REVISED
NATIONAL INDICATIVE PROGRAMME
2002 – 2004

VIETNAM

<table>
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| Legal Base     | ALA Regulation  
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| Co-ordinator   | Renate Hahlen |

*Changes to the initial document are marked by a shadow colour.*
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1. EC-Vietnam Country Strategy

The EC-Vietnam Country Strategy Paper takes into account the goals of European Community co-operation policy, the Vietnamese policy agenda and the country analysis, as well as past and ongoing co-operation experience. The CSP states that the overarching objective of EC co-operation will be to support Vietnam's efforts to reduce poverty in an economically, socially and environmentally sustainable manner. The two main areas of concentration for co-operation will be assistance to improve Vietnam's human development and facilitation of the integration of Vietnam into the international economy.

All interventions will be screened to ensure that horizontal issues such as environmental protection and disaster preparedness, gender equality, human rights (particularly of vulnerable groups), good governance, disaster mitigation, culture and education, among others, are adequately addressed and integrated into co-operation design and implementation.

Moreover, coherence with EU policies and complementarity within the EU and with other donors will be pursued in all areas of co-operation. In particular, the present indicative programme will aim to complement and support where appropriate projects which are financed by EU Member States.

Specific project selection will be subject to a detailed identification and appraisal to be undertaken by the Commission. In the preparation of EC interventions, particular efforts will be made to ensure that the socio-economic objectives of Vietnam as stated in the SEDS, I-PRSP, and (when available) the CPRGS (1), as well as various documents produced by the government-donors Poverty Task Force in the context of the "Strategies for Achieving the Vietnam Development Targets" are taken into account in the project-programme design and its follow-up, so as to ensure maximum impact on Vietnam's own development goals.

An integral aspect of all Community co-operation will be raising the EU's profile - concept, values, culture - and visibility in Vietnam. A particular effort will be made to integrate development and economic co-operation approaches.

EC assistance will be conditional upon Vietnam's continued commitment to the development strategy and the necessary reforms, as well as to demonstrable progress in the field.

In line with the findings of the CSP mid-term review (MTR) of 2003 – see chapter 1 of the National Indicative Programme 2005 – 2006 document – some modifications to the NIP 2002 – 2004 are suggested and summarised as follows:

- Inclusion of support in the Central Highlands through the extension of the focus area (initially only the Northern Uplands) for support to rural health. The Central Highlands are an area of importance politically and in the context of poverty reduction.

- Inclusion of natural resources management into the rural development priority as well as support to the groundwork required to prepare the Government of Vietnam, especially the Ministry of Agriculture and Rural Development, for a sector approach in rural development at a later stage.

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• The carrying out of groundwork to be done in the education sector to prepare for a sector approach before the EC provides support in that framework in the NIP 2005-2006.

• As a new action, focussing on both CSP focal points, a contribution – via budget support and accompanying technical assistance in the field of public finance management, to the performance-based Poverty Reduction Support Credit (PRSC), linked to the implementation of the Comprehensive Poverty Reduction and Growth Strategy.

These modifications are described in detail hereafter (3.1, 3.2, 3.3 and 5.)

Moreover, a €2 M Small Project Facility (SPF) was added to the initiatives anticipated by the initial NIP 2002-2004, this in line with the EC’s policy to establish SPFs in Asian partner countries, as a flexible tool enabling Delegations to finance small actions that are in keeping with the priorities of the CSP, particularly in the area of governance. The project has been approved by the EU Member states (ALA committee of 20 November 2003) and the European Commission (on 15 December 2003). The overall objective of this programme is to support the on-going reform process of Vietnam’s economy and systems of governance, as well as to facilitate Vietnam’s integration into the international economy. This is to be achieved inter alia through an enhanced involvement of civil society partners and of the private sector and by facilitating interactions in the fields of governance, administrative reform, decentralisation, integration into the regional and world economy, strengthening of civil society and public interest organisations as a contribution to grass-roots democracy, better governance, and the respect of the rule of law.

The CSP MTR and intended modifications to the NIP 2002-2004 were discussed at a meeting of EU Development Counsellors in Hanoi on 23 May 2003. The minutes of the Development Counsellors’ meetings are attached in annex 3.

2. Indicative Budget

During the period covered by the National Indicative Programme, from 2002 to 2004, a total EC grant of €128 M (initially 101 M) can be committed to support the total budget for EC-Vietnam co-operation activities. The following is the breakdown of this aggregated grant amount (more details in annex 1):

2.1 Focal point 1: Vietnam’s human development €60 M

Action 1: Integrated rural development and natural resources management € 20 M

Action 2: Support to Rural Health in the Northern Uplands and Central Highlands €18 M

Action 3: Support for improved sector management of education and training (initially: Support to the Ministry of Education and Training) €12 M

Action 4: Vocational Training €10 M
2.2 Focal point 2: Vietnam’s integration into the international economy €46 M
Action 1: Public administration, institutional reform, and good governance €30 M
Action 2: Support to the private sector €10 M
Action 3: Integration into global and regional economic arrangements €6 M

2.3 Cross-sector support: €22 M
Action 1: Support for the Poverty Reduction Support Credit: €20 M
Action 2: Small Project Facility €2 M
Total: €128 M

3. Priority: Improvement of Vietnam’s human development (Focal Point 1)

3.1 Strategy Context/Justification

3.1.1 Integrated rural development and natural resources management
Activities under this focal point aim to reduce poverty in some of the poorest provinces in Vietnam. While Vietnam is a developing country with high levels of poverty in large areas of the country, provinces in the region of the Northern Uplands, as illustrated in annex 2 to the EC-Vietnam Country Strategy paper, have a very high concentration of ethnic minorities, are among the poorest in Vietnam and have the lowest percentage of population with access to clean water, sanitation, electricity, basic education and health in the country.

Support under this Focal Point will also build on the experience of the 1996-2000 EC-Vietnam Co-operation Programme and therefore, it will continue to concentrate on integrated development and natural resource management in the disadvantaged and remote provinces of the Northern Uplands, providing assistance to the poorest members of society.

More specifically under this priority, the EC wishes to support sustainable forest management and the conservation of biodiversity to improve the livelihoods of people in forest dependent areas, leading to the enhanced contribution of a reformed forestry sector to the national economy.

The EU emphasises of importance of co-ordinated forest sector support around national forest programmes (NFPs). Coordination between the European Commission and EU Member States (at Headquarters and capitals level) has led to the design of a global multi-donor initiative to provide small-grant support to the establishment and implementation of NFPs in developing countries. This initiative, known as the Nation Forest Programme Facility, is funded by the European Commission, Sweden, Netherlands, Finland, France and Norway and hosted by the FAO. Germany provides contributions in-kind through country programmes, and the UK provided finance during the design phase of the initiative. The European Commission funding for the global initiative is provided from the horizontal budget line for tropical forests. There is strong EU interest in replicating this co-operation at country level, through co-ordinated EU support to a Multi-Donor Trust Fund in the forestry sector.

In Vietnam such a Multi-donor Trust Fund is under preparation with incremental support from EU Member States (notably Netherlands). The EC will explore the possibility of contributing to this Trust Fund, also building on its support for, and experience in, reforms
in land-use planning, state-owned forest enterprises, and in the transition towards a market economy. It is anticipated that the trust fund initiative in Vietnam shall, over time, also prepare the ground for a sector programme in this field. Through its work in rural development in the Northern Uplands and in the province of Nghe An (Social Forestry and Nature Conservation project), as well as through the EC-financed, UNDP-implemented, regional Small Grants Programme to Promote Tropical Forests (financed from the global thematic budget-line for tropical forests), the European Commission is a major player in the forestry sector in Vietnam, and is – via its Delegation in Hanoi - active in the Forest Sector Support Partnership.

The Trust Fund is to be managed by the Government of Vietnam (Ministry of Agriculture and Rural Development), with possible technical assistance (provided by an EU donor, e.g. possibly Germany) to support the management of the Trust Fund. The Trust Fund will provide grants for initiatives in the forestry sector and open a sector support window, giving support to initiatives that can provide institutional strengthening and carry out work to prepare the ground for a sector approach. It is anticipated that the sector support window will gradually expand with progress against policy-related benchmarks.

*Definition of target Human Development Indicators (2) will be made in the early stages of project-programme design so as to define its components with maximum efficacy and facilitate implementation and impact monitoring.*

The lessons learned from the ongoing EC-funded projects in the Northern Provinces - *Cao Bang/Bac Can Rural Development Project* and *Son La/Lai Chau Rural Development Project* - will be applied in the preparation of new actions, and consolidation of achievements will be sought. Effective integration of conservation and development, based on the experience of the project ‘Social Forestry and Nature Conservation Project in Nghe An Province’ will be replicated where appropriate. Support to the decentralisation process will be given through training and capacity building at local level. Sustainability will be ensured, by using a participatory approach to ensure better informed interventions and greater ownership of project initiatives by the beneficiaries. Environmental protection, gender and ethnic minority issues will be common cross-cutting concerns for all co-operation activities. Attention will also be paid to increasing non-farm employment in the rural areas, to supporting the establishment and development of household enterprises, and to encouraging and facilitating the involvement of the private sector, both in infrastructure works and the provision of services and supplies.

In order to define the specific EC intervention appropriate account will be taken of other government funded or donors ongoing or planned interventions in the region, such as government poorest communes programme or WB led Northern Mountains poverty reduction programme.

### 3.1.2 Support to Rural Health in the Northern Uplands and Central Highlands

Increased access to and improved availability of quality health services to enhance the well-being of the poorest in these targeted provinces is an identified need that will be further

\(^{(2)}\) For example, it could target on a general level and according to the availability of information in the provinces: income; agricultural product diversification; unemployment rate; clean water access; irrigated land; forest coverage; births attended by skilled personnel; under-five mortality rate; underweight children; enrolment in primary education; until 5th year schooling, ratio of girls to boys in primary.
explored for possible EC assistance. This will be in support of and in the framework of the Government-led decentralisation process. The EC support will also be designed to enhance the policy development capacity of the Ministry of Health, especially with regard to health financing. Other areas such as pharmaceuticals can be explored.

The experience of the two major EC-funded health sector projects in the fields of Malaria and particularly Health Systems Development, will also be assessed, as will those initiatives supported by other donors.

3.1.3 Support to the Ministry of Education and Training; Vocational Training

While Vietnam achieves good results in terms of scholarisation, the quality of education around the country is extremely mixed. The Ministry of Education and Training lacks the capacity to upgrade standards and the quality of education delivered. Curriculum planning and teacher training are weak.

As Vietnam’s economy develops and as new industries are established, the need for skilled labour becomes more acute. As people migrate from the country to the cities and as State Owned Enterprises are rationalised, more and more people will come onto the labour market and they will require skills in order to find employment. Increased access to, and enhanced quality of, vocational training are required.

The results of the project “Support for the Ministry of Education and Training” (which was designed to test alternative methodologies for the improvement of primary education) will be fully evaluated and taken into account, together with the actions of other donors. Also, the preparatory work for possible support for a Labour Market Observatory and subsequent re-orientation resulting from the other donors interventions, particularly the ADB, will be fully taken into account in the design of specific EC support to vocational training. EC interventions in the sector of education will take properly into account the government's education strategy 2010 and the Ministry of Education and Training plan to achieve education for all.

3.2 Action: Integrated Rural Development and natural resources management

3.2.1 Objectives (3)

General
• The objective is to assist and improve Human Development in the provinces of the Northern Uplands. EC intervention will take into account its impact on the provinces' HD indicators. The EC contributions will aim to consolidate and expand the achievements of the EC-supported rural development and integrated conservation and development projects in the mountainous areas in northern Vietnam, in order to improve their prospects for sustainable development and economic prosperity.
• Sustainable poverty alleviation in the poorest provinces of the Northern Uplands which have a high proportion of ethnic minorities.
• The sustainable management of forests and the conservation of biodiversity to achieve: a) protection of the environment, b) improved livelihoods of people in forest dependent areas, and c) enhanced contribution of a reformed forestry sector to the national economy.

(3) see CSP, first bullet point in 5.2.1
Specific
- Significantly improved income of the poor in the target areas, particularly among ethnic minority people living in the most remote areas;
- Reinforced grass-roots democracy;
- Enhanced institutional capacity at provincial, district, and communal levels;
- Increased environmental protection and sustainable use of natural resources;
- Closer alignment of ODA support with priorities agreed in the Forestry Sector Support Partnership framework;
- Improved poverty focus of ODA support to the forest sector, consistent with the CPRGS;
- Harmonised support to the forestry sector at reduced transaction costs for the GoVN;
- Advancements in the preparations for an eventual sector approach in the forest sector;
- Promotion of the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT);
- Capacities of central government and provincial administration, notably the Ministry of Agriculture and Rural Development, strengthened to enable the implementation of support towards rural development through a sector approach.

Special attention shall be paid to the most vulnerable groups.

3.2.2 Expected Results
- Enhanced management capacities at the local levels to achieve poverty reduction and efficiently implement the Comprehensive Poverty Reduction and Growth Strategy;
- Reduced levels of poverty and of deprivation. This will be measured according to appropriate indicators, in agreement with relevant human development indicators;
- A sustainable leading role for local communities as the driving force behind poverty alleviation and socio-economic development;
- Increased institutional capacity and improved co-ordination between central and local government agencies;
- Sustainability of interventions initiated and carried out by these co-operation actions;
- The internalisation of successful rural development models/practices drawn from EC-supported rural development and integrated conservation and development co-operation actions by the GoVN, local authorities and rural development stakeholders. This should enable the beneficiaries to replicate those models in similar circumstances in the same or neighbouring areas, either on their own or with other donors;
- More sustainable use of natural resources;
- Improved pro-poor and forest land management, at policy and implementation level;
- Increased donor harmonisation and co-ordination;
- Progress in the Implementation of the Forest Sector Support Programme framework and the national Forest Development Strategy at provincial and local level;
- Increased capacity of the Government of Vietnam to further develop the necessary strategies and capacities to head towards a sector approach at both the central and provincial level;
- Agreed mechanism in place for delivery of forestry sector support and possibly rural development at large;
3.2.3 Activities

- Consolidate support already provided by EC rural development and integrated conservation and development co-operation projects, including, among others, rural infrastructure - such as market access roads, clean water supply, irrigation-, agriculture, forestry, environmental protection and disaster mitigation.

- Rural development, but may include financing for technical assistance (e.g. for the development of participatory land-use planning), small-scale infrastructure, agricultural inputs.

- Development of benchmarks against which sector support contributions will be made in the framework of the Forestry Sector Support Partnership (FSSP); efficient delivery of support for FSSP implementation (e.g. project support through grants from the trust fund, capacity building of GoVN entities involved in the Trust Fund management etc.).

- Activities shall be defined for the support to the Ministry of Agriculture and Rural Development, but will probably include financing for technical assistance and other support, as defined in close cooperation with other donors actively involved in preparation for a move to a sector approach in rural development.

3.2.4 Implementation

- The consolidation of rural development will be prepared in time for the completion of the ongoing projects in the region, which takes into account the absorption capacity of Vietnamese partners. The implementation modalities of these interventions, which will be defined during the formulation stage, could take account of the following main principles:
  - Fitting within the principles of Government-donor partnerships in the areas of poverty reduction, forestry etc;
  - Decentralised management;
  - Best use of local human resources, in particular those that have been developed during the implementation of EC projects;
  - Maximum involvement of civil society.

- Implementation will be done through a Trust Fund established by interested donors and administered by the Ministry of Agriculture and Rural Development (MARD), with technical support from an EU Member State (probably Germany) before administration passes to entirely the FSSP Co-ordinating Office.

3.2.5 Cross-cutting issues

- These will include poverty reduction (overarching goal), gender (ensuring full participation of women in activities supported/ensuring granting of land-use titles to man and wife), environment (sustainable natural resource management/proposals to be screened for environmental aspects), governance/ institutional reform (improved institutional capacity at the local level, enhanced grass-roots democracy, capacity building in forest management and reform of the state forest enterprises).

3.2.6 Risks and Assumptions

- The field-level activities will strongly depend on the political will of the concerned local authorities to support programme activities;
- Weak institutional and human capacity (e.g. in provinces/remote areas, at the FSSP Coordinating Office of MARD) may hamper implementation;
- Fiduciary risk in terms of the transparency of budget execution/in terms of Trust Fund Management;
- Difficulty of agreeing on modalities of Trust Fund management with donor partners;
- Vested interests of public officials in illegal logging/cross-border trade of illegally log timber;
- Willingness of Government of Vietnam to engage in full policy dialogue for programme preparation and to move to sector approach strategies.

3.2.7 Performance/Outcome Indicators

Output indicators: to be defined.

- Outcome indicators (all from Comprehensive Poverty Reduction and Growth Strategy) may include: average income (disaggregated among ethnic groups), percentage of people receiving support in production services, forest coverage, percentage of special use forest area to be preserved, percentage of ethnic minority people with land-use right titles for all forms of land-use, percentage of land-use titles granted to both husband and wife, percentage of communes with staff to monitor the poverty reduction strategy.
- In the forestry sector support outcome indicators may include: forest coverage, quality of forest cover, conservation of special use forest area, better forest utilisation, institutional reform of state forest enterprises, bio-diversity of conserved forest areas, active engagement of provincial authorities, the extent to which FSSP has been replaced with a fully government-driven sector approach.

3.2.8 Financial Envelope

€20 M

3.2.9 Co-ordination with Member States

- Preparation and implementation of support to Ministry or Agriculture and Rural Development to launch the groundwork for a sector approach to be carried out in collaboration with at least one Member State.
- The design and establishment of the Trust Fund has been facilitated by the Netherlands, in collaboration with Germany, Finland, and Sweden. Switzerland, as well as the EC, through its Delegation in Hanoi, have also been also involved. Assistance to MARD for the management of the Trust Fund for a transitional phase is likely to be provided by an EU Member State, probably Germany.

3.2.10 Indicative timeframe

- The component on consolidation of rural development could be launched in 2004, upon completion of the ongoing rural development co-operation activities.
- The Forestry Trust Fund is likely to start its transition phase in 2004. EC should join in 2005. The transitional phase is scheduled to end in 2006, with the full implementation of
the Trust fund running from 2007 to 2010, when it is planned that the Trust Fund will be replenished annually.

3.3 Support to Rural Health in the Northern Uplands and Central Highlands

Support for the health sector in the Northern Uplands is foreseen in the chapter 3.2 of the original NIP 2002-2004 document (Integrated Rural Development in the Northern Uplands).

3.3.1 Strategy context/justification

The €8 M now not allocated to education (see hereafter 3.4) will be used for support to the health sector in the Central Highlands, and a combined initiative focussing on both the Central Highlands and Northern Uplands prepared in the framework of the NIP 2002-2004. There are considerable needs in terms of poverty reduction in the Central Highlands. Pre-identification work has indicated that the health sector, particularly in remote areas, should be targeted. It is feasible to combine support to the health sector in the Central Highlands with support under preparation (in the framework of the original NIP 2002-2004) for health in the Northern Uplands. The new activity will have an indicative budget of €18 M, of which €8 M is earmarked for the Central Highlands, subject to the results of identification and appraisal work.

3.3.2 Objectives

General: Support to the Government of Vietnam and especially the Ministry of Health in improving the health status of the poor.

Specific:
- Enhancing access to, and availability of, quality health care services especially for the poor in the selected northern and central provinces. This will be in support of, and in the framework of, the Government-led decentralisation process.
- Enhancing/supporting the policy development capacity of the Ministry of Health, especially with regards to health financing. Other areas such as pharmaceuticals can be explored.

3.3.3 Expected Results

- Improved quality of health services.
- Improved accessibility to health services for the poor sections of the population.
- Improved policy making capacity with key tools developed and implemented for the sector.

3.3.4 Activities

- Technical assistance to support policy development and implementation in specific areas to be determined during the appraisal of the programme which measure?), and to support the development of tools for the management of the sector and their implementation;
- Capacity building activities at decentralised level in the targeted provinces;
- Provision of small-scale medical equipment and small rehabilitation of infrastructure.

3.3.5 Implementation

The project will be implemented by the Ministry of Health, with the support of TA and of the European Commission.

3.3.6 Cross-cutting issues

Cross-cutting issues include gender equality, poverty reduction, governance and HIV/AIDS.
3.3.7 Risks and conditions

- Government health policy to focus on health quality and accessibility and to promote the disadvantaged groups must remain firm and consistent;
- Main Government stakeholders continue to support the decentralisation policy;
- Implementation in disadvantaged areas can be hampered by:
  o Low absorption capacity;
  o Weak institutional capacity.

3.3.8 Main indicators

Process and output SMART indicators will be defined during the appraisal of the measure. They will refer to:
- the accessibility of appropriate health services by the poor;
- the quality of health services;
- the enhancement of policy making capacities;
- HIV/AIDS.

**Outcome indicators related to the Millennium Development Goals** for this measure are likely to include:
- under-five mortality rate;
- percentage of births attended by skilled health personnel.

3.3.9 Estimated EC contribution

€18 M

3.3.10 Co-ordination with Member States

The project will support the sector reform process and pave the way towards a multi-donor supported sector programme or sector approach at a later stage. As a first step towards this, the project is to be designed and implemented in close co-ordination with Belgium, which has a similar project planned for the province of Hoa Binh. Sharing of expertise and experience will be assured and the Belgian and EC projects will work closely together on, *inter alia*, institutional strengthening at the central level. Possibilities of working closely with Sweden, as well as with the Asian Development Bank, in the Central Highlands are being explored. Health is a target sector in the framework of the EU Action Plan for Co-ordination and Harmonisation in Vietnam.

3.3.11 Indicative timeframe

Further identification work and appraisal are to take place in early 2004, with financial commitment to be made before the end of the year.

3.4 Support for improved sector management of education and training

3.4.1 Strategy context/ justification:

In the original NIP 2002 – 2004 an indicative budget of €20 M has been earmarked for support to the Ministry of Education and Training (MoET). It had been planned to explore the possibility of providing support to the Government of Vietnam in the framework of a sector approach. However, the EC, sharing the views of other donors, concluded in the CSP mid-term review that more progress was necessary in the area of institutional reform to
accommodate a sector approach. However, progress has been slower than expected, meaning that EC assistance could not be financed through full budgetary support during the life time of NIP 2002 - 2004.

In 2003, the Government of Vietnam adopted the national Education for All plan in 2003 to advance towards meeting the Millennium Development Goals in the education sector. In the same year, an “education sector partnership” was launched as an informal coordination forum of interested donors and the Government of Vietnam. In light of these achievements, it was agreed that €12 M (instead of the original €20 M allocation) will be spent on groundwork for a sector approach through the provision of technical assistance at central and provincial levels aimed at capacity building and the development and implementation of management and planning tools.

A sector approach that would be financed through budgetary support is expected to become feasible under the NIP 2005-2006. The characteristics of the intervention are now foreseen as follows:

3.4.2 Objectives (*)

The overall objective of the action is to enhance the quality and efficiency of the educational delivery process in Vietnam so that its children have access to higher quality schooling that will prepare them for a role in the country’s rapidly modernising and industrialising economy.

The specific objective is to facilitate the move towards sector based management of basic education in key areas through support primarily to the Ministry of Education of Training (MoET) at central and decentralised levels, but also to the Ministry of Finance (MoF) and the Ministry of Planning and Investment (MPI). The areas identified will build on the strengths of the current EC supported project “Support to the Ministry of Education and Training” (SMoET), which has an EC contribution of €7.6 M, and will focus on institutional strengthening and capacity building. In line with the decentralisation process, a principal focus will be on measures to support and strengthen the capacities available to implement sector-based management of education and training at the provincial, district and school levels.

3.4.3 Expected Results

- Better planning, organisational and management capacity within the Ministry of Education and Training, provincial education departments, districts and schools.
- Greater flexibility and cost efficiency in the delivery of educational services.
- Improved and streamlined working relationships in support of educational activities between the Ministries of Education and Training, Ministry of Finance and the Ministry of Planning and Investment.
- The further development of the necessary strategies and capacities to head towards a sector approach, and funding through budgetary support.

3.4.4 Activities

Subject to appraisal work, the main activities/components may include:

(*) see CSP, first and third indents in second bullet point, in 5.2.1
Technical assistance to support education sector management and planning capacity.
Capacity building and institutional strengthening to be implemented both nationally as well as, and especially, at the provincial and district levels.
Technical assistance to support preparations for targeted budgetary support for basic education (see NIP 2005-2006).
Support for the development, strengthening and implementation of systems and software of the existing information management systems down to school level.
Technical support to the linkages between MoET, MPI and MoF in relation to budgetary and investment measures to the sector.
A limited support for the purchase of equipment and upgrading of infrastructure.

This proposed project builds on the institutional objectives of the current EC project SMoET, which aim to strengthen the institutional capacity of the MoET in terms of policy setting and policy implementation within the sector renovation context, set by the Education Law and related sector policy decisions.

3.4.5 Implementation

To be implemented by the MoET at central and decentralised levels, with technical and financial support from the European Commission and possibly other donors involved in the education sector through the Education Sector Working Group.

3.4.6 Cross-cutting issues

Cross-cutting areas supporting the measures and identified as priorities include support for gender equality, and governance (capacity building in education planning and management, particularly at the provincial/local level). A further cross-cutting area will focus on the support through education and training for reintegration of disabled persons into the community.

3.4.7 Risks and Assumptions

- Government’s education policy to focus on education quality and to promote the disadvantaged groups must remain firm and consistent.
- Main Government stakeholders continue to support the decentralisation policy.
- The Government (MoF) is willing to be transparent in their method of public financial management.
- The different ministries involved (MoET, MoF, MPI) are prepared to work closely together towards sector based management of education.

3.4.8 Main Indicators

- Repetition rates decreased, primary education completion rates increased, FSQL (Fundamental School Quality Level) raised.
- Gap between education plan targets and implementation is significantly reduced.
- The inter-departmental co-operation of MoET and with the Provincial Government and other concerned stakeholders (MoF, MPI and donors) is improved.

3.4.9 Estimated EC contribution

€12 M
3.4.10 Co-ordination with Member States

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

3.4.11 Indicative timeframe

Appraisal is to take place during early 2004, with financial commitment to be made before the end of the year.

3.5 Vocational Training

3.5.1 Objectives (5)

The objective of this action is to enhance the quality and availability of vocational training in Vietnam so that its young adults have access to training that will prepare them for a role in the country’s rapidly modernising and industrialising economy.

The action aims at three different possible areas of support:

- Labour Market Observatory. Assisting current efforts to better identify vocational training needs at national level;
- National policy. Providing advice on policy at national level to translate identified needs into adequate training curricula and delivery systems;
- Pilot scheme to assist policy implementation. A limited number of vocational training centres (not only in the major cities, but also in smaller towns) could be targeted for a pilot scheme in assisting implementation of curricula development and feeding back to the national policy for possible adjustment.

3.5.2 Expected Results

The Action is expected to result in the following:

- Better quality of training delivered;
- New areas of vocational training delivered in different parts of Vietnam;
- Increased numbers of young people trained to carry out technical jobs in the growing number of Vietnamese and foreign-owned companies that are operating in sectors of industry that may be new to Vietnam;
- Reduced levels of unemployment, particularly as the reduction in the size and numbers of State-owned companies and the migration of people to cities puts more people onto the job market.

3.5.3 Activities

Support for the setting up and/or strengthening of institutions to deliver vocational training, including apprenticeships, at a post-school (but lower than university) level. The specific

(5) see CSP, second indent in second bullet point, in 5.2.1
type of training needed will be reviewed during preparation of the EC support, in the light of
the experience gained during the preparation of the Labour Market Observatory project
proposed at an earlier stage.

3.5.4 Implementation
The implementation modalities of the interventions will be defined during the formulation
stage. Implementation modalities could take account of the following main principles:
• Fitting within the principles of Government-donor partnerships in the area of vocational
training;
• Decentralised management;
• Best use of local human resources, in particular those that have been developed during the
implementation of EC co-operation actions;
• Maximum involvement of civil society, in particular, of the private sector.

3.5.5 Risks and Assumptions
The success of the action will depend on the willingness and absorption capacity of partner
ministries and other organisations.

3.5.6 Performance/Outcome Indicators
Performance and outcome indicators will be defined at the formulation stage.

3.5.7 Financial Envelope
The EC grant is estimated to be €10 M to be committed in 2002.

3.5.8 Indicative timeframe
The intervention should begin in 2002 with a duration of 4 years.

4. Priority: Facilitate Vietnam's integration into the international economy (Focal
point 2)

4.1 Strategic Context/Justification
A variety of structural problems impede Vietnam from successfully achieving sustainable
economic growth and interacting with the global community.

The CSP has identified potential areas to target for supporting Vietnam's socio-economic
reform process that needs to be accelerated: human development; policy-making and
implementation; promotion of the private sector; alleviation of the social consequences of
reform; good governance and best administrative practices.

In this context, key priorities include: (a) the establishment of a transparent, effective and
efficient public administration and institutions, (b) the creation of a fair and efficient
business environment, including the promotion of competition and strengthening of the
private sector, and (c) enhanced commercial exchanges with the international community.

Assisting Vietnam adapt its economy to the external environment with the immediate
challenges of accessing WTO and the ASEAN Free Trade Area deadline, as well as the
opportunities offered by the free trade agreement between ASEAN and China, have been
identified in the CSP as areas for EC co-operation. The Commission has in the past
contributed to a number of initiatives supporting Vietnam’s efforts to restructure its economy and to *integrate in the regional and global economy*. These include the European Technical Assistance Programme for Transition to a Market Economy (Euro-TAP-Viet), the Small and Medium Enterprise Development Fund (SMEDF) and the Multilateral Trade Policy Assistance Programme (MUTRAP). Future support will build on these experiences.

### 4.2 Action: Public administration, institutional reform and good governance

#### 4.2.1 Objectives

The general objective is to support Vietnam in its efforts to allow a properly functioning market economy and to create fair conditions for a transparent, predictable, and competitive investment and business environment by establishing a transparent, effective and efficient public administration and institutions. Also, interventions under this action will aim to assist the government of Vietnam to alleviate the social consequences of reform.

#### 4.2.2 Expected results

Focusing on areas considered as bottlenecks that constrain progress in reform, this action is expected to result in a more transparent, effective and efficient public administration. Specific policy, legislation, regulation or administrative instructions will be identified during the preparatory stage for each of the activities described below.

#### 4.2.3 Activities:

Activities covered by this action aim to respond to the various potential areas described in point 4.1 and could tentatively include (non-exhaustive list):

- taxation;
- customs;
- statistics, companies registration, country information systems;
- accounting and auditing;
- standards and quality assurance (particularly sanitary and phytosanitary)
- intellectual property rights;
- agricultural policy advice;
- telecommunications;
- banking;
- corporate governance;
- foreign investment;
- management training;
- urban and environmental planning;
- street children integration;

Detailed activities and the selection of sectors would be subject to further review and priority screening during the formulation phase.

Specific assistance under this action could aim not only at public sector administration, but also private sector economic entities, such as associations, chambers of commerce and leading companies on a pilot basis. The assistance could take one of the two following approaches:

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(*) see CSP, first bullet point, in 5.2.2. Promotion of the private sector is dealt in another EC action of present NIP.
• **Policy advice and institutional support.** Technical assistance including inter alia for preparation of legislation and regulations to be provided at both central and local levels.

• **Capacity building and training.** To support reforms and to ensure smooth implementation of new policies and regulations, assistance could be provided for skills upgrading, through, for example, training, seminars and workshops aiming to the producing, processing or receiving organisations of the policies.

4.2.4 Implementation:

The modalities of implementation of the action will be defined during the formulation phase. Some of the potential activities are in an advanced stage of definition and could be ready for launching in 2002. In particular co-operation in assisting the transition to market economy (7):

- by assisting in *policy making and implementing* enhancement of quality and reliability of Vietnamese products and services, supporting co-operation in "standards, quality assurance and conformity assessment", including in the phytosanitary and environmental fields, and facilitating the transfer of technology by assisting to strengthen the "intellectual property rights" protection. Tentatively €2.5 M and €1.5 M respectively;

- by contributing to *alleviate the social consequences of reform*, including the massive transfer of population from rural areas to urban centres, by supporting "urban environmental planning" and assisting integration of "street children". Tentatively €10 M and 1 M respectively.

Remaining potential co-operation activities will take into account experience learned from the Euro-TAP-Viet programme and the identification mission completed in view of the preparation of the second phase of Euro-TAP-Viet project, as well as new needs stemming from the government reform programme. The activities will be defined during 2002 and commitments should take place in 2002 and 2003. Therefore, given the variety and importance of this action for Vietnam's reform process, maximum flexibility will be adopted for the launching and implementation of the activities described in point 4.2.3 above.

4.2.5 Risks and Conditionalities

The most important risk is lack of political will in the Government and lack of ownership of the reform process among counterpart agencies.

4.2.6 Performance/Outcome Indicators

Detailed performance indicators will be defined during the formulation phase. However, the following tentative indicators are foreseen:

- legislation and policies drafted with EC-support are adopted by the Government
- capacity in selected ministries, agencies and institutions increased

(7) see indents in first bullet point in 5.2.2 of CSP
4.2.7 Financial Envelope

The total EC grant is estimated at €30 M. About €22 M should be committed in 2002 for activities already identified (urban environmental planning, assistance to street children and Euro-TAP-Viet follow-up/support to government reform) and the remaining €8 M could be committed in 2003.

4.2.8 Indicative Timeframe

The proposed duration of activities under this action is 4 years starting in 2002. The budgetary commitment would take place in 2002 by different stages, according to the readiness of the activities proposed.

4.3 Action: Support to the Private Sector

4.3.1 Objectives (*)

The objective of this Action would be to help create a dynamic private sector in Vietnam, contributing to develop employment and sustainable small and medium size enterprises.

4.3.2 Expected results

The establishment, consolidation and internationalisation of small and medium sized companies.

4.3.3 Activities

Detailed activities would be subject to further review and priority screening during the formulation phase, but are likely to focus on the creation and development of SMEs aiming to increase their productivity and competitiveness, through the provision of:

- an extension of the financing facility (SMEDF) aiming to strengthen the capacity of the relevant lending institutions by enhancing their ability to assess risks related to projects presented by SMEs and reducing the practice of asking for excessive collateral and / or a risk premium. This specific intervention would facilitate access to existing SMEDF lending facility by SMEs;
- other financial support to SMEs to be further examined, such as guarantees;
- technical assistance to improve performance in for example marketing and quality assurance, access to business co-operation opportunities with economic operators outside Vietnam;
- accompanying services for innovative start-ups to ensure their feasibility;
- assistance in the development of chambers of commerce and trade/industrial associations, promoting access to EU regulatory industrial and environmental requirements;
- assistance to reform of a selected group of State Owned Enterprises.

4.3.4 Implementation

The detailed implementation arrangements for the programme will be defined during the formulation stage.

(*) see CSP, "promotion of the private sector" indent in first bullet point, in 5.2.2
Some of the potential activities are in an advanced stage of definition. In particular the institutional strengthening of SMEDF should be ready for launching in 2002. Other possible activities will be defined in 2002-2003.

4.3.5 Risks and Conditionalities

The activities foreseen under this Action are highly dependent on the progress made in legal and policy reform and the political will of the Government to develop a fair and competitive market economy.

4.3.6 Performance/Outcome Indicators

The main performance indicator for this Action will be the creation of a dynamic and competitive private sector.

4.3.7 Financial Envelope

The EC Grant is estimated at a total of €10 M. A budgetary commitment of €1 M could take place in 2002 for the first activity described under 4.3.3 (SMEDF extension). The rest of the activities could be committed in 2003.

4.3.8 Indicative Timeframe

The initially proposed duration of the programme is 4 years starting in 2002.

4.4 Action: Integration into international and regional economic structures

4.4.1 Objectives

The objective of this Action is to support Vietnam in its efforts to integrate into the international trade and investment flows.

4.4.2 Expected results

The action is expected to result in enhanced integration of Vietnam’s economy in the global community by:

- early entry of Vietnam into the WTO,
- appropriate adaptation of the regulatory framework to the conditions negotiated and its efficient implementation.

4.4.3 Activities

Detailed activities would be subject to further review and priority screening during the formulation phase, but are likely to centre on policy and regulatory advice, judicial and commercial capability building and implementation. This would include assistance to the Government in areas relating to:

- among others, implementation of the actions involved in Vietnam’s accession to multilateral trade agreements, in particular the World Trade Organisation (WTO);
- implementation of Doha Development agenda;
- in preparing its economy to adapt to the requirements of AFTA;

(9) see CSP, second bullet point, in 5.2.2
- in training conference interpreters, a specific need to assist Vietnamese representatives in conducting the necessary negotiations.

4.4.4 Implementation

The detailed implementation arrangements for the programme will be defined during the formulation stage. The opportunity to implement part of the activities through a small project facility to facilitate quick reaction to identified needs will be explored.

The training of conference interpreters activity is in an advanced stage of definition and could be ready for launching in 2002. The other possible activities to be defined in 2003 could be launched in 2004.

4.4.5 Risks and Conditionalities

The activities foreseen under this Action are highly dependant on the progress made in the legal and policy reform and the political willingness of the Government to develop a fair and competitive market economy.

4.4.6 Performance/Outcome Indicators

The main performance indicator for this Action will be Vietnam’s early entry into the WTO.

4.4.7 Financial Envelope

The EC Grant is estimated at a total of €6 M. €1 M should be committed in 2002 for the interpreters activity and the rest could be committed in 2004.

4.4.8 Indicative Timeframe

The initially proposed duration of the programme is 4 years starting in 2002.

5. Cross Sector support

5.1 Action: Contribution to the Poverty Reduction Support Credit III

5.1.1 Strategy context/Justification

An indicative €20 M is earmarked to provide budgetary support and technical assistance in the framework of the World Bank-led and multi-donor supported Poverty Reduction Support Credit. The PRSC covers three areas of reform: completion of the transition to a market economy, making development inclusive, and building modern governance. The PRSC is a performance-based, result-oriented instrument linked to the objectives of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS). The World Bank and other donors have already supported the reforms linked to the CPRGS within PRSC I in 2002 and PRSC II in 2003. Both operations have been fully and punctually implemented. The EC feels confident about entering the PRSC process in its third phase, following the adoption of the CPRGS by the Government of Vietnam in 2002 and the continuing implementation of CPRGS related policy and regulatory changes since then.

Subject to the findings of diagnostic work, a satisfactory fiduciary risk assessment, and the results of identification/appraisal work, an indicative €15 M is to be contributed to the PRSC as budgetary support, while the remaining indicative €5 M will finance accompanying technical assistance in the context of the reform of the public financial management (by strengthening, for example, the State Audit of Vietnam and/or the State Bank of Vietnam).
EC support to the PRSC III is of great political and strategic importance. However, it is inappropriate to divert initially programmed NIP funds from other earmarked activities, given in particular the commitment the Commission has made to the Government of Vietnam regarding the provisions of the NIP 2002-2004 and the fact that the preparation of almost other relevant activities is already at an advanced stage and coordinated with activities of other donors. The €20 M earmarked for PRSC III will hence come in addition to the funds originally earmarked for the NIP.

The PRSC III has the following indicative characteristics:

5.1.2 Objectives

General

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

Specific
- completing the transition to a market economy;
- making development inclusive;
- building modern governance;
- strengthening financial management (through TA component).

5.1.3 Expected Results

The results consist of prior actions defined by the donors in collaboration with the Government of Vietnam during the preparation of the PRSC, and building on experience gained during the implementation of PRSC I and II. Funds are disbursed when prior actions have been successfully carried out by the Government. There are likely to be around forty prior actions, in fields such as trade liberalisation, state-owned enterprise reform, financial-sector reform, private sector development, health, education, environmental sustainability, public administration/governance, public financial management, and anti-corruption measures. The EC will focus its attention on approximately four areas of interest, for which prior actions will be set, implementation monitored and their relation to the CSP and bilateral projects examined. For the PRSC III (to be supported within the framework of the revised NIP 2002-2004), the focal areas are likely to be financial reform, public finance management, private sector development and social development.

Subject to the results of identification and preparation work, technical assistance will be provided to strengthen public financial management. This is likely to be through capacity building in the State Audit of Vietnam and/or the State Bank of Vietnam.

5.1.4 Activities

- Establishing prior actions and monitoring performance. Funds are to be disbursed when prior actions are completed.
- The provision of technical assistance.

5.1.5 Implementation

- PRSC III funds will be paid to the World Bank and via the World Bank into the consolidated account of the GoVN at the State Bank of Vietnam. Funds are fully fungible.
-Accompanying institution strengthening for public financial management to be implemented by e.g. the State Audit/State Bank with technical assistance to be recruited by the European Commission.

5.1.6 Cross-cutting issues

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

5.1.7 Risks and conditions

- A loss of momentum in the reform process, and resistance from vested interests, could entail a risk of slippage, especially in the area of public sector reform.
- The reform costs could be higher than estimated if the resolution of non-performing loans proceeds at a slower pace, or if policy lending by the Government goes into unviable projects.
- Fiduciary risk and a failure to ensure that adequate progress is made with budget transparency could defeat the attempt to build modern governance.
- Lack of progress in the resolution of misunderstandings related to foreign exchange resources of the State Bank of Vietnam (= Central Bank) may result in the suspension of the Poverty Reduction and Growth Facility (PRGF) by the IMF.

5.1.8 Main indicators

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

5.1.9 Estimated EC contribution

€20 M (an estimated €15 M contribution as budgetary support to the PRSC and estimated €5 M for technical assistance).

5.1.10 Co-ordination with Member States

- Certain EU Member States (the Netherlands, UK, Sweden) have already supported PRSC I and or PRSC II. For PRSC III (to be supported by the EC in the framework of the revised NIP 2002-2004) Member States involved are likely to be the Netherlands, UK, Sweden and Denmark. Belgium has also indicated interest.
- Work on public financial management reform will also be closely co-ordinated with EU Member States and other donors. Several Member States (e.g. Germany, UK, Netherlands) are already working in this field.

5.1.11 Indicative timeframe

Preparations for PRSC III are beginning early in 2004, with a World Bank board decision foreseen for May 2004. EC funds should also be committed during 2004.

5.2 SMALL PROJECT FACILITY

A €2 M Small Project Facility (SPF) was added to the initiatives anticipated by the initial NIP 2002-2004. This is in line with the EC’s policy to establish SPFs in Asian partner countries, as a flexible tool enabling Delegations to finance small actions that are in keeping with the priorities of the CSP, particularly in the area of governance. The overall objective of this programme is to support the on-going reform process of Vietnam’s economy and systems of governance, as well as to facilitate Vietnam’s integration into the international economy. This is to be achieved, by promoting civil society dialogue and facilitating mutual understanding and interactions in the fields of governance and respect for the rule of law.
**ANNEX 1 INDICATIVE ACTIVITIES TABLE**

**INDICATIVE BUDGET NIP 2002 – 2004 FOLLOWING THE REVISION**

<table>
<thead>
<tr>
<th>Action (NIP point) / Million euro in year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improvement of Vietnam’s human development</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.1 Integrated rural development and natural resources management</td>
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<td>20</td>
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<tr>
<td>1.2 Support to Rural Health in the Northern Uplands and Central Highlands</td>
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<td>18</td>
<td></td>
<td></td>
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<tr>
<td>1.3 Support to Ministry of Education &amp; Training</td>
<td>12</td>
<td>12</td>
<td></td>
<td></td>
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<tr>
<td>1.4 Vocational Training</td>
<td>10</td>
<td></td>
<td>10</td>
<td></td>
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<tr>
<td>2. Facilitate Vietnam’s integration into the international economy</td>
<td>46.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Public administration, institutional reform &amp; good governance</td>
<td>11</td>
<td>11</td>
<td>8</td>
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</tr>
<tr>
<td>2.2 Support to private sector</td>
<td>1</td>
<td>9</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2.3 Integration into global economy and regional arrangements</td>
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<td>5.1</td>
<td>6.1</td>
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<td>3. Cross-sector support</td>
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<td>3.1 Poverty Reduction Support Credit</td>
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<td>3.2 Small Projects Facility</td>
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**NIP 2002-2004 Initial indicative allocations**

<table>
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<th>Action (NIP point) / Million euro in year</th>
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<th>2003</th>
<th>2004</th>
<th>TOTAL</th>
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<td>1. Improvement of Vietnam’s human development</td>
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<tr>
<td>1.1 Integrated development in Northern Uplands (rural development and rural health)</td>
<td>10</td>
<td>15</td>
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<td>1.2 Support to Ministry of Education &amp; Training</td>
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<td>20</td>
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<tr>
<td>1.3 Vocational Training</td>
<td>10</td>
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<td>2. Facilitate Vietnam’s integration into the international economy</td>
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<td></td>
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<tr>
<td>2.1 Public administration, institutional reform &amp; good governance</td>
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<td>2.2 Support to private sector</td>
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<tr>
<td>2.3 Integration into global economy and regional arrangements</td>
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<td>50</td>
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ANNEX 2 BACKGROUND INFORMATION

1. Urban Environmental Planning co-operation.
This project was first discussed at the EC-Vietnam Joint Commission meeting in 1998. An indicative amount of €10 M has been allocated to assist Vietnam to strengthen the municipal capacities in up to three provincial cities to address the environmental challenges of urban growth. It is hoped that the experience to be drawn from this project will be applied to urban environmental planning in other small and medium-sized cities in Vietnam. A preparation mission is to be launched in early 2002. Whilst the GoV is insisting that the programme mainly strengthen the institutional capacity at the central level to deal with urban growth (e.g. Ministry of Construction, Ministry of Science, Technology and Environment etc), it should be noted that most of the decisions involving environmental planning are in fact being taken at the municipal or regional level. In this context, it should also be noted that an EC-funded programme would need to take into account what several other donors (incl., among others, Denmark, Germany and France) are already supporting in this area.

2. Labour Market Observatory and Development of Human Resources
An identification mission was carried out at the end of 2000 on the potential for an intervention and for supporting other actions designed to enhance Vietnam’s ability to face up to the labour market demands of a developing economy, such as vocational training. That study recommended allocating a budget of €10 M to finance the project. The sector is considered of crucial importance for Vietnam’s economy, and, consequently, characterised by a significant number of donors involved. The difficulty is not so much to justify an EC involvement in the sector as to clearly identify the scope for an intervention that will bring added value to the activities of other actors in the field. Of particular importance is an ADB-led initiative (around US$120 M), which contains i.a. also a labour market observatory component and support to several technical colleges. Given the involvement of other donors in this sector and rapid developments in the labour field, it was agreed at the EC-Vietnam Joint Commission meeting of November 2001 that Vietnamese and EC officials should meet to review requirements and to decide in principle what form the EC’s assistance in this area should take. In this context, it will be important to ensure that the two concerned Government authorities in this sector, MOLISA and MOET, are adequately involved in the intervention in a co-ordinated manner. In this context is should be noted that GTZ is currently engaged in an initiative to enhance the communication between these two ministries on this topic.

3. Small and Medium Sized Enterprise Development Fund - SMEDF extension
Following the successful completion of the first phase of the project, which established lending facilities for SMEs making use of revolving funds established under the refugee assistance programme, an Identification Mission was fielded in 2001 to prepare a new intervention to consolidate and further develop these facilities. Based on the recommendations of the Identification Mission report, it was agreed at the EC-Vietnam Joint Commission meeting in November 2001 that further consultation would be needed between Vietnamese and Commission officials with regards to specific co-operation needs, with a view to launch this intervention as soon as possible during the first half of 2002. In this context, it should be noted that an amount of approximately €20 M is still available in the
existing revolving Fund that can be used during a follow-up phase. Since the operation of the fund generates revenues, and since these can be used to finance the fund’s management, new EC assistance could be limited to the provision of institutional support to better assess project risks and avoid excessive collateral demands on the SMEs, and could remain in the area of €1 M. It should also be noted that after project completion, the funds would have to be integrated (as equity) into the formal banking system in order to achieve sustainable ownership of the funds. A proposal has been made to have the Development Assistance Facility (DAF) as the implementing agency for a new intervention. The proposed €1 M EC contribution for institutional support could therefore be used to strengthen DAF as well as provide training in banking skills for staff of selected intermediary banks.

4. Training conference interpreters for Vietnamese Ministries

A Financing Agreement was signed for this initiative in 2002. The European Community Interpreting Service (SCIC) is providing the necessary technical assistance and has a sub-delegation to manage the project. At the end of 2003, 17 interpreters and trainers from various ministries have been trained in the SCIC facilities in Brussels.

5. Euro-TAP-Viet

Following successful completion of the Euro-TAP Viet project, which provided technical assistance for a number of key elements in Vietnam’s Economic Reform programme, an Identification Mission was fielded in 2000 to prepare a new co-operation action. However, changes that have occurred since that Identification Mission may have rendered some components irrelevant or in need of revision. It was agreed at the Joint Commission meeting in November 2001 that a new identification mission should be launched early in 2002 to make a clear assessment of Vietnamese needs in a range of horizontal fields.

6. Intellectual property project

Whilst the Vietnamese side has urged that consideration be given to providing bi-lateral rather than regional assistance, the EC has indicated that it could, for example, be an advantage for Vietnam to implement a national Intellectual Property Rights (IPR) project within the framework of the regional IPR programme, in view of maximising national implementation and gaining regional co-ordination. The objective of this project would be to enhance investment and trade between the European Union and Vietnam by upgrading intellectual property protection in Vietnam in line with European Union standards and practices. The project would enhance the institutional capacity of the National Office for Industrial Property (NOIP), the Copyrights Office (COV) and other related authorities in Vietnam to adequately deal with matters relating to Intellectual Property Rights. The project would also increase the public awareness and knowledge about intellectual property, its rights and the consequence of infringement. The EC contribution is estimated at €1.5 M to be committed in 2002.

7. Support to the Ministry of Education and Training (SMoET)

The overall objective of the project is to improve the effectiveness of the educational delivery process, with a specific attention to primary education. The specific objectives are to: strengthen the institutional capacity of MOET in terms of policy setting and policy implementation, education management, and improvement of pedagogic quality; support an efficient management of the system; and improve pedagogical quality. It is anticipated that
the current project, due end in April 2004, will be extended till the end of 2004. Very promising results have been achieved particularly, for example in terms of the establishment of a nationwide Education Management Information System, and of the strengthening of management capacity in a range of fields. The proposed 9 month extension of the project is essentially to pursue completion of: (i) the installation of the nation-wide education sector management, personnel, financial and school management systems as well as (ii) capacity building, particularly at the provincial and district levels. This will include the installation of an educational management web-site which will link all Provinces. The extension will also help the MOET in modernising the country’s policy and tools for pupil achievement and examination as well as in implementing the new Education Law. By December 2004, these outputs are to develop the foundation that will then enable the MOET, with support from the anticipated SMOET II Project, to effectively introduce and change over to sector-based management of education, starting with a first targeted budget operation scheduled 2005.

8. Assistance to Street Children

This project was first discussed at the EC-Vietnam Joint Commission Meeting in 1998. It was then decided that the revoked funds from the credit component of the RAP Project would be used to finance the activities of an intervention aimed at tackling the street children problem in Vietnam. A first identification mission took place in 2000, followed by a preparatory mission 2001. The main objective of the project would be to assist Ministry of Labour, Invalids and Social Affairs (MOLISA) to implement programmes related to disadvantaged street children. The project would be initiated in 2002 and the EC would finance the technical assistance with an approximate amount of €1 M.

9. Vietnam-Europe Centre for Economics and Management

At the EC-Vietnam Joint Commission Meeting in 2001, the Vietnamese side renewed its request to the Commission for financial support for this institution. The EC responded that as the infrastructure elements of this request would fall outside the realm of economic co-operation, it recommended that a study be launched in early 2002 under the Bangkok based regional ASEAN-EU University Network Programme (AUNP) to assess potential support for the centre.
ANNEX 3: CONSULTATION OF EU MEMBER STATES ON NIP 2002 – 2004 REVISION

Minutes from the meeting among EU Development Counsellors on harmonisation and revision of the EC’s NIP 2002 - 2004
23 May 2003

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

Item 1: Harmonisation Issues

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

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

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

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

Item 2: CSP and NIP

The EC informed the meeting that after considering an update of the Country Strategy Paper, the Commission had come to the conclusion that the changes proposed were not major enough to justify a revision. But the National Indicative Programme would need to be changed. In order to provide money for a new project in the Central Highlands the amount of €20 M originally foreseen for Education would be reduced to €12 M, so that €8 M would be available. It was apparent that a Sector-wide Approach in education was not yet feasible, and so the EC would in principle earmark substantial funds for this in the NIP 2005/2006, while a new project in education would help to do the groundwork necessary for a SWAp. Furthermore a new programme (Small Project Facility - SPF) was foreseen that would need €3.5 M, money that would be taken from the amount foreseen for rural development in the Northern Uplands, reducing that money available from €15 M to € 11.5 M. The MS accepted the proposed changes to the NIP.
UK suggested that some money could be foreseen to address the activities foreseen in the harmonisation action plan. The EC responded that most planned EC interventions were already in the areas foreseen in the Harmonisation Action Plan and that for example necessary studies on harmonisation would not be considered by Brussels as qualifying for development money, but that the necessary fund could be made available elsewhere. BE expressed its concern with SPF as it can be very much on an ad-hoc basis and serving rather the public relations of an embassy than the long-term benefit of the country. The EC informed that the proposal would have to be within the scope of the CSP and NIP, that the Delegation would do a yearly planning with clearly defined areas and call for proposals. BE proposed that in the upcoming and possible joint BE-EC project on health, part of the budget (10 to 20 %) could be set aside for more flexible ad-hoc initiatives.

Item 3: Any Other Business
The UK informed that the Cost Norms had been discussed at the Like Minded group and that they would welcome an update and a broader agreement in order to make them more binding and try to find a way to build them also into consultancy contracts. The EC informed that meeting that it was working on the update of the norms and that it will send a new proposal around soon. BE suggest that also other donors should be able to comment on the norms. Concerning the Blue Book, IT informed that it was trying hard to get it finalised in time for the Sapa meeting. The quotations received for the printing seemed quite reasonable. The common text should be produced shortly.