (II)) where its catalytic funding at early stages helped improve the financial management and policy focus of these programs.

DFID (and its partners) also used technical advice, results of piloting activities and lessons from previous programs to influence GoV programs. This approach was more successful in some areas (e.g. HIV/AIDS) than others (e.g. Education and Transport). Government ownership and the complexity of the issues at hand probably affected the extent to which DFID could influence national level agencies in key areas of interest. For example, despite years of investment in rural roads, a lack of ownership within the MoT for rural road infrastructure, planning and maintenance hindered the effectiveness of that program. DFID's attempts to influence MoT's rural road strategy and planning (through excessive amounts of TA and complex computer-based planning systems) was quite inefficient in some respects and did not align to the capacity of MoT or its level of ownership.

7.1.2. Poverty Reduction

The second characteristic of DFID's strategic consistency was its focus on income poverty elimination. As noted above this was highlighted in the 1998 White Paper and was the central feature of all strategic planning documentation since then to the present. This enabled DFID to relatively easily embrace the MDGs as a policy objective. It is reflected by DFID committing 55 per cent of its budget between 1998 and 2013 to activities aimed directly at multidimensional poverty reduction, through its MDG (and Poverty Reduction) Pillar.

Aside from its direct financial contributions, DFID supported poverty elimination in a number of others ways including through providing funding for analytical products and pilots that advanced thinking about poverty in Vietnam, and through its continual efforts through policy dialogue and other means to target ethnic communities and other disadvantaged groups.

As noted in the previous section DFID's support through PAPAP helped with the development of participatory poverty analysis, which became a central tool in program design used by both the World Bank and the GoV. DFID's focus on participatory approaches to poverty reduction was a key feature of their program for an extended period. This involved building the capacity of communes to plan for and manage social development funds through numerous programs, to supporting programs that maximised poor people's participation in transport, education and WASH projects. Their support for participatory approaches also extended to the development and institutionalisation of local level savings and credit groups and other local associations that sought to maximise both the welfare and voice of poor people through development projects.

DFID saw itself as an advocate of pro-poor approaches and sought to scale up lessons and models for use at a program and national level. It faced a number of challenges in this area however, not the least of which was the variable implementation success of its partners and capacity of GoV counterpart institutions at provincial, district and commune levels. The CRLIP is a case where the development of appropriate community development models didn't eventuate due to problems with program design and the failure of a related DFID-funded program that didn't meet its objectives. As a result of this failure DFID essentially disinvested intellectually from the program and failed to act as a knowledge broker in the way it originally intended.

A consequence of these issues is that major opportunities were lost to effectively address the plight of ethnic minorities in Vietnam. As was shown in Section Two above, the record of income poverty reduction in these communities is mixed. Between 1999 and 2011 the percentage of people in all of Vietnam's 54 ethnic groups declined. Yet in many ethnic minority groups the people living in poverty increased over this period and disparity in poverty rates between the Kinh majority and this minority groups increased markedly. There were also huge differences in education achievements between the Kinhs and the ethnic minority groups in 2009. So whilst Vietnam had achieved most MDGs, in particular the poverty reduction target of MDG1, its achievements were not consistent with a core spirit of the Millennium Declaration and the much heralded UK White Poverty on poverty elimination.

7.2. Longitudinal Programmatic Focus

Aside from its strategic consistency over time, DFID's development portfolio also exhibited significant programmatic consistency and focus, which is an important determinant of effective development co-operation. As noted in Section Three, DFID funded initiatives in education, HIV, and transport for almost the whole evaluation period.

Aside from the long term monetary commitments, programmatic focus has a number of other benefits. It allows donors to understand more about the trajectory of development achievement in a certain sector, and to adapt interventions to a better understanding of what is possible. There was evidence of such practical approaches in a number of education projects and in HIV support in particular. It also facilitates the building of strong relationships between donors and implementing agencies borne from previous experience and close partnerships, which is good for harmonisation and, in turn, aid quality. Numerous senior GoV officials interviewed for this evaluation commented on the important role long term DFID local staff played in relationship building and maintenance over the evaluation period in many sectors. Understanding the constraints faced by counterparts helped DFID maintain a practical but strategic focus – something that was evident from its support for the PRSC cycles.

DFID also sought ways to address higher level constraints that affected sectoral level investments. It developed a sound understanding of these challenges across many years of support for programs in numerous sectors. Strengthening public financial management, procurement, policies for O&M and many other constraints were all issues that emerged in numerous sector level programs. Through its efforts in PFM-MP, PRSC and other governance programs, DFID could work to strengthen the enabling environment for more efficient sector level delivery. It directly supported a number of key reforms in these areas. This promotes development capacity, another attribute of effective aid according to AQEF.

7.3. Spatial Portfolio Selectivity

Longitudinal programmatic focus refers to a particular concentration at the thematic level of development co-operation over time. Spatial portfolio selectivity refers to a concentration at the activity and sectoral level at a particular point in time.[223] A highly fragmented and proliferated program, with a donor active in a large

[223] This term has been adapted for the purpose of the current evaluation from that used to describe the allocation of aid among recipient countries. A high degree of selectivity in this allocation is often taken to mean that the donor or donors in question have been very deliberate or systematic in their allocation or selectivity decisions and have tended to allocate their aid to relatively few recipient countries. There is a large literature on this topic. See, for example, McGillivray (2003) and Dollar and Levin (2006). Spatial portfolio selectivity is similar to longitudinal programmatic focus, but different in that

number of sectors and funded a large number of activities, is indicative of a lack of spatial selectivity. The importance of avoiding a highly fragmented program for aid effectiveness has been articulated in Sections One and Two. A failure to avoid it can compromise development capacity, from both donor allocative and partner absorptive capacities, which according to current developing thinking is bad for aid effectiveness. The same basic logic applies to fragmentation, although it is more relevant to a donor's allocative capacity. The higher the degree of fragmentation, the higher is the burden on the donor agency to achieve development results.

DFID's MDG Pillar, in particular, has tended to focus on only three sectors only at a particular point in time. Whilst we do not have comparative information on fragmentation in donor development co-operation with Vietnam, this is an extraordinarily low level of fragmentation for a pillar that constitutes such a large proportion of a donor's overall country program.

The very low level of proliferation of DFID activities supported under DFID's MDG, Governance and Wealth Creation pillars has been noted above. But it is worthy of further emphasis, as it is such a dominant characteristic of DFID support and one with important positive implications for its effectiveness and that significantly differentiates DFID from most other donors. It was mentioned in Section Two that the aid architecture in Vietnam has become tremendously crowded. In 2001, 20 donor agencies supported 637 activities in Vietnam, an average of 22 per agency. In 2012, 55 donor agencies supported 3,810 activities in Vietnam, 292 per donor. The capacity of the Vietnamese government to effectively absorb aid for development purposes is widely thought to be high by the standards of developing countries. But surely this very much more crowded operating environment would lead one to question whether there were commensurate increases in its capacity to absorb aid effectively, or as effectively as before. In this context, it is certainly welcoming news that DFID has supported a relatively very small number of activities.

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it is concerned with the spatial as opposed to inter-temporal or longitudinal focus and with more detailed information, at the activity level.

8. Conclusion: The Quality of DFID Support for Development Vietnam

We conclude the historical overview of DFID support for development in Vietnam since 1999 with an examination of the quality of this support from a development effectiveness perspective. This examination is guided by the Aid Quality Evaluation Framework (AQEF). Originally developed for an evaluation of long-run development co-operation between Vietnam and Sweden, the AQEF has been further refined by the evaluation team for this present evaluation. [224] This section commences with a discussion of AQEF, and then turns to its application in considering the development effectiveness quality of DFID support for Vietnam.

8.1. Aid Quality Evaluation Framework

AQEF focuses on well accepted aid effectiveness criteria. If an aid program satisfies these criteria it can be considered to be good quality aid. This does not necessarily mean that it has been effective against the chosen development outcome (be it income poverty reduction, promotion of economic growth, higher levels of health and education and so on), just that it satisfies the necessary conditions for poverty reduction, in that the level of poverty would likely be higher in the absence of the aid program.

The AQEF has been refined since its first application in 2010. It has been streamlined to consist of three components, which are: (i) development capacity; (ii) consistency with Paris Declaration principles; and (iii) consistency with pressing development needs in the partner country.[225]

Development capacity is twofold. First, it refers to the capacity of the partner country to use or absorb aid efficiently for development purposes. It is based on the simple recognition that there are limits to the amounts of aid that can be efficiently absorbed, with higher and higher levels of aid not necessarily associated with bigger and better development impacts. This absorptive capacity will depend on many factors, in particular including the capacity of relevant partner government staff and administrative systems.[226] Donors need to be cognisant of this capacity in the delivery of aid. This requires building capacity where it is does not exist in sufficient levels. It can also involve avoiding the delivery of aid in certain modalities until they have sufficient capacity. The second aspect of development capacity relates to the donor agency and its capacity to deliver aid efficiently and effectively for development purposes. This is fundamentally an issue of adequacy of staffing and administrative systems, but also the composition or structuring of the country programs in question. For example, it may be the case that country programs are spread across a very large number of activities and sectors, making it difficult for the donor agency to manage effectively for development outcomes.

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[224]*McGillivray, D. Carpenter and S. Norup, Evaluation of Long-term Development Co-operation between Vietnam and Sweden, Swedish International Development Agency, Stockholm, 2012. Further details of AQEF can also be found in the Inception Report for this evaluation.*

[225] *AQEF has been described as Paris++. That is, it is the Paris principles plus development capacity and consistency with pressing development needs. The simple logic for this is that even if aid is fully consistent with the Paris principles, if it does not address pressing development needs and is not cognizant of development capacity it is unlikely to have a significant development impact.*

[226] *Absorptive capacity is an issue that has become increasingly prominent in aid policy circles, owing largely to concerns over scaled up aid in order to meet the Millennium Development Goals. It has been recognized, however, that these issues are relevant at all aid levels, large and small. A large literature has emerged on these topics and includes Guillaumont and Guillaumont (2006), Bourguignon and Sundberg (2006), Heller and Gupta (2002), Heller et al. (2006) and McGillivray and Morrissey (2001), McGillivray and Feeny (2009) and Feeny and McGillivray (2010).*

Development capacity is of obvious relevance to DFID given its approach of working with and through others. The others or partners must have sufficient capacity to achieve DFID's intended development results. If not, that capacity must first be built.

The consistency with Paris Declaration principles component is based on the donor community agreed measures of progress in each of the following five principles:

- Ownership: Developing countries must lead their own development policies and strategies, and manage their own development work on the ground.
- Alignment: Donors must line up their aid firmly behind the priorities outlined in developing countries' national development strategies, they should use partner country systems, and their aid must be untied and be predictable.
- Harmonisation: Donors must coordinate their development work better amongst themselves to avoid duplication and high transaction costs for poor countries.
- Managing for results: All parties in the aid relationship must place more focus on the results of aid, and the tangible differences it makes in poor people's lives.
- Mutual accountability: Donors and developing countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid.

8.2. The Quality of DFID Support in Vietnam

8.2.1. Development Capacity

Has DFID support in Vietnam effectively built capacity where required? Has it been sufficiently cognisant of development capacity, particularly in the others through and with which it has worked?

DFID has certainly been conscious of the need to build capacity in Vietnam. As outlined in Sections 4, 5 and 6 above, has sought to build the capacity of the GoV and more broadly to improve technical and operational aspects of governance in the country. It has achieved many successes in this regard, especially under the MDG Pillar. It is also fairly clear that much of what was delivered under the Wealth Creation and Governance pillars, through a focus on the enabling environment, has in essence been about building development capacity. And there have been some successes in this regard, in particular with the VGEMS and, as discussed in Sections 5 and 6, respectively.

The question of whether DFID has been sufficiently cognisant of development capacity in the delivery of its programs invokes a less clear answer. There can be no doubt that capacity was not an issue in working through the selected multilateral agencies, the World Bank in particular, although some problems with ABS systems do need to be acknowledged. The success of DFID support for poverty measurement and analysis in the World Bank, which is a clear example of effective development co-operation, is clearly evidence of World Bank capacity. It is reasonably clear that, in general, GoV bureaucracies with which DFID worked had sufficient development capacity, despite some implementation (including start up) issues.

It can be argued, or at least there is evidence to suggest, that DFID was not as cognisant of development capacity of the sub-national level of Government in Vietnam. There were a number of instances where the importance of sub-national partner government systems was demonstrated in Section 4, but none demonstrate this point better than the experience with P135 (II) funding. As was noted, district and provincial government levels reallocated non-P135 (II) funds away from communes targeted by the program to non P135 (II) communes in an effort to compensate the latter. P135 (II) communes did not receive more funding than other communes as a result of this decision, which significantly undermined the very intent of the program. This possibly contributed to above-noted increase in inequality among ethnic groups in Vietnam if the non-P135 (II) communes were able to use these funds more effectively for development purposes.

What would appear to be abundantly clear is that DFID was cognisant of its own capacities to deliver development results, to the extent that it focussed on relatively few activities and programmatic areas. As mentioned, the extent of fragmentation and proliferation of the DFID bilateral program in Vietnam was remarkably low. Or, using the term introduced in Section 7, there was a high degree of spatial selectivity. This also meant, importantly, that relatively little administrative burden was placed on the GoV by DFID. This is evident of good, effective development co-operation.

8.2.2. Paris Principles

Has DFID support in Vietnam been consistent with the Paris Principles? The answer to this is a clear yes, as this consistency is evident throughout this report. This is largely due to the working with and through others operational priority.

Working with the GoV through funding its programs is consistent with ownership, managing for results and mutual accountability. It is also consistent with alignment. The only clear blemish in this regard concerned the above noted problem with P-135 (II), as it seemed that while the regional governments involved certainly had a focus on results; they were not the results that DFID and other donors wanted. Aside from this one albeit serious instance, there is certainly little if any evidence to challenge that consistency of DFID operations to these aid effectiveness principles.

Working through the various multilateral partners, the World Bank, UN agencies and the ADB is also clearly consistent with harmonisation, and avoiding duplication and having lower transactions costs for the GoV than would otherwise be the case.

8.2.3. Addressing Pressing Development Challenges

It is clear from the evidence presented throughout this report that DFID certainly addressed pressing development challenges. This is evident at two levels.

The first is at the level of the section of pillars comprising DFID’s bilateral portfolio in Vietnam. It was commented above that the selection made sense on development grounds. As discussed above, the GoV was highly committed to the MDGs. And while Vietnam had made tremendous gains in the development achievements targeted by the MDGs, there was still considerable work to be done, especially in poorer provinces and among poorer ethnic groups. As such it made sense for DFID to come in behind the GoV by supporting the MDGs, with a particular focus on poverty reduction, with the selection of the MDG Pillar. It was also very clear that development in Vietnam had become much more complex when and in the years after DFID established an office in Hanoi and scaled up its bilateral support for Vietnam. There were particular challenges in sustaining economic growth, among them governance issues. Moreover, governance had become a particular serious challenge for reasons other than the maintenance of high levels of economic growth. Supporting wealth creation and governance through the corresponding DFID pillars is increasingly pressing development priorities.

The second level at which DFID addresses pressing development challenges was at the sectoral and activity level within the three pillars. A focus on poverty and general living conditions among the poorer if not very poorest provinces and ethnic groups, and on outcomes in education and health (HIV/AIDs in particular) was consistent with addressing the most pressing development challenges. Moreover, it was clear that pressing issues in terms of the maintenance of growth in Vietnam throughout the 2000s and later included economic governance and financial accountability, anti-corruption, SOE reform, trade reform. Climate change adaptation was also a huge issue, particularly given Vietnam’s status as among the world’s most vulnerable countries to this change. That the Governance and Wealth Creation pillars had activities focussed on these areas is a clear case of addressing pressing development challenges.

8.2.4. The Quality for DFID Support for Vietnam: Overall Assessment

It is clear that application of the AQEF leads to a highly positive assessment of the quality of DFID bilateral support. To this extent it is no co-incidence that activities supported under DFID MDG resulted in an impressive array of outputs. It seems to have been the most successful DFID Pillar in this regard. It is also no co-incidence that the Wealth Creation and Governance pillars had notable successes in support for trade reform and public-private partnerships and accountability and anti-corruption and economic management, accountability, and social protection, respectively.

It needs to be remembered, however, that AQEF (like the Paris Principles) looks at pre-conditions for effective development co-operation. The extent to which UK bilateral development co-operation with the GoV delivered through DFID contributed positively to sustainable poverty reduction efforts requires further analysis. The extent of this contribution will depend on the strengths of the many positive development effectiveness attributes of and outputs achieved by this support relative to the adverse impacts of the capacity constraints to which it was subject. This is a matter that will be considered in the final report produced by the Landell Mills evaluation.