



**Ministry of Planning and Investment
Foreign Economic Relations Department**

Hanoi, 28th January 2011

The Foreign Economic Relations Department, Ministry of Planning and Investment of the Socialist Republic of Vietnam presents its compliments to the Australian Embassy to Vietnam and has the honour to advise the Embassy of the following matter.

In response to the request from the Embassy for the Government of Vietnam's written submission to inform the independent review of the Australian Aid Program, the Foreign Economic Relations Department of the Ministry of Planning and Investment would like to send the submission enclosed with this letter.

The Ministry avails itself of this opportunity to renew to the Australian Embassy to Vietnam the assurance of its highest consideration.

Signed
Dr Ho Quang Minh
Director General

The Australian Official Development Assistance to Việt Nam from the Government of Việt Nam's point of view

The bilateral diplomatic relationship between Australia and Viet Nam was officially established in February 1973. After 37 years, the relationship has gone from strength to strength, has been deepened and expanded to many sectors and has recorded significant achievements. In September 2009, during an official visit by the former General Secretary of the Party, Mr Nông Đức Mạnh, the bilateral relationship was lifted to a new height through the signing of the Comprehensive Partnership. In addition to strengthened cooperation in politics, economics, trade, investment, education, training, tourism etc, Australia is one of the largest ODA donors to Viet Nam.

A. Australian ODA

Australia was one of the first countries that resumed ODA to Việt Nam in early 1991. The Australian aid programme has been developed and implemented on the basis of strong cooperation and partnership between the two governments.

Australian assistance to Viet Nam has focused on areas of Australia's comparative advantage and has been closely aligned with the development priorities of Viet Nam at different phases of its development. These areas include infrastructure, human resource development, agricultural and rural development, water supply and sanitation, institutional strengthening and capacity development. Australia's geographic focus has largely been on the Mekong Delta.

In addition to the bilateral program, Australia also provides assistance to Việt Nam via multilateral and regional programs. Australia has also joined with other donors to support the National Targeted Programmes of Viet Nam in poverty reduction, climate change adaptation and international economic integration. Moreover, Australian support has contributed actively to enhancing the aid effectiveness of Việt Nam through its active participation and valuable contribution to the Aid Effectiveness Forum and implementation of the Paris Declaration and Ha Noi Core Statement.

Australian funded projects/programs have been implemented effectively with a constant disbursement rate of 100% and have made a significant contribution to the socio-economic development of Việt Nam. Many projects have become significant milestones in the development of the bilateral relationship between the two countries.

I. Infrastructure development

Australia is an important donor to the development of transport infrastructure in the Mekong Delta.

In this area, Mỹ Thuận bridge exemplifies the development cooperation between the two countries. My Thuan is the very first bridge crossing the Tiền River and has realised the dream of millions of people in the Mekong Delta. Mỹ Thuận bridge has removed the bottleneck in the transportation network, improved living standards of the local people and contributed to the socio-economic development of the Mekong Delta area which is known to have great potential but also a number of challenges. This is the first bridge in Viet Nam built with the most advanced and modern technology. Therefore, the project has also contributed significantly to the

transfer of technology and management skills for Vietnamese officers, civil engineers and project staff.

The Australian government has also co-financed the Southern Coastal Corridor Project with the Asian Development Bank (including Vàm Cống and Cao Lãnh bridges) and the infrastructure development project in the Mekong Delta with the World Bank. These projects play a very important role in enabling the comprehensive development of this region and improving the transport infrastructure of the Mekong Delta.

II. Human resource development

Human resource development has become a priority area for Australia, based on its comparative advantage and long history of support to Việt Nam.

Starting with the scholarship program ASTAS and ADCOS for undergraduate, graduate and post tertiary education from 1992, the Australian Development Scholarships (ADS) program was officially launched in 1998. To date, ADS has provided more than 2,100 long-term scholarships which has equipped Vietnamese students with vital and necessary knowledge and skills. Since 2010, total scholarships to Viet Nam per year have increased to 225. The Government of Việt Nam highly appreciates Australia support in this area as it helps to improve the quality of human resources for Việt Nam to meet the new requirements for socio-economic development and international integration.

In addition to ADS, Australia also provides Viet Nam with Leadership and Endeavour Scholarships. These scholarships are globally competitive and help Vietnamese students to take part in professional training to improve their expertise and technical capacity.

III. Agriculture, rural development and poverty reduction.

Agriculture, rural development and poverty reduction are priority areas for support in the bilateral development cooperation relationship between Việt Nam – Australia.

In the context of support to rural development and poverty reduction by the donor community, Australia focuses its support to one poor central province, Quảng Ngãi. Support started with the Rural Development Project (RUDEP 2001 - 2007) and was followed by the Implementation Support Program which supports the implementation of Programme 135-II in Quảng Ngãi (ISP 2008 - 2012) for ethnic poverty reduction. With RUDEP, the livelihood of families in 23 communes of Quảng Ngãi (around 34,000 people) was improved from *diversified income generation activities both from farm and non farm activities*. Small scale infrastructure projects were developed and sustained. Government policies on grassroots democracy and decentralization were further realized and capacity of government officers at the provincial,

district and commune level was enhanced. Following the success of RUDEP, ISP aims to reduce poverty in the ethnic minorities areas of Quảng Ngãi province and to support Program 135-2 to achieve its targets.

The Collaborative Agriculture and Rural Development (CARD) Project is also a typical aid project of Australia in agriculture and rural development. The project has helped to improve the productivity and competitiveness of agricultural products and rural farmers as well as rural enterprises. The project funds agricultural research on a competitive basis and has enhanced the capacity of Viet Nam in effectively managing its agricultural research programs.

With Australia's strength in agricultural research, projects implemented by the Australian Center for International Agricultural Research (ACIAR) have brought practical impacts to agricultural development of Viet Nam. ACIAR's projects have improved the capacity of Vietnamese research institutions in agriculture, forestry and fishery and the application of research findings has helped to improve agricultural production and the living standards of the farmers.

Together with other donors, Australia supports Viet Nam in its National Targeted Programme 135 *phase II* on poverty reduction. This programme has developed and improved many small scale rural infrastructure projects including electricity, irrigation, healthcare station, water supply and development of agriculture and forestry. The program has reduced poverty and improved the lives of the people in rural communes that are faced with extreme hardship.

IV. Water supply and sanitation

Australia is one of the first donors in supporting water supply and sanitation.

Australia has supported the development of water supply and sanitation in Bắc Giang, Bắc Ninh, Trà Vinh and Hà Tĩnh provinces immediately after the aid relationship was restored. The next projects were to support three towns i.e. Bạc Liêu town (Bạc Liêu province), Hà Tiên town (Kiên Giang province) and Sa Đéc town (Đồng Tháp province) for the period from 2001 – 2008 and five provinces Kiên Giang, Bạc Liêu, Bến Tre, Vĩnh Long and Long An. (2001 - 2007) in the Mekong Delta.

In addition to these bilateral projects, Australia also co-finances the National Targeted Programme (NTP) for rural water supply and sanitation (2006 - 2011).

Australian projects in this area have improved health conditions of rural residents including the ethnic minority people through the supply of

clean water and promoting sanitation, hygiene and environmental protection in Việt Nam.

V. Enhancing capacity and institutions of the economy

Acknowledging the importance of development and maintaining a favourable environment for the market economy in Viet Nam (as outlined in Viet Nam's target to achieve high and sustainable economic growth), the Australia's assistance focuses on supporting economic integration, strengthening institutional capacity and enhancing the state management in key institutions in order to meet the requirements of a competitive market economy.

Australia has assisted Viet Nam with the Capacity Building for Effective Governance Facility (CEG 2002 - 2006) aiming to enhance capacity and support the Government to act effectively in order to achieve poverty reduction and sustainable development. CEG supported the transformation to a socialist oriented market economy by strengthening the skills and capacity of selected state agencies and other key agencies in the agreed focus areas.

Another typical project is the Viet Nam - Australia Monitoring and Evaluation on ODA Projects (VAMEPS) which established an effective national system to monitor and evaluate ODA. This project has developed a strategic plan on monitoring and evaluation of ODA projects, developed M & E expertise for local experts and built up the consensus on the monitoring and evaluation principles.

The Australian government also co-financed the Beyond WTO project to support Viet Nam in enhancing capacity to maintain growth, protect the achievements in poverty reduction and realize the objectives of the Socio-Economic Development Plan (SEDP) 2006-2010 and the Viet Nam Development Goals. In addition, Australia also financed the Poverty Reduction Support Credit operated by the World Bank to support the national strategies on economic growth and poverty reduction.

VI. Environment and response to climate change

Việt Nam is one of the countries suffering a lot from natural disasters and climate change. Support of Australia in this area has helped Viet Nam to enhance its adaptation and response capacity, and address the consequences caused by natural disasters and climate change, mostly in the Mekong Delta which is most affected by sea level rise and climate change.

One of the typical projects in this area is the flood control project in North Vàm Nao (2001 - 2010). This project assists An Giang province to set up and operate effectively the flood control system in North Vàm Nao. This has promoted social and environmental sustainability and brought about economic benefits for the community in the project areas by supporting poverty reduction activities. This project has particularly improved environmental sustainability and poverty reduction because it has: promoted better coordination in water and land use management; strengthened capacity of local government agencies in planning, operating and maintaining the flood

control system in North Vàm Nao; and helped to meet the water demand based on the needs of the community.

In addition, Australia cooperates with the German Technical Agency (GTZ) to implement the project on preserving and developing the focus areas of the biosphere in Kiên Giang Province. Urgent support for flooded areas has considerably helped the Mekong Delta in building capacity for the government and people in responding and overcoming the consequences of natural disasters and climate change.

B. Việt Nam and prospects of development cooperation in the context of Middle Income Country (MIC)

Việt Nam has completed its 10 year Socio-Economic Development Strategy (SEDS 2001-2010) and five year Socio-Economic Development Plan (SEDP 2006-2010) with significant socio-economic achievements. Most of the Millenium Development Goals (MDGs) have been achieved and poverty reduction is remarkable. These achievements have enabled Viet Nam to reach Middle Income Country status and enter into a new phase of development.

However, MIC presents Viet Nam with a mixed set of opportunities and challenges. Viet Nam is facing considerable challenges that need to be addressed in order to achieve sustainable economic and social development.

Việt Nam has been successful in maintaining high economic growth, creating and enhancing the capacity and institutions for the market economy. However, the market economy has not been developed fully and synchronically to meet the requirements of economic development and global economic integration. Regulatory systems, policies and mechanisms are not yet in harmony and consistent. Law enforcement is still low. The formation of different types of markets is slow and many difficulties arise in the management and administration processes of these markets. Productivity, efficiency and competitiveness of the economy are low. Labour productivity is much lower in comparison with other countries in the region.

In addition, despite improvements, infrastructure has not yet met the rising demand and has impeded economic development. The transport network is not in a good condition, quality of roads are poor, there is no high speed road and railway, and no modern airport and seaport. Urban infrastructure, water supply, sewage, collection and treatment of water and solid wastes are also of poor quality and overloaded.

The quality of Việt Nam's human resources is far too low and is not improving fast enough to meet the requirements for the country's development. Labour structures, educational and skill levels are not appropriate and Việt Nam is facing a shortage of highly qualified experts, managers, businessmen as well as workers. The quality of education and training - especially training for specialist positions - has not met the demand of development.

Along with these issues are poverty and climate change.

Although Việt Nam has made impressive achievements in poverty reduction, there are a large number of families that live just above the poverty line and are vulnerable to any type of shocks, including economic shocks. Income, life expectancy and other measures of living standards of ethnic minorities are much lower compared with other population groups. Quality and distribution of basic social services have not met the demand of the people. Fees and charges of social services are not affordable for the poor or even middle income families.

With regard to climate change, international studies of the World Bank and the United Nations point out that Việt Nam is especially vulnerable to the negative impacts of climate change and Việt Nam is one of the countries likely to be affected most by natural disasters in the world. Therefore, one of the urgent priorities is to carry out necessary measures in response to climate change and strengthen the protection system to address the damages potentially caused by climate change.

To address current challenges, Việt Nam has set the strategic target to be an industrialized and modernized country with sustainable and high development by 2020. To achieve this target, Việt Nam will:

- Perfect the socialist-oriented market economy and create a level playing field for the business environment and administrative reform.

- Enhance human resource development especially high quality human resources with a focus on comprehensive reform of the national education system.

- Develop a synchronized network of infrastructure with modern projects and improving the transport network and urban infrastructure.

In addition to these goals, poverty reduction and climate change will require special attention.

In the context of MIC, in addition to mobilising internal resources and capacity, Việt Nam is in great need for the continued support and help from the donor community including Australia – a large development partner of Việt Nam. Moreover, the Australian aid program in Việt Nam focuses on areas based on Australia's comparative advantage, is closely aligned with the development priorities of Việt Nam, and supports implementation of Việt Nam's goals for the coming years.

Conclusion

Reviewing the Australian Government's support to Việt Nam over the past 20 years since the official development cooperation was restored, the Government of Việt Nam highly appreciates Australia's valuable contribution to Việt Nam's socio-economic development as well as to poverty reduction and human resource development.

The Government of Việt Nam hopes that the achievements gained during the bilateral cooperation relationship serve as a firm foundation to strengthen this relationship in the future and this will further enhance the strong and close relationship between the two governments, two countries and people to deserve the high level of the Comprehensive Partnership as confirmed in 2009.