

Management Response – Aus4Transport Mid Term Review

Summary of Management Response

The Mid Term Review (MTR) of the Aus4Transport Program assessed the implementation of the Program at both the strategic and operational levels. The MTR report considered the impact of COVID-19 on implementation as well as opportunities for the Program to assist Vietnam in its economic recovery. The Review also considered the broader context of the changes in the sector since the design of the Program, which have had significant and wide-ranging implications on the effectiveness, efficiency and relevance of the Program.

Overall, the MTR concluded that the Program was well established, effective and remained highly relevant given Vietnam’s substantial infrastructure investment and COVID-19 recovery needs. The Report provided useful recommendations on how the Program could better assist Vietnam in the transport sector and what gaps that the Program should address to improve overall effectiveness and efficiency, which were presented to and acknowledged by both co-chairs of the Aus4transport Program.

The MTR made 20 recommendations. DFAT agreed with 16 and partially agreed with 4.

DFAT agreed with the MTR’s overarching recommendation that it should focus on steps to enhance the sustainability of outcomes delivered under the current Program, including through consideration of a possible second phase. DFAT and the Ministry of Transport agreed that DFAT would commission a Design Refresh, in alignment with our economic recovery pillar under the Vietnam COVID-19 Development Response, to incorporate recommended improvements and propose an appropriate modality for consideration.

DFAT acknowledges the finding of the MTR on the importance of our decades long bilateral transport cooperation to strengthening the overall bilateral relationship between Australia and Vietnam. DFAT acknowledges and thanks its partner, the Ministry of Transport, for its ongoing engagement and support.

Management response to the recommendations

Recommendations at the Strategic Level

Recommendation	Response	Explanation	Action plan	If practical, please specify timeframe here
<p>Program Relevance: The Program remains relevant. Its ability to improve project preparation schedules and quality aspects have been demonstrated. This will remain so since, even if public debt constraints reduce funding for the transport sector, the funding levels will still be substantial, and the technical and other improvements the Program has the potential to introduce to MOT's operations will be beneficial.</p>	<p>Agree</p>	<p>Aus4Transport's relevance is even higher in the aftermath of COVID-19 than it was at its commencement. It will be able to help accelerate the delivery of infrastructure development, supporting jobs, growth and economic recovery.</p> <p>While some obstacles exist, there is evidence that the Program has demonstrated new innovations and introduced measures that will support faster and higher quality project preparation.</p>	<p>DFAT will consider ways to better link the program to MOT's pipeline planning to help identify and progress priority projects.</p> <p>DFAT, in consultation with MDB partners and MOT, will continue to advocate for high quality technical design (e.g. road safety, climate change consideration, etc) and good practises (social inclusion), as well as systemic reforms, to support faster and higher quality project preparation.</p>	<p>On-going</p>

<p>Program Logic: An aspect of the Program’s logical premise, that faster and better project preparation could lead to an increase in funding for the transport sector is probably less compelling that it might have been prior to public debt constraints but, in this constrained resource environment, this might support MOT having a larger resource envelope than might otherwise be the case.</p>	<p>Partially Agree</p>	<p>DFAT agrees that the program logic’s assumption that faster and higher quality project preparation would lead to an increase in funding was partially flawed, in part due to unexpected public debt constraints at the time of the design and in part due to a misunderstanding of the constraints to Vietnam accessing infrastructure finance.</p> <p>However, the provision of DFAT funding for project preparation has reduced the overall amount Vietnam needs to borrow, in effect softening the terms of its loans. This has in turn made it easier for MOT to secure financial approvals, providing some evidence the program is helping Vietnam increase its infrastructure investment.</p> <p>Vietnam’s legislative instruments have also been updated, in particular the new Law on PPPs. This might enable the program to support improvements, or directly</p>	<p>DFAT will ensure that a Design Refresh considers and updates the program logic, testing all underlying assumptions, in consultation with MOT and in view of the current legislative and operating context.</p>	<p>To be considered during Design Refresh.</p>
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provide transaction support, to attract private investment in the form of public private partnerships in future.

In addition, the program will also deliver a range of systemic and capability building improvements that may strengthen the ability of the MOT to secure financing in future, and it will take some time to fully measure the impact of these initiatives and whether they have been successful.

<p>Program Modality: The Program’s established approach of the PMC selecting and managing DDD and other consultant services is appropriate and should remain. In addition to improved schedules, it acts as a single focal point for quite different program activities across MOT, its PMUs and other agencies, and MDB and other funding agencies. There is no other entity available that can do this.</p>	<p>Partially Agree</p>	<p>The PMC operates as a de-facto Project Management Unit. This has created new opportunities for implementing innovation and international best practices in project development.</p> <p>However, its lack of formal status within MOT does sometimes impact on approval processes and timelines and it doesn’t have the same direct staff capability development benefits that a PMU-led, PMC-supported delivery modality would entail. Efforts to address these issues should be investigated in the course of a Design Refresh.</p>	<p>DFAT will ensure that a Design Refresh considers how to improve communications between the PMC, MOT agencies and other relevant Government agencies, in order to make approval processes more efficient and maximise capacity-building benefits through this delivery modality. This may include consideration of shared management models to optimise the combination of local knowledge with international best practice. It will also ensure the Refresh considers appropriate resourcing for the PMC to deliver against expectations of the partners and ensure capacity-building benefits are maximised.</p>	<p>To be considered during Design Refresh.</p>
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Recommendations at the Operational Level

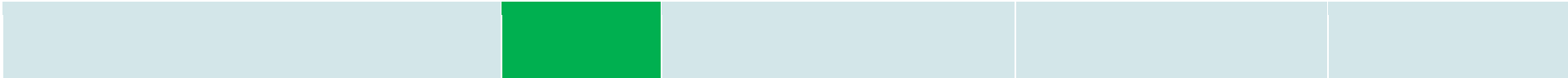
<p>Private Sector/PPP: There appears to be limited scope for the Program to support substantial transport sector PPP operations. However, support to MOT on an opportunity basis could be useful, including for possible PPP concessions for operations and maintenance of the North-South Expressway and for providing support for the preparation of enabling circulars and regulations for the recently-passed PPP law.</p>	<p>Agree</p>	<p>The scope of the program to support PPPs has been limited to date, reflecting an uncertain legislative environment for PPPs in the first three years of the Program’s operation.</p> <p>While there are no immediate PPP projects in the pipeline, given its current budget constraints and acceleration of public spending on transport projects to maintain economic growth and development in response to Covid 19 pandemic, Vietnam attaches a high priority to mobilising funding through different sources, including PPPs.</p> <p>MOT continues to look to the Program as a possible source of support, including for O&M operations on the planned NS Expressway and implementing decrees for the new PPP Law. DFAT is also engaged with other development partners in dialogue and programming with Vietnam to</p>	<p>DFAT will continue to work closely with MDBs, policy makers and MOT to identify potential projects and activities for proactive and incrementally increasing engagement in PPPs.</p> <p>DFAT will also consider how PPPs are positioned in the program logic under the Design Refresh.</p>	<p>On-going and to be considered further under Design Refresh</p>
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support the development of PPPs more broadly, presenting further opportunities for initial work under the Program, which we can build on incrementally.

<p>Technical Standards: The Program’s innovation focus was intended to support MOT’s adoption of more current technical standards for road design. MOT’s internal approval systems, and its existence as part of the GoV where MOC dominates much construction related activity, makes progress with this unlikely. Essential improvements, for example for road safety, climate change mitigation, etc, may require intervention by development partners – DFAT, ADB, World Bank, JICA, etc. Over time, probably considerable time, some changed technical aspects might become standard practice. The potential benefits are worth remaining engaged for.</p>	<p>Agree</p>	<p>Though MOT is also strongly motivated to continue to improve its systems, it operates in a wider institutional architecture that constrains rapid change. In addition, there are important differences between international and domestic standards and best practices due to different legal system, procurement procedures and requirements and various conditions of MDBs for loan borrowing and repayment.</p> <p>It will be important to consider capacity building efforts under the Program as a part of ongoing dialogue. Program innovations can provide pilots of new approaches such as soft soil treatment or climate change adaptation in design and construction to reduce maintenance costs and increase road safety. These will support incremental improvements over time, and wider discussion on</p>	<p>DFAT will continue to work with different Vietnamese transport agencies such as DRVN, VIWA, TDSI, DOT and PMUs, as well as MDBs, to discuss common approaches to improving technical standards in design and construction of transport projects. DFAT will ensure the Design Refresh also considers possible formalised mechanisms to incorporate the views of different MOT and GOV agencies, and MDBs, to support systemic improvements identified by the partners.</p>	<p>On-going and to be considered further under Design Refresh</p>
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systemic legislative change to support their uptake.

<p>Project preparation processes: The FS-based approval process to which MOT is required to comply will not change soon, if at all. DFAT and other development partners will need to understand the process and manage their operations accordingly.</p>	<p>Agree</p>	<p>DFAT respects that MOT are required to work in accordance with all relevant Vietnamese Government procedures and regulations, and that this involves significant consultation with other Ministries (including MPI and MOF). MOT, DFAT and the PMC will continue to look for innovative ways to speed up project preparation timelines to achieve the Program’s desired impacts, while working within and in accordance with all relevant laws. This would include, for example, continuing advance action procedures initiated under the Program.</p>	<p>PMC, in consultation with MOT, DFAT and relevant multilateral partners, will continue to find ways to work to speed up project preparation, in alignment with all relevant procedures and regulations.</p> <p>PMC will also update the approval flow chart developed through Program partnership brokering workshop process to identify whether any additional efficiencies can be implemented.</p> <p>PMC will also prepare a ‘lessons learned’ report from the process of delivering its initial two Stream A priority projects to help identify possible process improvements that could be developed further by MOT in consultation with relevant partner agencies.</p>	<p>Ongoing (speeding up project preparation) and incorporated to coincide with Design Refresh process and/or close out workshops for current Stream A projects (update flow chart & lessons learned report)</p>
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<p>Program Sector Focus: The focus should remain at MOT-level transport sector activities, which include the road, inland water, railway, civil aviation and ports sub-sectors for MDB or possibly other funding agencies projects.</p>	<p>Partially Agree</p>	<p>DFAT and MOT’s strong partnership has been critical to the effective delivery of outcomes under the project. Establishing partnerships in new sectors or new levels would be impractical under a single investment of this nature.</p> <p>However, DFAT and MOT over the forward period could consider ways that they might engage provincial or city governments in smaller scale work, expanding on some of the work the Program has already undertaken in partnership at provincial level (on accessible transport). The Design Refresh should consider ways of accommodating this.</p>	<p>DFAT, MOT and PMC to continue delivering projects at the national level with MOT as the lead counterpart, at the same time as exploring ways to deliver project preparation or capacity building activities at provincial or city levels.</p>	<p>To be considered as part of Design Refresh.</p>
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<p>Stream A Safeguards Activities: MOT, PMU and PMC understanding of the financing agreement requirements regarding some safeguards elements, such as awareness campaigns for HIV/AIDs, human trafficking, road safety, etc, should be improved, which will require interaction with the relevant MDBs</p>	<p>Agree</p>	<p>The Program will continue to utilise stream B activities approved by DFAT and MOT to support capacity-building improvements, and DFAT/PMC will continue to engage MDBs to ensure both compliance and capacity-building work associated with these activities are implemented.</p>	<p>PMC, PMUs to develop and implement sound technical safeguards activities in consultation with relevant MDBs. DFAT and MOT to conduct policy dialogue, in coordination with relevant MDBs, on integrating international best practice and quality standards into relevant legislation and procedures.</p> <p>DFAT will explore links to expertise from other forthcoming programming, including Partnerships for Infrastructure.</p>	<p>Ongoing</p>
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<p>DFAT's Role: On a needs basis, DFAT should continue supporting the PMC for matters that are essential but are difficult for MOT or the PMUs because they are not aligned with regulations, or for other reasons. Examples have been road safety, climate change, safeguards elements as above. For this, DFAT would require access to relevant specialist support including, it is suggested, a specialist who could undertake brief regular, perhaps quarterly, PMC oversight activities on DFAT's behalf.</p>	<p>Agree</p>	<p>DFAT respects the need to work in accordance with relevant Vietnamese regulations. At the same time, the Program has identified areas where Vietnam lacks regulation or budgetary mechanisms to deliver important quality features of infrastructure development. It will be important for partners to the Program to work together to identify possible improvements that might be supported under the Program – and secure support at senior level to implement them.</p> <p>Given the complexity of the Program and its operating environment, DFAT agrees it is essential that it maintains specialist staff expertise to advise on technical, quality and risk aspects of the Program.</p>	<p>DFAT and MOT will regularly conduct dialogue on possible improvements to procedures that might be supported under the Program, including through our regular Technical Working Group meetings.</p> <p>DFAT will review funding arrangements for an ongoing independent strategic adviser to provide technical, quality and risk advice inputs for the duration of the Program.</p> <p>DFAT will also consider its own resourcing given the increasing role it has been asked to play in coordination and partnership brokering.</p>	<p>On going (Dialogue)</p> <p>By Q2 2022 (review of funding arrangements)</p>
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Recommendations on Gender Equality and Social Inclusion

<p>GESI Resourcing: GESI-related resource constraints do exist. The GESI Specialist’s position is funded only until August 2021 and is at present restricted to Stream A activities. GESI resourcing is not currently commensurate with GESI expectations. Additional resources, for the specialist’s inputs and supporting activities, and in extending the specialist’s involvement to the Stream B activities, are required and should be considered in the suggested Program extension.</p>	<p>Agree</p>	<p>The demand for technical expertise on GESI has increased as the Program has been implemented. While domestic procedures and public debt financing limits have constrained MOT’s ability to support some of these components, this remains a core component of the Program, in alignment with MOT’s CFAW Action Plan and MDB GESI and safeguards frameworks require substantial, ongoing input to meet requirements.</p>	<p>PMC to work closely with MOT on non-engineering components under stream B to identify and support improvements – with DFAT to participate in discussions where doing so would increase effectiveness.</p> <p>DFAT will closely monitor the resource implications from implementing the Program GESI Action Plan; making sure that it aligns with the MOT CFAW Action Plan, and working with the PMC to ensure that it is appropriately resourced to deliver.</p> <p>DFAT to consider playing an informal support and dialogue role to support CFAW implementation.</p> <p>DFAT will work with the PMC to review funding arrangements for GESI advice.</p> <p>DFAT will take optimum arrangements for supporting</p>	<p>On going (Stream B work) & Ongoing (regular discussion) & Q2 2022 (review of funding arrangements) &</p>
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			GESI outcomes into account when conducting the proposed Design Refresh and Program Extension.	Consideration under Design Refresh
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<p>Earlier integration of GESI into project preparation: Integrating a greater focus on GESI into project preparation would be greatly assisted if the process could commence at the pre-FS and FS stages, when important and largely fixed project design elements are being designed. This reduces the difficulties the Program has encountered in introducing GESI and other “non-standard” activities at the rather late DDD stage.</p>	<p>Agree</p>	<p>It is important that GESI be built into early stage project preparation to allow these components to be brought into fruition at the design stage.</p> <p>There may be some procedural constraints to doing so, which the Program would be well-placed to review, in close consultation with MOT, relevant Departments or provincial agencies.</p>	<p>PMC, DFAT and MOT to hold a special purpose dialogue on how to integrate GESI at an earlier stage of project preparation and consider commissioning a study that may investigate ways of building this into established procedures.</p>	<p>Q4 2022 (establish a dialogue with MOT)</p>
<p>Extending GESI collaboration to MDBs: There are GESI-relevant benefits to be gained from extending the Program and PMC’s collaboration with MDBs, to begin a process of socialising GESI across all MOT’s externally financed operations.</p>	<p>Agree</p>	<p>MDBs bring an important external source of GESI expertise to project preparation. More regular discussion between DFAT, MOT and MDBs would assist in embedding some of this expertise in the Program, and identifying ways to improve procedures in future.</p>	<p>DFAT and PMC to consider ways to build on and enhance the current dialogue with MDB GESI experts to consider ways to best integrate this expertise into project preparation over the longer term.</p>	<p>Q3 2022 (establish dialogue with MDBs)</p>

Recommendations on Road Safety

<p>Prioritising road safety: The Program’s Stream A road DDD activities, both ongoing and possible in future, require more attention than they have been receiving to date, to comply with current internationally accepted standards. Since road accidents typically cost a country at Vietnam’s level of development 2 to 5% of GDP this is a situation that the Program, and MOT more generally, should address. Specifically, the needs of non-motorized vehicles and pedestrians. To do this, the PMC needs to ensure that Stream A DDD activities include more focus on road safety, and that its specialist staffing include a well-qualified international road safety specialist.</p>	<p>Agree</p>	<p>Road safety remains a core concern for both DFAT and MOT and should be appropriately resourced.</p>	<p>PMC to review its current staffing profile to consider whether it has sufficient expertise to deliver on road safety requirements of current Stream A projects, and discuss with DFAT at its next regular meeting, and in ongoing risk management meetings.</p> <p>DFAT will ensure Design Refresh considers how this issue can be incorporated into earlier project preparation phases.</p>	<p>Q3 2022 and considered as part of Design Refresh.</p>
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Recommendations on Policy Reform

<p>Scope for policy reform: The MTR confirmed that MOT's, and the wider GoV's, policies relevant to project financing, preparation and implementation are deeply held and difficult to change. Reform, no matter how essential or beneficial, will always be challenging.</p> <p>The scope for the Program to effect large scale reform in any aspect of the transport sector is thus limited but it, though the Program should expand its interactions with MOT leaders to identify where reform is possible and how it might be carried forward.</p>	<p>Partially Agree</p>	<p>DFAT notes that reform is always challenging in almost any sector in any country.</p> <p>While we agree the scope for reform may be limited in the short term, MOT and DFAT's cooperation under A4T reflects our mutual commitment to supporting MOT carry out its desired institutional reforms - a commitment we expect would continue in a second phase.</p> <p>However, noting the very long time frames associated with most infrastructure programming, it will be important to have a very clear program logic and set realistic goals for what might be achievable within a short time frame of an additional multi-year period.</p>	<p>Design Refresh should include consideration of program logic and realistic targets for reform over the forward period.</p> <p>Over the remaining life of the Program, and under a possible second phase, DFAT and the PMC should also look for ways to support better linkages between Vietnamese and Australian infrastructure agencies and experts, including through possible links with DFAT's forthcoming Partnerships for Infrastructure initiative. Continued growth in these links will open up new channels of expertise and knowledge exchange to support reform efforts.</p>	<p>To be considered as part of Design Refresh.</p> <p>Ongoing (better linking to Australian institutions/expertise)</p>
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Recommendations on Organisational Development

<p>Scope for organisational development: The reality of securing organisational development to date has been challenging for the Program’s important objectives, to (i) bring better prepared proposals and concepts more rapidly to implementation; and (ii) adopt innovations in procedures that improve project development. The first of these has had some success, but the second much less so. ...‘Non-standard’ activities, such as GESI, road safety innovations, climate change impact mitigation, DDD consultant contract management in accordance with the terms of their contracts, will always be difficult to have accepted and implemented. Nonetheless, these will benefit the sector and the Program should continue to pursue them as opportunities, and potential MOT champions, are identified.</p>	<p>Agree</p>	<p>Organisational reform is a difficult and challenging process in most contexts, so it is not surprising that new innovations and ‘non-standard’ approaches take time to take root.</p> <p>Partners, particularly at Stream B level, have showed enthusiasm for adopting new innovations and will become important champions for reform in the forward period to ensure these innovations can be sustained across the organisation.</p>	<p>DFAT, MOT and the PMC will continue to explore ways to support new innovation promoting strong organisational practices.</p> <p>As part of a Design Refresh, we will look at convening a workshop to generate organisational development and reform ideas that might accelerate work under this pillar.</p>	<p>Ongoing and to be considered under Design Refresh.</p>
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Recommendations on Program Governance and Management

<p>Governance and management structure: The present governance and management structure appears to be functioning as intended and does not require significant change. Its effectiveness would be enhanced if the PMC focuses more attention on establishing relationships with higher MOT levels, where policy issues and possibly change could be more possible. For this purpose, the PMC could benefit from the occasional inputs by an international institutional reform specialist.</p>	<p>Agree</p>	<p>The PSC and TWG format has worked effectively to ensure regular dialogue and effective decision-making.</p> <p>There is strong senior level support for the program from MOT. However, further policy dialogue would assist in embedding Program driven improvements over the long-term, complemented by targeted institutional reform expertise.</p>	<p>Design Refresh to consider staffing inputs for an institutional reform specialist.</p>	<p>To be considered under Design Refresh.</p>
<p>Risk management: The Program has a comprehensive and largely effective risk management system that has been updated and is reported on regularly. However, more attention would be beneficial for risks related to presently less well addressed risks, including the Program’s GESI focus, social aspects more broadly, environmental aspects related to climate change impact mitigation, and possibly road safety.</p>	<p>Agree</p>	<p>Ongoing and proactive risk management remain a critical part of program implementation to enhance both effectiveness and sustainability and to maximise the effectiveness of our engagement.</p>	<p>DFAT will continue to work with the PMC to discuss risks on a monthly basis, as well as to update the Risk Register every six months and take action, in consultation with MOT, where required.</p>	<p>Ongoing (discussion) & every six months (review risk register)</p>

<p>M&E: The Program has an adequate M&E plan, although the Program’s slow start has reduced its usefulness to date, a situation that will improve as the Program moves forward. The plan will require some revision to reflect the changes in the Program focus, for example less private sector and institutional reform, more GESI, road safety and others.</p>	<p>Agree</p>	<p>We have already updated the M&E framework once during the first year of implementation to better align with MOT priorities and program objectives.</p> <p>It will be important to consider further adjustments to the system under the Design Refresh to ensure it remains fit for purpose against any revised program logic or objectives.</p>	<p>Design Refresh will review the M&E framework, incorporating additional GESI specialist input.</p>	<p>To be considered under Design Refresh.</p>
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Recommendations on Sustainability

<p>Sustainability - there are some signs of potential for sustained improvements. The Program is reinforcing existing approaches and standards for preparation of MDB projects and is introducing new approaches. MOT is displaying interest in some areas and hence offering prospects for lasting change. ... Actions can be taken to enhance the prospects for sustainability. The actions involve understanding opportunities for change, demonstrating the options and merits of change, extending the Program and assisting MOT to prepare for an eventual winding down of Program financial support.</p>	<p>Agree</p>	<p>Sustainability remains a core focus for program partners, especially DFAT.</p> <p>DFAT and MOT have agreed to consider a possible second phase, with the first step of conducting a Design Refresh to consider appropriate changes and improvements to the Program Design to more sustainability embed innovation and reform.</p>	<p>DFAT and PMC will engage in ongoing dialogue with MOT about an improved approach to managing its now-extensive asset base, to ensure that assets are managed for long term sustainability in an economically and financially effective manner, drawing on the experience of regional countries that have such systems in place.</p> <p>DFAT to consider the option of extending the duration of the Program to allow more time for MOT to gain confidence in, and ownership of, the work being undertaken and to adopt improvements, based on a Design Refresh to be conducted in 2022.</p>	<p>On going (dialogue) &</p> <p>To be considered under the Design Refresh</p>
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Recommendations on Program Duration

<p>A two-stage extension is suggested, subject to the comments and pre-conditions set out in Section 5.9, the first for 1 year to 31 December 2022 and the second for 5 years to 31 December 2027.</p> <p>a. The first extension would reflect most the provisions of the existing Program design, with some amendments to reflect experience to date and, subject to financing: (i) additional resources, for GESI, road safety, possibly PPP, etc; and (ii) at least the initial resources required for the Northern Mountains Project non-engineering activities.</p> <p>b. The second extension would require an extensive design refresh process or depending on the extent of changes from the original design, a completely new design. Dialogue between DFAT and MOT/GoV would be necessary to determine whether to proceed and if so, what approach would be appropriate.</p>	<p>Agree</p>	<p>Due to the lengthy approval process which delayed the Program start date by over a year, an initial program extension until 2022 will be required to complete current Stream A and B activities, as well as build sustainability of outcomes.</p> <p>Following agreement by DFAT and MOT, DFAT will consider conducting a second phase of the Program, based on a Design Refresh to be conducted in 2021.</p>	<p>MOT to amend the Investment Policy for extension of the agreement to 2022.</p> <p>DFAT and MOT to Sign an Exchange of Letters for a one year Program extension.</p> <p>DFAT to commission a Design Refresh as part of consideration of a possible second phase of the Program.</p>	<p>Q1 2021</p> <p>Q1 2021</p> <p>Q3 2022</p>
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