

Investment Design

This template provides a recommended structure for an investment design document.

A: Australia Vietnam Transport Development Partnership
Start date: 1 April 2017 End Date: 30 June 2021
Total proposed funding allocation: \$37.0 million

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Abbreviations

ADB	Asian Development Bank	MOLISA	Ministry of Labour, Invalids and Social Affairs
ADVPT	Australia Vietnam Transport Development Partnership	MOT	Ministry of Transport
AIP	Aid Investment Plan	MPI	Ministry of Planning & Investment
BOT	Build-Operate-Transfer	NPGE	National Program on Gender Equality
CEDAW	Convention on the Elimination of Discrimination against Women	NSAW	National Strategy for the Advancement of Women
CFAW	Committee for the Advancement of Women	NSGE	National Strategy on Gender Equality
DCED	Donor Committee for Small Enterprise	NTSC	National Traffic Safety Committee
DDD	Detailed engineering design and contract documentation	O&M	Operations and Maintenance
DFAT	Department of Foreign Affairs and Trade (of Australia)	ODA	Official Development Assistance
DOT	Department of Transport (at the Provincial level)	PC	People's Committee
DPI	Department of Planning and Investment (in MOT)	PDOT	Provincial Department of Transport
DRVN	Directorate for Roads of Vietnam	PDW	People with disabilities
EA	Executing Agency	PFS	Pre-feasibility study
FS	Feasibility Study	PMO	Prime Minister's Office
GAP	Gender Action Plan	PMU	Project Management Unit
GDI	Gender Development Index	PPIAF	Public Private Infrastructure Advisory Facility
GDP	Gross Domestic Product	PPP	Public Private Partnership
GED	Gender Equality Department	PPTA	Project Preparation Technical Assistance
GOA	Government of Australia	PFS	Pre-Feasibility Study
GOV	Government of Vietnam	PSP	Private Sector Participation
HIV/AIDS	Human Immunodeficiency Virus/- Acquired Immune Deficiency Syndrome	SDGs	Sustainable Development Goals
HRD	Human Resource Department	SEDP	Socio-Economic Development Plan
IDD	Investment Design Document	SOE	State Owned Enterprise
iRAP	International Road Assessment Program	TA	Technical Assistance
JICA	Japan International Cooperation Agency	TCQM	Transport Engineering Construction and Quality Management Bureau (in MOT)
LDVPC	Law on Domestic Violence Prevention and Control	TDSI	Transport Development and Studies Institute
LGE	Law on Gender Equality	UNCRPD	UN Convention on the Rights of Persons with Disabilities
M&E	Monitoring and Evaluation	UNFPA	United Nations Population Fund
MARD	Ministry of Agriculture and Rural Development	VAT	Value Added Tax
MDB	Multilateral Development Bank	VEC	Vietnam Expressway Corporation
MDGs	Millennium Development Goals	VND	Vietnamese Dong
MOC	Ministry of Construction	VRA	Vietnam Railway Administration
MOF	Ministry of Finance	VRC	Vietnam Railway Corporation
		VWU	Vietnam's Women Union
		WB	World Bank

B: Executive Summary

Development Context

The Government of Australia (GOA) has provided direct assistance for the development of transport infrastructure in Vietnam over much of the period since its first involvement in 1996. Vietnam has achieved considerable economic and social progress in this period, and is now categorized as a lower middle-income country. However, its infrastructure development needs remain considerable. For example, perceptions of quality of road infrastructure in the World Economic Forum's competitiveness index show that Vietnam is perceived to have poorer quality roads than, for example, both Laos and Cambodia (WEF 2016). Vietnam's infrastructure now needs to evolve in a direction that is better suited to a rapidly developing middle income country, for example by developing expressways to reduce traffic congestion on overburdened national highways, and improving urban transport infrastructure to adapt to both rapid urban population growth and increasing car ownership.

However the need for direct infrastructure support is no longer essential. More critical now are the constraints faced by the Ministry of Transport (MOT) of the Government of Vietnam (GOV) in developing projects for implementation. For ODA projects, anecdotal evidence suggests that these constraints are generating a significant backlog of undisbursed loans so that in any given year only approximately 60 per cent of ODA available to the sector is being spent. Three particular needs that are amenable to improvement through the provision of assistance are:

- **Sub-optimal project development.** The preparation of transport infrastructure projects is hampered by rigid approaches, risk averseness and financial, policy and technical limitations that inhibit innovation and optimisation in the design of projects, inadequate consideration of all relevant matters, differing requirements and procedures of ODA funding agencies, and practices that result in delays to project implementation. MOT must conduct project preparatory studies to the differing standards required by domestic and various external financiers. It is also hindered by a rigid project development process, and funding limitations that prevent more comprehensive consideration of engineering, economic, safety, social and environmental issues and development of better projects through the pre-feasibility, feasibility and detailed engineering design and documentation stages of project development. MOT has enhanced the breadth and depth of its work over time, but its current practices still lag best international development practice.
- **Project implementation is delayed by late commencement of detailed engineering design.** In general, detailed engineering design and preparation of associated contracting documents does not commence until all project approvals are in place. In the case of projects financed by multilateral development banks (MDBs), this results in detailed engineering design being delayed until loans become effective. Late commencement of detailed engineering design in turn delays the commencement of project construction. There is also potential to refine project development procedures to reduce the time taken to bring projects to construction.
- **Inadequate use is made of the private sector to increase infrastructure financing and to enhance the quality of projects.** The GOV, donors and the private sector are all supportive of increased private sector involvement in public infrastructure projects. Considerable resources have been committed to supporting Public-Private Partnerships (PPPs), but no international-standard transport projects have yet progressed to financial close.

The Australia Vietnam Transport Development Partnership (AVTDP) adopts practical means to address each of these issues, with key elements being to: (i) focus on project development where practical change is more achievable, while recognizing key challenges in upstream and project implementation activities; (ii) provide embedded and other financial support to MOT to enhance the quality and coverage of project development activities and to initiate detailed engineering design earlier than currently occurs; (iii) take a programmatic approach to provide a

flexible program that can accommodate emerging needs; (iv) focus on improved technical practice and provide selective support policy change to support this work; (v) work with MDBs, which have broadly similar expectations to the GOA with regard to project development, and with the private sector to enhance its role in improving transport infrastructure; and (vi) take a longer term perspective to the provision of support to MOT given that change is challenging in a country such as Vietnam where reform to entrenched arrangements and practices are needed.

Program Goal and Outcomes

The AVTDP seeks to achieve the following:

- **Program Goal:** Economic growth and poverty reduction in Vietnam enhanced through improved quality of transport infrastructure
- **End of Program Outcome:** Increased investment in and improved quality of transport infrastructure by making use of funding from all financial sources.
- **Intermediate Program Outcomes:** (i) MOT achieving improved value for money by bringing better prepared proposals and concepts more rapidly to market; and (ii) MOT adopt innovations in policies and procedures that lead to improved project development.

The program design is structured around the program logic and these intended outcomes, which will also guide management, monitoring and evaluation approaches.

Investment Description

Two broad streams of activities for the AVTDP will support the goal for the Program and take into account the context in which it is to be achieved:

- **Stream A: Facilitate Project Development.** This stream of activities will provide funding and technical expertise to support the improvements to pre-feasibility studies (PFS), feasibility studies (FS) and detailed engineering design and documentation (DDD) undertaken by MOT. The assistance will be directed to developing high quality projects¹ that can be brought to implementation more rapidly than currently occurs. This will improve the effectiveness of transport projects (by taking account of the broader and more complex set of issues that are related to transport such as safety, social and environmental issues) and the efficiency of projects (such as through improved engineering standards, project optimisation and more rapid implementation). Specifically, the AVTDP will: (i) expand the scope and detail of PFS and FS activities to a standard that meets the needs of international financiers (MDBs and potential private sector investors), also taking account of GOA priorities; and (ii) finance a share of DDD activities so that these activities can commence earlier than would otherwise be the case, leading to speedier commencement of construction.
- **Stream B: Unlock Opportunities through Innovation.** This stream of activities will provide more general support for project development through revised policies, guidelines and practices, testing of new concepts, and addressing bottlenecks in project development and financing. Initially identified activities include: (i) develop and support tools that can be used to expand and enhance PFS and FS activities; (ii) identify opportunities to encourage new methods of contracting, making better use of contractors to promote innovation and using construction projects to support the development of capacity in local populations; (iii) support the small number of professional women in MOT and support an increase in their number and enhanced roles for them; (iv) identify opportunities to refine engineering design standards and price norms that govern project development; (v) identify bottlenecks and other constraints to the use of PPPs in the transport sector and potential solutions drawing on international experience and

¹ Such projects require that all dimensions of a project are addressed, including efficient and effective engineering and with economic, safety, environment and gender responsive and socially inclusive measures addressed to a standard that meets the highest criteria set by ADB, the World Bank and the Australian government.

Vietnamese conditions; and (vi) implement gender mainstreaming in project development and in MOT more generally.

The two streams of work will be harmonised through Stream B taking account of issues that emerge during Stream A activities to develop and pilot policies, guidelines and practices that can be implemented in future Stream A work. Stream B activities will also serve other needs in MOT such as upgrading specific knowledge and skills on gender responsiveness and social inclusion, social safeguard measures and environmental mitigation. This will enable project preparation teams to integrate such cross-cutting issues into project development. Thus Stream B will help to promote gender equality and women's empowerment outcomes in practical ways in line with the framework established by the GOV that is comprehensive but has not been well applied to date. More generally, the AVTDP will develop the skills and understanding of MOT staff in these matters and also in 'optioneering', engineering optimisation, project appraisal, innovative engineering and contracting opportunities and other such matters.

The AVTDP will commence in April 2017 and be completed in June 2021. It has a budget of \$37.0 million. Depending on the success of the program a further phase of five years will be considered to June 2026, at DFAT's discretion.

Benefits of the AVTDP include: (i) for the GOV: reducing the time taken to commence project construction; improving the quality of project preparation; personnel working on project development will gain enhanced skills and experience; and MOT will have access to a new flexible source of advice and assistance; (ii) for the community in Vietnam: improved accessibility, enhanced environmental and social aspects of projects and increased income and reduced poverty that result from economic development; (iii) for the GOA: visible Australian support to MOT; potential to become a source of trusted advice to the leadership of MOT; facilitating the development of projects with a value substantially larger than has occurred with past GOA support; maintaining the GOA support for the transport sector in Vietnam; and making Australian businesses more competitive as project preparation standards are raised; and (iv) benefits to international financiers include: more rapid initiation of project implementation; and reduced project development costs.

Management and Governance

The AVTDP will be guided by a:

- **Project Coordinating Committee** that will: (i) ensure that activities selected for inclusion in the Program meet the selection criteria set out in Appendix D; (ii) approve and guide Program activities, and review of Program performance and effectiveness; (iii) meet at least every six months (and out-of-session, as required), with the timing of one of the annual meetings scheduled to approve the annual work plan in a timely manner; and (iv) comprise a representative from each of MOT, Ministry of Planning and Investment (MPI), Ministry of Finance (MOF), Ministry of Construction (MOC) and DFAT, with the range of GOV agencies reflecting the need to secure broad-based support in government to secure change and progress.; and a
- **Technical Working Group (TWG)** that will: (i) provide guidance and facilitate coordination of Program technical activities with those of other key development partners; (ii) meet at least every 6 months and more often when needed; and (iii) comprise a representative from key participating groups in MOT, and other key agencies such as ADB and the World Bank in addition to DFAT.

The technical activities of the AVTDP will be delivered through a core group (described as the Australian Transport Advisory Group – ATAG). ATAG functions include program direction, program management, activity management and program administration. The ATAG will be located in MOT to facilitate a close working relationship with MOT leadership personnel and proximity to MOT various departments and associated agencies. Activities related to enhancing PFS, FS and DDD will be located in PMUs of MOT that are assigned these activities. The ATAG will be a small unit (of no more than four people) to ensure efficient and effective operation of the AVTDP and to enable it to be accommodated in the central office of MOT. A Managing Contractor will staff the ATAG and will source specialised technical advisors and other sub-contractors to undertake

Stream A and Stream B technical activities. The ATAG will have resources to support translation and other administrative needs, promotion and dissemination of program findings.

As an illustrative arrangement, the ATAG could comprise: (i) a Team Leader; (ii) a Program Manager to oversee program activities and be responsible for Stream B and management of monitoring and evaluation activities; (iii) a Project Development Specialist to manage Stream A activities; and (iv) a Program Administrator. However, bidders for the role of Managing Contractor should not be bound by this possible arrangement and should be encouraged to be innovative in their proposals for the ATAG to enable its functions to be best performed.

In-house DFAT staff will administer the AVTDP. DFAT will also engage independent technical specialists to support its management of the AVTDP.

Monitoring, Evaluation and Learning

A Monitoring and Evaluation (M&E) approach and methodology for the AVTDP has been prepared. Given the programmatic approach of the AVTDP, the M&E program will be further elaborated in the inception phase of the program. At a minimum, the M&E strategy will incorporate a rigorous yet flexible approach working at the activity level and higher level outcome. It will involve independent research, evaluation and learning studies.

M&E for the AVTDP is premised on the ability to demonstrate new approaches to facilitate infrastructure investment through the improved project development and through the demonstration of innovative new approaches. The provision of credible evidence and demonstrable progress is a core feature of the M&E process as whole. As with other "facility model" type approaches, the ability to demonstrate causal linkages, evidence of change and progression towards intermediate and end programs remains tenuous at best.

The M&E program will be supported by the independent technical advisors engaged by DFAT. These advisors will review the performance of the AVTDP drawing on the results of the M&E program and will, inter alia examine performance against the results framework at the program level provide an overall assessment of the effectiveness and efficiency of the AVTDP. In addition to routine annual reviews, two significant reviews are planned: (i) given the programmatic approach, a formal review around 15 months after commencement of the program to assess the success of initial activities and to make any necessary refinements to the remainder of the project; and (ii) a review at the end of year 4 to assess the success of the project and the potential follow-on activities, if any, after June 2021 for Phase 2.

Risks and Risk Management

The AVTDP is considered a low-risk investment for DFAT. However, risks at the institutional and program level remain and need to be carefully managed throughout the implementation period. Key risks revolve around the availability of finance to support interventions and investments, institutional capacity and the implementation model of AVTDP in terms of the linkages of activities through contribution and attribution to achieve desired intermediate and end program outcomes.

A risk management plan is required for implementation and could be integrated with the program M&E Plan. A risk register detailing immediate and significant risks identified during the design phase has been prepared, and will provide the basis for a more comprehensive and detailed risk management plan that is to be prepared during the Inception Phase to the AVTDP.

Safeguards

The AVTDP will not have any direct involvement in the implementation of physical infrastructure other than that which may occur through potential demonstration projects. Through its project development activities, it will ensure that all necessary safeguards needed to meet the minimum standards set by international financiers and DFAT are incorporated into planned projects. If any demonstration projects involving physical construction were to occur, they will be required to meet the same standards as those included in projects to be prepared through the program.

C: Analysis and Strategic Context²

National Socio-Economic Development

Vietnam had a population of 90.7 million people in 2014, with population having risen by an average of 1.1% per annum over the period since 2000. While recent data is not available, it was estimated that in 2010, 37% of the population lived in areas with an elevation of less than 5 metres (with much of the Mekong Delta being barely a metre above sea level).

Since 2014, Vietnam has seen a rebound in economic growth. This followed a period of macroeconomic stabilization that was required to address the consequences of the global financial crisis in 2008. Economic growth in 2015 was 6.7%, and GDP per capita (in constant 2011 purchasing power parity international USD) was an average of 5.2% over the period 2000-15. In 2009, income per capita reached a level that re-classified Vietnam as a lower middle income country. There remain a number of economic challenges. Structural reform has been slow-moving. State-owned enterprises (SOEs) and the banking sector remain constraints to growth, policy distortions are an impediment to private sector investment, and there are gaps in work skills, infrastructure and trade logistics.

While not at risk of debt distress, public debt (government, publicly-guaranteed and local government) was estimated at nearly 61 % of GDP. International rating agencies have nevertheless raised the sovereign bond rating of Vietnam in recent years. The GOV is nevertheless concerned with the level of public debt and is seeking to contain its further growth but faces the challenge of doing so while the fiscal deficit remains at a projected rate of around 5% of GDP over the period 2015-2017.

From a poverty rate of 58.1% in 1990, the country reduced poverty to 9.6% in 2012, although wide disparities exist. Whilst the poverty rate in the most economically disadvantaged regions fell from 58.3% in 2010 to 43.9% in 2012, it is still almost five times higher than the national average. In addition, more than half of ethnic minority groups continue to live below the poverty line and new forms of poverty – chronic poverty, urban poverty, child poverty and migrant poverty – are starting to emerge. Not only are members of ethnic minority groups more likely to have poor socio-economic outcomes compared to the majority, the gaps between men and women tend to be larger in ethnic minority communities.

Vietnam has achieved many Millennium Development Goals (MDGs). It achieved universal primary education in 2000 and is on track to achieving universal secondary education. Gender gaps have been closed at primary and secondary school levels and female students in secondary school tend to outperform male students on international and national student assessments (PISA 2012). Vietnam has also reduced the children under-five mortality rate from 50.6 per 1,000 live births in 1990 to 23.8 in 2013 and infant mortality rates fell from about 44% to 16% over this period. Furthermore, maternal mortality has decreased and the proportion of the population undernourished fell from 45.6% in 1991 to 12.9% in 2013.

The GOV maintains a tradition of issuing forward looking national socio-economic plans, with two plans currently relevant. The first is the Vietnam's Socio-Economic Development Strategy for the Period 2011-2020. The Strategy continues to promote industrialization and modernization, developing rapidly and sustainably; upholding the strength of the whole population, and building up the country to be an industrial one with socialist orientation.

The second strand of national planning is 5-year socio-economic development plans. A Plan for the period 2016-2020 has been considered by the National Assembly but is yet to be formally released. Release of the Plan has been delayed with the change in government that occurred in April 2016. No major changes in development policy are expected.

The GOV has taken actions with regard to corruption, including improvements to the legal framework, increased transparency and more public engagement. While corruption is now a less

² This section draws on more detailed information presented in Appendices A and B. Sources of information are presented in the appendices.

prominent issue than in the past, it remains a concern that requires continued vigilance. It was most recently a headline issue in the transport sector with evidence of corruption in contracting for one of the metro rail projects currently underway in Hanoi.

Transport Sector in Vietnam

Road is the dominant mode of surface transport in Vietnam, carrying 51% of the freight transport task (measured by ton-km of freight moved) over the period 2010 to 2014 compared with 5% for rail and 44% for inland water transport. Over the same period, it carried a considerably higher 92% of the passenger transport task (measured passenger-km of travel), with rail and inland water transport respectively carrying 5% and 3% of the movement. The freight transport task carried by road and inland waterway transport grew by respective averages of 7.3% and 5.8% per annum over the period, with the rail task rising by a lower 2.1% per annum. In the case of passenger movement, inland waterway transport plays a diminishing role, with movement by rail rising only marginally (by 0.6% per annum) and road rising by a rapid 8.7% per annum.

These generally high rates of growth in transport demand place considerable pressure on transport infrastructure. The importance of road transport is reflected by the 91% of land transport investment directed to roads, with railways and inland waterways receiving 6% and 3% respectively of the investment. The limited amount of investment in railways reflects its poor financial state, with subsidies needed to cover all investment costs and around three-quarters of the cost of maintaining infrastructure (i.e. revenue collected by the railways is sufficient to meet only operating costs and one-quarter of maintenance costs). Investment in inland waterways is hampered by the challenge of sustaining an extensive network.

While police records report that 9,156 people died as a result of road crashes in 2013, the World Health Organization (WHO) estimates the number to be much higher, at a total of 22,419 people (WHO 2015). This represented a rate of 24.5 deaths per 100,000 people, which was the 140th highest rate out of a total of 180 countries in the WHO database. It is also almost five times the rate for Australia (which is 5.4 deaths per 100,000 people). Road accidents are the leading cause of deaths amongst young men in Vietnam.

The GOV has a comprehensive strategic framework for development of the transport sector. The current development approach for the transport sector is set out in a Decision of the Prime Minister (Decision No. 355/QĐ-TTg of 2013) “approving the adjusted strategy for development of Vietnam’s transport through 2020, with a vision toward 2030”. There are subsidiary Decisions that set out the strategy for each transport sector (e.g. in the case of railways, Decision No. 318/QĐ -TTg of 2014 on Approving the Strategy for Development of Transportation Services to 2020, and Orientations Toward 2030, and the more specific Decision No 214/QĐ - TTg of 2015) on the Viet Nam Railway Development Strategy to 2020 and Vision for 2050).

The GOV has acknowledged the need for sustainable development through the Prime Minister’s Decision No. 432/QĐ-TTg of, 2012 on “Approving Viet Nam Sustainable Development Strategy for the Period 2011-2020” and Decision No. 160/QĐ-TTg of 2013 on “Approving the National Action Plan for Sustainable Development”. These decisions provide a context for the Minister of Transport’s Decision No. 4088/QĐ-BGTVT of 2013 on “Promulgating Action Plan of the Ministry of Transport for Sustainable Development for the Period 2013-2020”. Similarly, the Minister of Transport’s Circular No. 09/2010/TT-BGTVT of 2010 addresses “Environmental protection in the development of transport infrastructure”.

The Ministry of Transport (MOT) is responsible for guiding the transport sector and for the national transport network. It is complemented by Departments of Transport (DOTs) in each provincial government that is responsible for provincial and rural transport. Other national agencies that play key roles in the transport sector are: (i) the Ministry of Planning and Investment (MPI), which is responsible for national socio-economic planning, coordinating international development assistance, appraisal of project development studies, and which also has some specific roles with regard to PPPs; and (ii) the Ministry of Construction (MOC), which is responsible for design and construction standards and for price norms that underpin the estimation of project costs and the assessment of tendered prices for construction projects and which in turn influence contracting methods. In addition, the Ministry of Finance (MOF) sets the

national government budget and is responsible for oversight of all public assets and for the finances of state corporations, more matters are referred to the Prime Minister's Office (PMO) for approval than is usual in most countries. The MOF is also involved in the project approval process.

MOT is a modest size agency, with around 400 people in its 15 departments. Its staffing is dominated by engineers and people with a finance orientation. Women account for a little over a quarter of the staff of the MOT, but only 18 women are in leadership positions. Most of the technical work of the department is undertaken by various administrations, institutes and project management units (PMUs), with these in turn commonly using commercial enterprises of MOT and external consultants for specific technical work.

Infrastructure Role and Need

Infrastructure is an essential requirement for economic growth and poverty alleviation. Expenditure on it has a direct effect on employment and also a multiplier effect on the economy, though with some offsetting effects that result from taxation and other means used to finance the development of the infrastructure. It is also a factor of production. Thus, while infrastructure development does not in itself create sustained economic growth, it is crucial to allowing the economy to function and grow. Economic growth is therefore not possible without cost effective transport infrastructure that serves the need for the movement of goods and people. Reduced poverty is associated with economic growth (and hence indirectly with infrastructure development) – while the relationship is not fixed and the causal mechanisms are not well understood, it is also possible to enhance the poverty alleviation effects of infrastructure development through consideration of the needs of the poor during planning and implementation of projects and inclusion of complementary measures (ASI 2013).

Vietnam already has a positive history of using investment in transport infrastructure to support drive economic growth and poverty reduction. Across the late 1990s and early 2000s Vietnam invested around 5 per cent of GDP in transport infrastructure and achieved impressive results in improving transport connectivity. However, over the past five years, growth in infrastructure investment has slowed to only around 3 per cent of GDP (Huynh 2015) even while economic growth continued. As a result, under developed transport infrastructure is becoming a significant constraint to further economic growth and poverty reduction.

Perceptions of quality of road infrastructure in the World Economic Forum's competitiveness index show that Vietnam is perceived to have poorer quality roads than, for example, both Laos and Cambodia (WEF 2016). While this is not an absolute measure of the quality of infrastructure, it highlights the extent to which Vietnam's transport infrastructure is not fit for purpose for the country's stage of development. Vietnam's infrastructure now needs to evolve in a direction that is better suited to a rapidly developing middle income country, for example by developing expressways to reduce traffic congestion on overburdened national highways, and improving urban transport infrastructure to adapt to both rapid urban population growth and increasing car ownership. Poor infrastructure also adds to logistics costs and impacts on the competitiveness of Vietnam's private sector. Compared to some other lower middle income countries (notably Indonesia), Vietnam rates relatively well on this score. However, it remains significantly below Thailand, China and Malaysia against which it competes in the global economy (World Bank 2015a).

The poor quality of Vietnam's transport infrastructure constrains economic growth and hence hampers the GOV's efforts to reduce poverty. Women in particular represent a greater proportion of vulnerable road users and users of the tertiary transport network (World Bank 2011a). Anecdotal evidence suggests that some provinces like Lao Cai in the north have funding allocations equivalent to only approximately 10 per cent of their investment and operation and maintenance needs.

Project Development Activities

The general process involved in project development (also called project preparation) and upstream and subsequent activities is described in Figure 1. The three main technical activities in project development (i.e. Project Concept Definition, Project Feasibility and Project Delivery Planning in the figure) take a project from being identified as a priority candidate project through to being ready to go to tender for implementation. The latter requires that consideration has been given to implementation issues, including a range of engineering, environmental and social matters that need to be taken into account by tenderers, the selected contractor and the agency that is to be responsible for managing project implementation. In the case of projects to be supported by development assistance from bilateral and multilateral sources, the external agencies become involved at the FS stage of project development.

The AVTDP will focus on the three technical activities associated with project development. The reasons for this are set out in the next section.

Development Issues Analysis

A number of matters combine to weaken the quality of project development in the transport sector in Vietnam. These result in projects that are of lower quality than need be the case, including engineering design features that are not optimal, insufficient consideration given to road safety, social needs that are not well understood, opportunities for enhanced poverty alleviation and gender inclusiveness not being identified, environmental matters not being fully addressed, use of private sector finance not being adequately considered, and contracts for project construction not encouraging innovation.

These limitations are further exacerbated by inadequacies in the upstream enabling

Figure 1: Project Preparation and its Context



Source: Adam Smith International (2014)

environment and strategic planning as well as project implementation and in ongoing operation and maintenance of the assets. These matters are addressed in following sub-sections.

Upstream activities

Key limitations with the current approach to project preparation are:

- There are institutional and technical constraints in the enabling environment for project development, for example weaknesses in the legal, institutional and operational framework for PPPs, multiple design standards for transport infrastructure, rigid approaches to cost estimation and contracting approaches, a high aversion to risk that reduces efficiency, inhibits innovation and leads to delays in project development, and a greater need for inter-agency coordination and approval than is usual in other countries.
- Strategic planning is not as transparent and analytically-based as should be the case. Strategic plans tend to be strongly aspirational rather than being evidence-based. This is particularly evident in the more traditional modes of rail and waterway transport, but also applies to roads. Project proposals are often based on standards rather than being linked to demonstrated need, and once included in a strategic plan are treated as being almost unalterable. This results in projects that are not necessarily fit-for-purpose, potential prioritisation of some projects ahead of more valuable projects and a lack of openness to ongoing refinement of projects during subsequent project preparation activities.

Project preparation activities

Key limitations with the current approach to project preparation by MOT are:

- Pre-feasibility studies (PFSs) and feasibility studies (FSs) are based on approaches that do not reflect good modern practice. The outputs of the PFS and FS as set out in the GOV's Construction Law of 2014 suggest a reasonably comprehensive, although still incomplete, approach. In practice the work involves:
 - considerable emphasis is given to engineering matters, with more detailed engineering design undertaken at each of the PFS and FS stages than is common internationally;
 - project development must meet rigid standards and cost norms (i.e. unit cost per quantity of each input to a construction project) set by other ministries, primarily MOC but also including MPI and MOF;
 - insufficient attention is given during PFS and FS work to optimize project features to secure better value for money, to justify the project (such as with cost-benefit analysis) and to address environmental and social matters; and
 - the FS process is used to prepare a project for implementation rather than as a means to inform a decision regarding whether to proceed with it.
- It is generally assumed in the course of the FS that the project will be delivered as a conventional public sector project with insufficient, if any, consideration given to options for private sector participation.
- The project development process is also inflexible. The project has to be based on standard approaches to engineering design and implementation. This results in the system being highly resistant to new construction techniques and inhibits use of new contracting approaches such as design-build.

In addition, the requirements for the development of project that are to receive development assistance from bilateral and multilateral agencies differ from each other and from the GOV's standard approach and introduce an additional set of constraints. This is addressed in the next sub-section.

Project preparation process for externally supported projects

Bilateral agencies have specific national requirements with regard to project development, and often involve tied elements. For reasons set out later in this document, it is judged that DFAT should not become involved in direct support for these projects. Similarly, projects to be financed from domestic resources need only meet standards that are inferior to best appropriate international practice. It is not practical to expect these to be modified sufficiently in the short term to a standard that is consistent with DFAT requirements, and hence it is not appropriate for these to be included in the proposed program³.

Hence, the focus is on projects that are to receive support from MDBs. In the case of Vietnam, this involves the ADB and the World Bank. It could also involve agencies such as the International Finance Corporation (IFC) with regard to private sector investment and the new Asia Infrastructure Investment Bank (AIIB). As part of the World Bank Group, the IFC uses World Bank standards.

In the case of projects to be supported by development assistance from bilateral and multilateral sources, the external agencies first reach agreement with MPI on projects to be funded. The choice of projects will be guided by the partnership strategies between each MDB and the GOV and informed by concurrent or completed PFS work. MDBs generally begin their involvement at the FS stage. The ADB and World Bank have similar (though not identical) technical requirements regarding the matters to be addressed. There are more substantial differences in the processes they use, which in each case present challenges to the smooth development of projects and their prompt progression to implementation. Specifically:

- The ADB engages consultants to undertake its own Project Preparatory Technical Assistance (PPTA) study to define a project that is economically, financially and technically feasible. The PPTA occurs in parallel with the MOT's FS. The two activities interact with regard to some matters such as the engineering design, with the PPTA considering matters that are not considered in sufficient detail in the MOT's FS. Following completion of the PPTA, ADB staff appraise the project and prepare the Report and Recommendations of the President (RRP). Loan negotiations follow management approval of the RRP, leading to approval of the loan by the Board of ADB. Following Loan Effectiveness, the MOT engages consultants to prepare detailed engineering design and contract documentation (DDD). However, limitations occur:
 - MOT is not always intimately involved in the PPTA;
 - there is some duplication between the MOT's FS and the PPTA; and
 - the time between the completion of the PPTA and the project being ready for implementation is considerable, commonly several years – while ADB provides the capacity for the GOV to commence DDD work in advance of loan effectiveness (with subsequent reimbursement from the loan), this requires a GOV commitment for expenditure for a project that has not yet passed through all approval stages.
- The World Bank takes the approach that it should not appraise a project that it has prepared. Hence, it depends on the MOT's FS for the information that it subsequently uses to appraise a project proposal. Given the more limited scope of work in the MOT's FS, it also assists the MOT to find the necessary funds (for example from existing projects and donor trust funds) to finance the additional work that it requires be done. It also provides some indirect guidance and support. As the GOV activities progress, the World Bank uses its own staff (covering financial management and procurement specialists, environment, social and gender safeguard advisors and sectoral technical specialists) to prepare the World Bank's Project Appraisal Document (PAD – which is the equivalent of the ADB's RRP), which is used to secure the approval of the Board of the World Bank for the loan for the project. Finally, the World Bank requires that detailed

³ However, an outcome of the AVTDP will be enhanced understanding by MOT of good international practice and the capacity to undertake work to the required level. This will facilitate the eventual application of improved practices to domestically-financed projects.

engineering design and documentation be ready for 30% of the value of the project at the time of loan negotiations to ensure that the project can move more rapidly to implementation. Two limitations follow:

- it can take considerable time to arrange for MOT to be in a position to undertake the additional scope of feasibility study and DDD work, and for the work to be undertaken to a standard acceptable to the World Bank; and
- the need to undertake the DDD work increases the time taken to get to loan negotiations and subsequent Project Effectiveness, though it should ideally reduce the time taken to secure contractors and to commence construction.

For MOT, developing projects to be financed by MDBs is further complicated by the need for staff in its various agencies and also its consultants to understand the different requirements and procedures of the MDBs, to gain the technical skills needed to undertake the work to MDB requirements, to accommodate the project processing activities set by the GOV and the MDBs.

PPPs are guided by a national legal and institutional framework. Investigations undertaken in the development of the AVTDP provide a range of views, with little consensus, on why no formal PPPs have progressed in the transport sector despite broad support for the concept.

With regard to the above matters, the AVTDP will address the key matters of enhancing FS work so that it also meets the requirements of the MDBs, ensure that formal consideration is given to the potential for private sector involvement in projects, and support the prompt commencement of DDD as early as practicable to reduce the lag between the completion of the FS and commencement of construction.

Social and environment needs

Over time MOT has developed some capacity to address an increasing range of social and environmental matters that MDBs and other donors seek to be addressed in the course of project development. Hence, the needs of disadvantaged groups such as the poor and those in remote locations, and matters such as HIV/AIDS and property resumption, are addressed in a generally satisfactory way under conventional social and environmental impact assessments. However, more recent concerns such as identifying and closing gender inequalities, gender mainstreaming processes, and meeting the needs of people with disabilities are not well understood. This diminishes the likelihood of transport projects catering to the different transport needs of women and men, as well as more vulnerable groups in the community. Similarly, new environmental matters such as sustainability of infrastructure and climate resilience are not yet addressed in detail.

Hence, two challenges remain:

- to broaden and deepen the capacity of staff in MOT and its agencies, and also in the consultants they use, to more inclusively address social and environmental matters; and
- to encourage the MOT to incorporate this broader set of gender responsive processes into its project development studies – which in turn requires broader endorsement of them by GOV agencies such as MPI and MOC.

Private sector involvement

The GOV has indicated support for PPPs through its National Socio-Economic Plan, development of a legal framework and establishment of groups in its agencies. MOT's interest in PPPs is indicated by its establishment of a PPP Department with 13 staff. MOT is also selling some of its shareholding in its commercial entities to the private sector. Even so, no international-standard PPPs in the transport sector have been brought to financial close to date, though a large number of locally-oriented BOT projects have been implemented albeit with limited transparency and unclear merit. Many suggestions are proffered regarding the cause but there is no evidence of a general consensus for the best way forward. There is a need to identify the core cause(s) for the limitations and remedial measures if progress is to be made. There is also a need to broaden the perspective on PPPs given the focus on their role in reducing the financing burden on

government. Rather, their greatest merit lies in their potential capacity to provide more efficient delivery of infrastructure and better quality services.

There is potential for greater private sector involvement in more conventional areas. There remains the continuing challenge of the role of SOEs in the construction sector, though this is a broader matter that is gradually being addressed by the GOV. In addition, the private sector could be provided more opportunity to bring innovative approaches to construction of transport infrastructure through, for example, design-build contracts. There is also a need to develop the capacity of private sector consultants to bring broader perspective and better quality to the preparation of projects.

Project implementation and infrastructure operation and maintenance

As with other matters, the capacity for businesses to construct infrastructure in Vietnam is developing. There remain a number of institutional constraints, including a continued major role for state-owned enterprises (SOEs) and MOC regulations such as those related to the use of unit quantities and unit construction costs (and which do not support the use of bonus and penalty clauses aimed at encouraging the entity in charge of road maintenance to take more responsibility). These challenges that make it difficult to use innovative implementation approaches such as performance based contracts (PBCs) and design-build contracts to their best effect.

Asset management has been rudimentary to date, being largely based on professional experience and judgement. This is being addressed in the road sector with current programs to implement asset management systems and with the matter now being highlighted in the railway sector.

Other Donor Activities

Considerable assistance is provided by bilateral and multilateral agencies for the development of transport infrastructure in Vietnam. In addition to the GOA, the principal external financiers of transport infrastructure in Vietnam are the ADB, the World Bank and the governments of Japan and Korea, with the governments of France and Germany also contributing to the development of metro rail systems in Hanoi and HCMC. However, there is limited additional donor support available to address the critical institutional issues outlined above. Major donors to the sector, including ADB, the World Bank and JICA recognise these problems but the agencies have developed project implementation systems that bypass many of the constraints that exist in Vietnam rather than seek to change the system.

In the face of continuing high demand for infrastructure development, domestic budgetary challenges and a reluctance to borrow for activities other than hard infrastructure investments, the GOV has pressed the donors to these projects to minimize expenditure on capacity building and policy development. Insofar as institutional strengthening and policy development have occurred, they have been ad hoc. There is thus very limited additional donor support available to address the critical institutional issues outlined above.

The current Australia-World Bank Strategic Partnership (ABP) provides technical assistance, capacity building, and analytical work, as well as exposing Vietnamese policymakers to the experience of other economies that have surmounted similar challenges to those faced in Vietnam's Transport Sector. This program will complement the AVTDP by providing support for activities not related to project preparation, such as overarching transport sector policy and for operations and maintenance of infrastructure.

Constraints to Infrastructure Development

Key factors that constrain the development of transport infrastructure in Vietnam that emerge from the previous discussion include:

- **Limited funding.** Government revenue is unable to keep pace with both capital and recurrent spending requirements, and the funds that are available are in many cases

not used efficiently. In addition, institutional constraints inhibit the use of other sources of available finance such as from private and ODA sources.

- **Rigid procedures and associated complex institutional coordination needs.** Project development must follow rigid procedures that also requires multiple stages of approval by various parts of government. Hence there is a greater need for inter-agency coordination during the development of transport infrastructure projects in Vietnam than is common in other countries. Key contributions to this are the role of MOC in setting design standards and contracting arrangements, and the need for MPI and the Prime Minister to approve projects. These are in addition to the budgeting role of MOF. Risk aversion adds to the formality and hence time consumed and detail required for these approvals.
- **Risk aversion.** A high aversion to risk in government agencies reduces efficiency, inhibits innovation and leads to delays in project development and implementation. Complex processes and procedures are applied not only to approving new projects but also in applying the necessary variations to existing projects where circumstances change. Financial delegations are low, requiring for example the Prime Minister to sign off all ODA projects valued at more US\$2 million. Heavy penalties are imposed when deviating from these established procedures, even where an innovative approach can be shown to deliver better results. The rationale for applying these complex processes is to limit opportunities for corruption by officials and to ensure consistent standards in project development and implementation. However, the off-setting effects of inducing very considerable caution in decision making by officials and rigid procedures and design standards is to slow down the process of developing infrastructure and to reduce the potential for innovations that could lead to better outcomes. Anecdotal evidence suggests that this is contributing to only approximately 60 per cent of available ODA in any given year being spent (ASI 2014). This is also holding back the implementation of international standard public-private partnerships as the government has not been able to put in place conditions that will give confidence to international investors particularly around appropriate risk sharing arrangements.
- **Sub-optimal project development.** The preparation of transport infrastructure projects is hampered by rigid approaches, risk averseness and financial, policy and technical limitations that inhibit innovation and optimisation in the design of projects, inadequate consideration of all relevant matters, differing requirements and procedures of ODA funding agencies, and practices that result in delays to project implementation. MOT must conduct project preparatory studies to the differing standards required by domestic and various external financiers. It is also hindered by a rigid project development process, and funding limitations that prevent more comprehensive consideration of engineering, economic, safety, social and environmental issues and development of better projects through the pre-feasibility, feasibility and detailed engineering design and documentation stages of project development. MOT has enhanced the breadth and depth of its work over time, but its current practices still lag best international development practice.
- **Project implementation is delayed by late commencement of detailed engineering design.** In general, detailed engineering design and preparation of associated contracting documents does not commence until all project approvals are in place. In the case of projects financed by multilateral development banks (MDBs), this results in detailed engineering design being delayed until loans become effective. Late commencement of detailed engineering design in turn delays the commencement of project construction. There is also potential to refine project development procedures to reduce the time taken to bring projects to construction.
- **Inadequate use is made of the private sector to increase infrastructure financing and to enhance the quality of projects.** The GOV, donors and the private sector are all supportive of increased private sector involvement in public infrastructure projects. Considerable resources have been committed to supporting Public-Private Partnerships (PPPs), but no international-standard transport projects have yet progressed to financial close.

The last three of these in particular are amenable to change through the provision of assistance to MOT and are the focus of the AVTDP.

Evidence-Base/Lessons Learned

The World Bank and the ADB have each provided loans to the GOV in recent years to establish project preparation facilities to address some of the challenges described above with regard to the project preparation process for externally supported projects, in particular to finance FS and DDD activities and to reduce the time between completion and approval of FS and commencement of DDD. Such facilities have been managed by MPI with the objective of providing funding to contribute to the cost of FS and DDD activities in the case of World Bank-supported projects and to allow DDD activities to occur in parallel with loan processing in the case of ADB-supported projects. However, in both cases, disbursement of the funds has been very slow due to a reluctance by MPI to use loan funds for project preparation rather than investment, and complex procedures for line agencies to access the facilities and associated high interaction costs.

In the case of the World Bank facility, only 20% of the total funds were disbursed, and the facility has been closed due to its lack of efficiency and effectiveness. While worthwhile innovations, the facilities have not directly addressed all of the constraints to improved project development, namely better consideration of a range of engineering, social and environmental matters. Nor have they resolved the challenges they sought to address that slow the process of bringing projects to implementation. The lesson from this experience is that it is better to provide additional resources for project development directly to MOT, as is proposed in the AVTDP.

More generally, whilst MOT has been able to improve its performance over time, including a capacity to take account of more complex social and environmental matters than was previously the case and better understanding the needs of providers of official development assistance, the desired benchmarks for such matters to be considered during project development have now advanced. Thus more progress by MOT is still to be achieved. The AVTDP will play a central role in supporting this progress including any future advances in project development practice.

To date, MOT has received no long-term in-house support to improve its capacity for project development. Rather, it has made progress by absorbing improved practice through its work with external agencies, drawing on advice from consultants supported by these agencies, and associated measures such as training and study tours. This reflects the traditional treatment of public sector capacity building as a collateral objective, i.e. as a by-product or instrumental measure, to advance near-term project outcomes, rather than as a goal in its own right (World Bank 2007). A feature of capacity building is that it involves changing attitudes and context as well as technical skills. Hence, it generally does not occur rapidly and needs to be addressed in a sustained manner on a number of fronts and using a range of techniques.

A final lesson learned from the institutional framework in Vietnam is that it is difficult to change institutional and technical practices, even though such change is especially necessary in Vietnam. Securing change requires the combination of sustained actions such as sound analysis, convincing business cases, successful demonstration projects, exposure of officials to alternative practices relevant to local contexts, inter-agency cooperation and securing support from key leaders.

Strategic Setting and Rationale for Australian/DFAT engagement

The Government of Australia (GOA) has had a long relationship with the GOV with regard to transport infrastructure, dating back to the commencement of planning of the My Thuan bridge in 1995 and subsequent construction of the bridge. It has since co-financed road and inland waterway transport infrastructure projects in the Mekong Delta region with the ADB and the World Bank, and is currently contributing on a 50%/50% basis with ADB the construction cost of a bridge over the Mekong River at Cao Lanh that is expected to be completed in 2017.

Australia's new Aid Investment Plan (AIP) for Vietnam 2015-20 was jointly agreed by the GOV and the GOA in July 2015. One element of the AIP is the new Australia Vietnam Transport

Development Partnership (AVTDP). The AVTDP represents a marked shift in approach, from one of financing infrastructure to the provision of support to MOT to strengthen its capacity to prepare high quality projects and to bring these projects to implementation as quickly as possible.

The AVTDP contributes to all three objectives of the AIP by:

- *enabling and engaging the private sector for development* by supporting the development of PPP projects, building the capacity of private sector consulting firms to develop better prepared projects, developing the capacity for MOT to secure the best outcome from the use of the private sector for project development and implementation and promoting opportunities for the private sector to contribute to the implementation of projects – this is the principal objective served by the AVTDP;
- *assisting the development and employment of a highly skilled workforce* by building the capacity of staff in the MOT, its agencies and consultants that it uses; and
- *promoting women's economic empowerment, including ethnic minorities* by supporting, and seeking a greater role for, women in the MOT and its agencies and mainstreaming gender into project development and subsequent stages of the project cycle.

In summary, the matters that have had a particular influence on the design of the AVTDP are:

- **Direct financing by Australia of infrastructure is no longer practical or appropriate.** Australia no longer has the resources to finance a major program of capital works in the transport sector in Vietnam as has occurred in the past. In any event, it is approximately 20 years since Australia first financed the development of transport infrastructure in Vietnam and this form of assistance has been provided over much of the intervening period. Given that Vietnam has now advanced to the status of a lower middle-income country, there should also be a reduced need for such direct financing of infrastructure.
- **MOT project development practices can be enhanced.** The MOT has faced the continuing challenge of conducting project preparatory studies to a number of different practices and standards to address its own needs and those of other project financiers. It is also hampered by an inflexible project development process and requirements and funding limitations that prevents more comprehensive consideration of issues and identification of better project proposals. MOT has enhanced the breadth and depth of its work over time, but its current practices still lag best international development practice.
- **Working with project financiers that have similar expectations for projects to DFAT will enhance outcomes.** While not necessarily perfectly aligned, the MDBs require projects to be prepared to a standard that takes account of a range of social and environmental concerns as well as engineering and implementation matters. These institutions also place importance on transparency and openness in procurement. Finally, having embarked on a process leading to potential financing of a project, it is rare for an MDB-supported project not to proceed, especially if it has reached the stage of preparing detailed engineering design.
- **Delays in project implementation can be reduced with some additional assistance.** A weakness of current development of projects to be financed by MDBs is the lag that occurs between completion of the FS and commencement of DDD, which in turn delays project implementation. Providing initial financing for DDD to allow it to commence more promptly after completion of the FS will reduce this delay.
- **There is strong support for PPPs but challenges remain.** The GOV, donors and the private sector are all supportive of increased private sector involvement in public infrastructure projects, including in the transport sector. The parties have committed considerable resources to supporting PPPs. The fact that no international-standard projects have yet progressed to financial close suggests there are serious problems. Many suggestions are proffered regarding the cause but there is no evidence of a general consensus for the best way forward. There is a need to identify the core cause(s) for the limitations and remedial measures if progress is to be made.

- **Direct embedded donor support in GOV ministries is novel but well perceived.** The AVTDP represents a marked change in the delivery of Australian support to the GOV. While the approach of locating embedded assistance in a ministry is not novel in other countries, it is unusual in Vietnam. The AVTDP will be first occasion for such support to the core of MOT. MOT has responded very positively to the AVTDP concept. Even so, it is expected that it will take time to develop relationships and a modus operandi for the AVTDP advisors to establish practical and effective engagement with MOT management and staff.
- **MOT faces challenges that may facilitate change.** The GOV has developed its institutional structure and capacity in the past, and can be expected to continue to do so. It faces budgetary and borrowing constraints that should encourage the placing of new emphasis on seeking ways to improve the efficiency and effectiveness of transport infrastructure projects. These conditions may also increase its openness to new approaches to policy development and implementation of change.
- **Securing change in GOV practices requires consensus building.** The structure of GOV agencies is such that changes in policy and practice commonly requires cooperative action by more than one agency. Thus, for example, changes to design standards, price norms and construction practices for transport infrastructure requires participation by MOT with MOC in particular. Conditions regarding PPPs also involve MPI and MOF. Similarly, while measures are taken to avoid conflicts between conditions in legal instruments such as decrees, decisions and circulars issues by various agencies, discrepancies occur. Securing policy and legal change is therefore not as easily achieved as in many other countries.

These matters have the following implications for the design of the AVTDP (also “the Program”):

- **Focus on project development.** The focus of the Program is project development, covering activities from, and including, the pre-feasibility study stage through to detailed engineering design and contract documentation where the specific features of the project and matters related to its implementation are all specified. It is acknowledged that upstream activities such as strategic planning and project prioritization are important in ensuring that the best projects are developed. Similarly, it is recognized that matters related to operation and use of projects is important for the overall efficiency and effectiveness of the transport system. However, it is impractical for a single program to, at the outset, address all aspects of the work of the MOT. Improving the development of projects is considered the best approach because it will improve the quality of projects that are to be implemented and it addresses practical and technical areas of work where tangible improvements can be made. These activities will also provide the context in which a trusting relationship can be developed between those implementing the Program and the MOT.
- **Take a programmatic approach.** The AVTDP involves a new approach and also, over its duration, support for the development of projects that are not yet formally approved. In addition, there is a need to be open to new needs and initiatives that could emerge during the project. Hence, a programmatic approach is proposed rather than one in which all activities are pre-identified. This requires supporting design elements to guide the selection and implementation of activities to ensure that the approach works as intended.
- **Focus on improved technical practice and provide selective support for policy development.** The focus of the Program is improved technical practice in project development. Opportunities for policy change to support this work will also be pursued, including for example consideration of PPPs as well as more detailed measures such as design standards. Allowance is also made for more general policy support in instances where there is a receptiveness to, and potential for, change.
- **Work with key project financiers.** Supporting the development of projects that are to be implemented with financial support from MDBs, has the advantage of drawing on broadly similar expectations for matters to be considered in project development and

implementation, and also increases the likelihood that the support given will be for projects that are to be implemented.

- **Take a longer term view.** While the current design of the AVTDP is geared to focus on an initial five-year Program, a longer term perspective should be taken because the Program: (i) will be enhanced by the development of strong personal links between the Program team and MOT, and (ii) involves the development of institutional and personal capacity in MOT, both of which will provide greater returns over the longer run.
- **Provide timely and strategic advice to the MOT senior management team on emerging technical and policy issues.** Placing a high level team in MOT will provide substantial direct benefits through improved development of transport infrastructure project. The ability of this team to provide quick, strategic and sensitive advice to MOT leadership and senior management is major benefit the program that will be highly appreciated. This requires a uniquely qualified Team Leader who can build and maintain trust with key people in MOT.

D: Investment Description

Logic and Expected Outcomes

Key dimensions for the AVTDP (the “Program”) are:

- **Program Goal:** Economic growth and poverty reduction in Vietnam enhanced through improved quality of transport infrastructure
- **End of Program Outcome:** Increased investment in and improved quality of transport infrastructure by making use of funding from all financial sources.
- **Intermediate Program Outcomes:** (i) MOT achieving improved value for money by bringing better prepared proposals and concepts more rapidly to market; and (ii) MOT adopt innovations in policies and procedures that lead to improved project development.

A Theory of Change (TOC) for the AVTDP demonstrates the linkages between the goal for the Program, outcomes and associated outputs that will support the goal and specific Program activities (see Appendix C). The outputs needed to attain the intermediate outcomes will be refined by key stakeholders during the inception phase of implementation. Some provisional activities have been proposed for early preparation. However, it is deemed inappropriate to pre-determine too many outputs at this stage so as not to prescribe the strategic direction and functioning of the Program moving forward.

Key Features of the Program

Program Components

Two broad streams of activities for the AVTDP will support the goal for the Program and take into account the context in which it is to be achieved:

- **Stream A: Facilitate Project Development.** This stream of activities will provide funding and technical expertise to support the improvements to pre-feasibility studies (PFS), feasibility studies (FS) and detailed engineering design and documentation (DDD) undertaken by MOT. The assistance will be directed to developing high quality projects (see Box 1 on the matters to be taken into account) that can be brought to implementation more rapidly than currently occurs. It will include two sets of activities:

- It will expand the scope and detail of PFS and FS activities to a standard that meets the needs of MDBs and potential private sector investors also taking account of DFAT priorities while also making use of appropriate technologies and technical solutions. Examples of additional activities include addressing environmental and social issues, including gender equality and social inclusiveness, in more detail than currently occurs and undertaking more extensive engineering optimization to reduce the cost of projects and improve their outcomes. In the case of potential PPPs, FS activities will also develop the business case for private sector participation.
- It will finance a share of DDD activities so that these activities can commence earlier than would otherwise be the case, leading to speedier commencement of construction.
- **Stream B: Unlock Opportunities through Innovation.** This stream of activities will provide more general support for project development through revised policies, guidelines and practices, testing of new concepts, and addressing bottlenecks in project development and financing. Initially identified activities are (see Appendix D for more detail):
 - develop and support tools that can be used to improve PFS and FS activities such as enhanced engineering optimization, improved consideration of gender and other social dimensions and more comprehensive treatment of environmental matters, including options for climate resilience and mitigation of detrimental impacts;
 - identify opportunities to encourage new methods of contracting (e.g. performance-based contracting), making better use of contractors to promote innovation (e.g. such as alternative designs) and using construction projects to support the development of capacity in local populations, especially disadvantaged people;
 - support the small number of professional women in MOT and promote an increase in their number as well as enhancing their roles;
 - identify opportunities to refine engineering design standards and also the price norms that govern cost estimation of infrastructure projects;
 - identify bottlenecks and other constraints to PPPs in the transport sector and potential solutions drawing on international experience and Vietnamese conditions;
 - develop the capacity of MOT and PMUs to assess the quality of PFS, FS and DDD work that is undertaken by public institutes and PMUs under contract and press for enhanced work to secure better prepared projects; and
 - implement gender mainstreaming activities at the design stage that will also filter through to other stages of the project cycle.

Box 1: High Quality Project Preparation

High quality requires that all dimensions of a project are addressed, including efficient and effective engineering and with economic, safety, environment and gender responsive and socially inclusive measures addressed to a standard that meets the highest criteria set by ADB, the World Bank and the Australian government.

Gender responsive and socially inclusive dimensions include consideration of the specific needs of women and men, people who are to be resettled as part of the project, and the poor, disabled, minority, remote and other excluded or otherwise disadvantaged groups.

Environment includes consideration of significant effects of a project on the environment, potential effects of the environment on the project and mitigation measures that are needed including ensuring climate resilience.

The two streams of work will be harmonised through Stream B taking account of issues that emerge during Stream A activities to develop and pilot policies, guidelines and practices that can be implemented in future Stream A work. Stream B activities will also serve other needs in MOT such as upgrading specific knowledge and skill sets on gender responsiveness and social inclusion, social safeguard measures and environmental mitigation. This will enable project preparation teams to integrate such cross-cutting issues into project development. Thus Stream

B will help to promote gender equality and women's empowerment outcomes in practical ways in line with the framework established by the GOV, which is comprehensive though limited in application to date. More generally, the AVTDP will develop the skills and understanding of MOT staff in these matters and also in optioneering, engineering optimisation, project appraisal, innovative engineering and contracting opportunities and other such matters related to project development.

Governing Features

Other key features of the AVTDP are:

- **Guiding principles are to be used to govern the programmatic approach.** The choice of activities will be guided by clear principles to ensure the activities remain focussed on the intended role of the Program. This is needed to ensure that the programmatic approach does not lead to its focus being diluted by pursuit of other, albeit potentially important, matters that are the responsibility of MOT. Principles are set out in Appendix D.
- **Be responsive to needs.** The work is intended to be responsive to current and future MOT needs while maintaining a focus on project development. Hence, while some initial activities to be implemented during the first 15 months (April 2017 to June 2018) of the Program are outlined based on consultation to date, it is expected that more detailed discussions will identify other initiatives. These needs will also evolve over time as circumstances change and as MOT gains confidence in the *modus operandi* of the Program and the people involved. Initial activities have been identified, with a programmatic approach applied to subsequent activities
- **Focus on MDB and PPP-financed projects.** As indicated previously, support for project development will be given to projects in the pipelines of MDBs. Support should also be provided to formal PPP projects where it serves the needs of the GOV (as against the commercial needs of the private sector partners). It is not expected that the Program should support the preparation of projects to be funded by non-Australian bilateral grant or loan finance or domestically financed Build-Operate-Transfer (BOT) projects unless matters such as potentially different project development procedures and standards, inadequate transparency and tied conditionalities can be satisfactorily addressed.
- **Focus on surface transport.** Consideration will be given to road, railway and inland waterway sectors. Ports and airports are more commonly financed by commercial interests and are in less need of support than the other identified sectors. It is not currently anticipated that support be provided to urban transport projects because of their considerably greater cost and technical complexity, but the Program could remain open to such projects as it develops a *modus operandi* and capacity.
- **Take a comprehensive approach to project development.** All technical aspects related to project development will be taken into account, including matters related to engineering, finance, economic, social, safety and environment. This includes initiatives that can support improved project development and its outcomes, such as those proposed for the unlocking opportunities through innovation stream of activities. FS studies will be undertaken to international standards, i.e. to be suitable for use by MDBs.
- **Focus initially on infrastructure implemented at the national level.** Initial priority will be given to national government projects, with the scope to subsequently consider sub-national government projects.
- **Focus on priority initiatives.** Priority should be given to projects that demonstrably address transport bottlenecks, are of national importance, provide benefits for the poor, are innovative or can otherwise be leveraged to secure larger benefits, and for which financing is available.

Implementation of the Program involves five key matters:

- **Program management.** The proposed Australian Transport Advisory Group (ATAG) will manage the activities of the Program, with oversight by DFAT in Hanoi. The ATAG will be responsible for monitoring and evaluation activities, both internal and external.
- **Specialised technical assistance.** A mix of long and short-term advisors will be available to support MOT activities.
- **Specific studies and support.** Focussed studies and other support for MOT will be available.
- **Gender mainstreaming and safeguards assistance.** Activities described above will support gender mainstreaming and the development of appropriate social and environmental safeguards.
- **Flexible financing for activities.** A programmatic approach will support flexibility to respond to needs that emerge over the course of the Program.

Activity Selection Criteria and Potential Initial Activities

Selection criteria that are to be used to determine activities to be undertaken under the Program and initial potential activities are set out in Appendix D.

Delivery Approach

Two key features of the Program are: (i) it will be embedded in MOT to maximize its effectiveness and to avoid a common traditional approach of establishing external project-based offices; and (ii) it will take a programmatic approach that provides flexibility to respond to emerging needs of MOT and to the novelty of the approach. Issues related to implementation mechanisms are discussed in the Section E.

Benefits of the Program

Benefits of the AVTDP to the GOV include:

- **Additional investment to support for economic development.** The Program aims to facilitate private sector investment in transport infrastructure, which will increase the quantity of infrastructure that can be developed. The increased infrastructure investment will prove transport capacity to meet the needs of the growing economy.
- **The time taken to commence project construction will be reduced.** Taking a project to be financed by the ADB as an example, the Program could finance some or all of detailed engineering design and contract documentation activities, with this work to occur while loan negotiations and other project processing activities are underway, rather than after the loan is approved. This will enable earlier commencement of construction of the project. If the project had a cost of say \$200 million and a 12% rate of return, and if the project could commence construction 12 months earlier than would otherwise be the case, Vietnam will gain a benefit of \$24 million. In addition, the GOV will avoid paying commitment fees on undisbursed loan funds. These savings are very high relative to the investment to be made through the Program.
- **Project preparation will be more comprehensive.** More extensive engineering optimization should result in projects that have the best features at the lowest possible cost. Enhanced social, gender and environmental assessments will result in projects that better meet the needs of the community in ways that promote gender equality, and also meet the due diligence requirements of MDBs.
- **Personnel working on project development will gain enhanced skills and experience.** The Program will provide improved understanding of, and on-the-job training in, new aspects of project development.

- **The MOT will have access to a new flexible source of advice and assistance.** MOT will be able to draw on personnel and finance available through the Program for advice and assistance to develop quality projects and for related policy, guidance and practice.

Benefits of the AVTDP to the community in Vietnam include:

- **Increased employment and income and reduced poverty that result from economic development.** Increasing infrastructure investment and bringing better prepared projects more rapidly to implementation will support economic growth and better focusing of projects on poverty alleviation and social inclusion. This, in turn, leads to increased direct and associated indirect employment and higher incomes and reduced poverty that result from a more productive economy.
- **Enhanced environmental and social outcomes from transport projects.** Improved identification and responses to environmental and social matters, including road safety, will result in transport infrastructure projects that better meet the needs of the community in general, and support for those most in need in particular.
- **Improved accessibility.** Increased investment in transport infrastructure and more rapid completion of projects will provide additional capacity to meet freight and passenger transport needs and reduce congestion.

Benefits of the AVTDP to the GOA include:

- **A key pillar of Australia's Economic Partnership with Vietnam.** Improved transport infrastructure will increase Vietnam's economic competitiveness and allow it to take better advantage of improved market access arrangements through trade agreements like AANZFTA, TPP and EVFTA as well as in the future, RCEP.
- **Demonstrate a presence.** The location of AVTDP personnel in MOT will provide a unique and public presence that will showcase GOA assistance.
- **Potential to become a source of trusted advice to the leadership of MOT.** The presence of GOA-recruited personnel in a key division of MOT and the availability of funds to undertake work in response to MOT needs that is in keeping with the framework for the assistance should, subject to the selection of experienced and sensitive personnel, provide Australia with the opportunity to play an important role in supporting policy and practice in MOT.
- **Leverage GOA assistance to influence a larger set of infrastructure than with direct investment.** The GOA assistance will support the development of projects with a value substantially larger than has occurred with past GOA support.
- **Provide the Australia private sector with access to opportunities to win program contracts and expand their operations in Vietnam.** The AVTDP will allow Australian companies to better understand conditions, activities and opportunities in Vietnam and hence expand their commercial activities in its infrastructure development market. It will also provide a platform to demonstrate Australian expertise in the transport sector through provision of training and study tours.

Benefits of the AVTDP to MDBs include:

- **Accelerate project implementation.** By contributing to the detailed engineering design and preparation of contract documentation, the GOA assistance will enable MDB projects to proceed more rapidly to construction. This will reduce the quantity of undisbursed funds related to approved projects. Assistance to help the GOV undertake FS studies to MDB due diligence and civil work standards will reduce the need for additional assistance from the MDBs to upgrade GOV work, which will also reduce the time it takes to develop a project.
- **Reduce project development costs.** By funding some project development costs, the GOA will reduce the need for MDBs to incur these costs. In agreeing to undertake these activities, the GOA should seek the agreement of the MDBs to use the saved expenditure for other activities to benefit the GOV prior to committing its support.

E: Implementation Arrangements

Management and Governance Arrangements

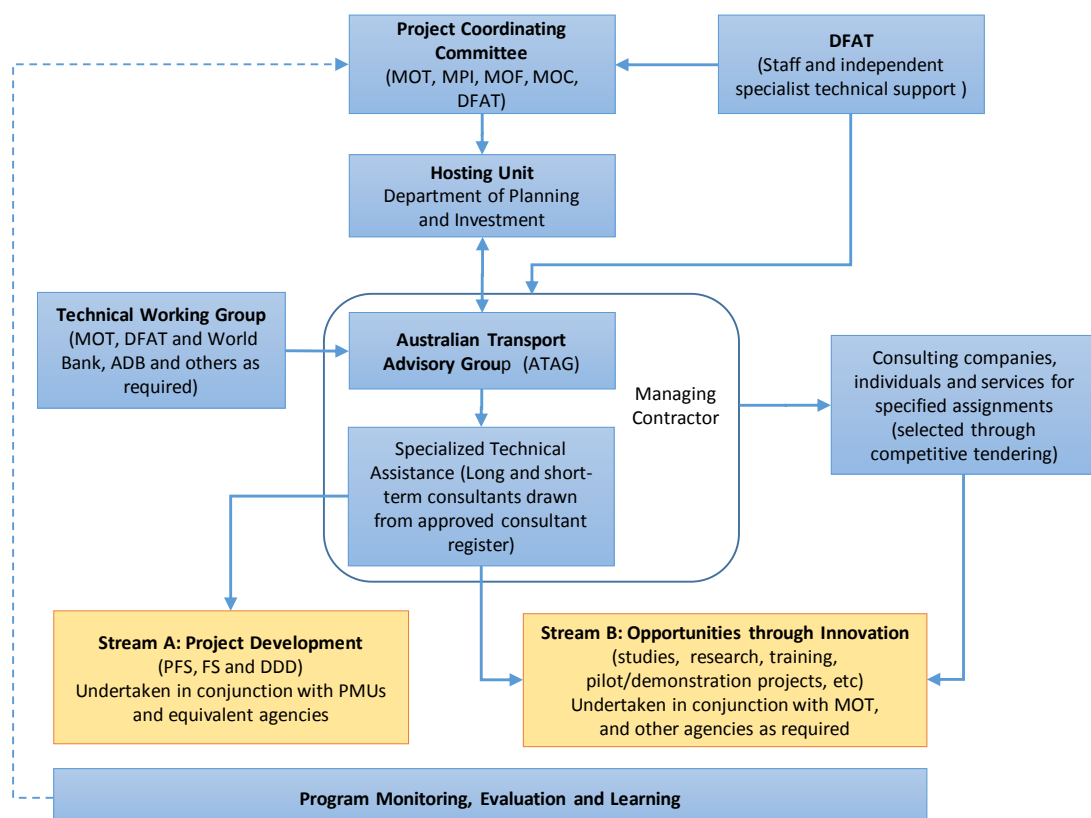
The AVTDP will be guided by two groups that will be established for the duration of the Program (see also Figure 2):

- a Project Coordinating Committee that will: (i) ensure that activities selected for inclusion in the Program meet the selection criteria set out in Appendix D; (ii) approve and guide Program activities, and review of Program performance and effectiveness; (iii) meet at least every six months (and out-of-session, as required), with the timing of one of the annual meetings scheduled to approve the annual work plan in a timely manner; and (iv) comprise a representative from each of MOT, MPI, MOF, MOC and DFAT, with the range of GOV agencies reflecting the need to secure broad-based support in government to secure change and progress.
- a Technical Working Group (TWG) that will: (i) provide guidance and facilitate coordination of Program technical activities with those of other key development partners; (ii) meet at least every 6 months and more often when needed; and (iii) comprise a representative from key participating groups in MOT, and other key agencies such as ADB and the World Bank in addition to DFAT.

The technical activities of the AVTDP will be delivered through:

- A core group (described as the Australian Transport Advisory Group - ATAG). This team will be located in the MOT complex in Tran Hung Dao Street in Hanoi to facilitate a close working relationship with MOT leadership personnel and proximity to MOT agencies.

Figure 2: Organisational Arrangements and Structure for Consulting Services



- The ATAG should desirably be associated with MOT's Department of Planning and Investment (DPI), which has prime responsibility for identifying and shepherding project development. ATAG would work closely with DPI to identify activities that would be undertaken under the Program and to select other parts of MOT and other agencies that should also be involved in specific project activities.
- Activities related to enhancing PFS, FS and DDD will be located in PMUs of MOT to which responsibility for these activities is assigned. The AVTDP will provide specialist technical personnel to assist the PMUs to plan and oversee the expanded scope and detail of the studies, to provide capacity building to the PMU and the advisors engaged to undertake the studies, as well as finance the additional work.

The ATAG should be a small unit (of no more than four people) to ensure efficient and effective operation of the Program and to allow it to be accommodated in the central office of MOT. A Managing Contractor will staff the ATAG and will source specialised technical advisors and other sub-contractors to undertake specific technical activities. The ATAG will have resources to support translation and other administrative needs, promotion and dissemination of program findings. The functions of the ATAG include the following:

- **Program direction.** The ATAG must have the capacity to: (i) identify transport infrastructure investment projects that should be supported by the Program; (ii) identify opportunities for productive engagement with the MOT and other GOV agencies; (iii) develop Stream A (Project Development) and Stream B (Unlock Opportunities through Innovation) activities that respond to these needs and opportunities; and (iv) support the Project Coordinating Committee. These objective of these activities is to ensure that the Program has the greatest positive effect on government policy and practice and will improve the quality of transport infrastructure projects, increase investment in transport infrastructure and accelerate project implementation.
- **Program management.** The ATAG must have the capacity to manage the Stream A and Stream B activities and to establish a monitoring and evaluation program that will enable the performance of the Program to be assessed. This includes developing working relationships with agencies involved in PFS, FS and DDD activities for agreed infrastructure projects and Stream B activities and providing information on Program activities for relevant agencies and for the public,
- **Activity management.** The ATAG must have the capacity to prepare terms of references for work to be funded by the Program, secure and manage advisors and sub-consultants to undertake the activities, and ensure that the work undertaken meets the needs of agencies involved and the objectives of the Program.
- **Program administration.** The ATAG must have the capacity to administer the Program, including the provision of management information, comprehensive and timely information on Program expenditure and reporting on other aspects related to compliance with the contract between DFAT and the Managing Contractor.

As an illustrative arrangement, the core ATAG team could comprise (see Appendix F for more detailed illustrative descriptions for these positions):

- **Team Leader.** A highly qualified and experienced international Team Leader who has skills and experience in project development and public policy in the transport sector and who is able to establish working relationships with ministerial and senior level management of MOT. The Team Leader will need to have an outward focus to seek and opportunities to improve outcomes in the transport sector and to promote beneficial change.
- **Program Manager.** An international Program Manager who is able to maintain oversight of all Program activities, take specific responsibility for day-to-day management of Stream B activities of the Program, and who can manage monitoring and evaluation (M&E) activities. A separate, short term technical specialist engaged by the Managing Contractor will design and initiate the M&E program.

- **Project Development Specialist.** A Project Development Specialist will manage Stream A activities of the Program on a day-to-day basis. The person is likely to be a Vietnamese national with excellent knowledge and experience with the development of transport infrastructure projects in Vietnam.
- **Program Administrator.** An Administrator who can manage finance and operations for the Program and undertake other high level administrative activities.

However, bidders for the role of Managing Contractor should not be bound by this possible arrangement and should be encouraged to be innovative in their proposals for the ATAG to enable its functions to be best performed.

DFAT in-house administrative staff will manage the AVTDP with the assistance of independent technical specialists as needed.

The responsibilities of these groups is summarised in Table 2.

Other matters that the ATAG is responsible for that are related to ensuring sound governance of the AVTDP are:

- The selection criteria for activities to be undertaken through the AVTDP set out in Section D above are intended to ensure that activities a consistent with the intent of the AVTDP given its programmatic approach.
- The annual work plan will set out specific activities to be undertaken in the year to which they pertain, with conditions for approving changes to the plan in the course of the year set out in Section D above.
- A Memorandum of Understanding (MOU) will be signed between the ATAG and the relevant PMU with regard to each PFS and a tripartite MOU with ATAG and the relevant PMU and MDB with regard to each FS and DDD activity setting out clear outcomes and outputs, other pertinent conditions for the work, and associated procurement and management of resources.
- The *Commonwealth Fraud Control* and the anti-corruption requirements placed on the Managing Contractor and its sub-contractors will be referenced in all contract-type documents (including memoranda of understanding) and performance in relation to the policy monitored.

Table 2: Entity Responsibilities

Entity	Responsibilities
Agencies	
DFAT (Hanoi)	Staff from DFAT in the Australian Embassy in Hanoi will be responsible for fulfilling DFAT’s responsibilities with regard to the AVTDP, including <ul style="list-style-type: none"> • being co-chair of the Program Coordination Committee; • setting strategic direction for the AVTDP and engaging in policy dialogue with GOV on priority issues for the program; • management of the performance of the Managing Contractor; • management of the contract with the Managing Contractor and of AVTDP finances; • contribute to research and policy analysis, including analysing the scope for deeper engagement with key sector partners and sub-program development; • engage independent technical specialist advice to support its oversight of the AVTDP; • communicating the outcomes of AVTDP to an Australian and Vietnamese audience; and • disseminate the results of M&E activities.

Entity	Responsibilities
MOT	<p>MOT will be the GOV counterpart for partnering with GOA for the AVTDP. It will:</p> <ul style="list-style-type: none"> • co-chair of the Program Coordination Committee; • provide space for the ATAG in its offices at 80 Tran Hung Dao Street in Hanoi, preferably attached to the Department of Planning and Investment; • facilitate access to its staff and to other GOV agencies; • work with the ATAG to develop annual work plans; • support implementation of AVTDP activities; and • continue to finance conventional aspects of PFS and FS work for projects that are to be supported by the AVTDP.
Committees	
Program Coordination Committee (PCC)	<p>The PCC will:</p> <ul style="list-style-type: none"> • comprise a representative from each of MOT, MPI, MOF, MOC and DFAT, with the range of GOV agencies reflecting the need to secure broad-based support in government to secure change and progress; • ensure that activities selected for inclusion in the Program meet the selection criteria set out in Section D; • approve and guide Program activities, and review of Program performance and effectiveness; and • meet at least every six months (and out-of-session, as required), with the timing of one of the annual meetings scheduled to approve the annual work plan in a timely manner.
Technical Working Group (TWG)	<p>The TWG will:</p> <ul style="list-style-type: none"> • will comprise a representative from key participating groups in MOT, and other key agencies such as ADB and the World Bank in addition to DFAT; • provide guidance and facilitate coordination of Program technical activities with those of other key development partners; and • meet at least every 6 months and around two weeks prior to meetings of the Project Coordinating Committee.
Contracted Agents	
DFAT Administrative Staff	<p>DFAT staff in Hanoi will manage administrative aspects of the AVTDP, including program oversight, financial management and reporting.</p>
DFAT Independent Technical Specialists	<p>The independent technical specialists directly engaged by DFAT will:</p> <ul style="list-style-type: none"> • provide advice to DFAT on technical issues as needed; • report on the quality of M&E activities and results; and • assist with annual reviews as needed and conduct two specified major reviews of the AVTDP.
Managing Contractor	<p>The Managing Contractor will:</p> <ul style="list-style-type: none"> • provide staff for the ATAG; • support the PCC and the TWG and cooperate with DFAT Independent Technical Specialists; • develop, initiate and manage AVTDP activities; • provide advisors from a register and engage other advisors and sub-contractors as needed to undertake specific activities; • develop and implement the M&E program; • draft communication products for DFAT and MOT on project activities and outcomes; • administer the AVTDP, including management, financial and other compliance reporting; and • be a source of trusted and timely advice to MOT leadership and senior management.
Other advisors and contractors	<p>Other advisors and sub-contractors will be engaged and managed by the Managing Contractor to undertake specific assignments.</p>

Implementation Plan

To meet the proposed start date (1 April 2017), the Managing Contractor should be engaged by April 2017. Once a contract is in place, the Managing Contractor will be required to submit: (i) an Inception Period Plan within four weeks of commencing activities in Vietnam; (ii) an Annual Work Plan and Budget for the 2017/18 financial year two months after mobilisation; (iii) a Monitoring and Evaluation Plan, a Gender Equality and Social Inclusion Plan, a Promotion & Communication Plan, and an Inception Report four months after mobilisation; and (iv) a number of operational manuals within two months of mobilisation.

A timeline for ongoing activities to initiate the AVTDP is

- September 2016: Review, finalisation and approval of the IDD by DFAT;
- October 2016 – January 2017: GOV approval process and signing of an MOU between the GOV and DFAT;
- January-March 2017: Procurement of the Managing Contractor;
- April 2017: Contract with Managing Contractor signed; and
- June 2017: Program commences.

Monitoring and Evaluation

Purpose

The Monitoring and Evaluation (M&E) approach and methodology for the AVTDP is set out in detail in Appendix I. The M&E program will be further elaborated in the inception phase of the Program. At a minimum, the M&E strategy should seek a rigorous yet flexible approach essentially working at two levels: (i) activity level monitoring; and (ii) higher level outcome related monitoring involving independent research, evaluation and learning studies.

M&E for the AVTDP is premised on the ability to demonstrate new approaches to facilitate infrastructure investment through the improved project development and through the demonstration of innovative new approaches. The provision of credible evidence and demonstrable progress is a core feature of the M&E process as whole. As with other "facility model" type approaches, the ability to demonstrate causal linkages, evidence of change and progression towards intermediate and end programs remains tenuous at best. The purpose of M&E for AVTDP is:

- provide strategic, high-level feedback of the influence AVTDP is having towards the attainment of intermediate outcomes and the uptake of new ideas and concepts by MOT;
- assess the influence and subsequent value of the program in supporting MOT through pre-feasibility and feasibility studies to bring projects to market in a timelier manner;
- provide accurate and reliable evidence that enables decision makers to continually adapt the program and its activities to maximise the extent to which it facilitates changes in behaviour of critical actors;
- provide sound evidence of the program results for active communications raising awareness of the program approach and scale up, for lasting impact;
- enable MOT, DFAT and other key stakeholders to learn which activities are most likely to influence improved service delivery in the contexts in which the program operates; and
- provide accountability for the selection of activities and the associated funds spent.

Principles

M&E is a tool for management that assists AVTDP to undertake core functions in relation to accountability, program planning and improvement, and to promote learning. Specifically, M&E underpins the work of the core team to better support program implementation and management. M&E for AVTDP serves a range of broader stakeholders, primarily MOT and DFAT, with required information, and acts as a guide to analysis and interpretation of that information. M&E for AVTDP is guided by a number of key principles:

- **Simple and practical.** The implementation of program interventions should be simple, practical and not overtly complicated.
- **Participatory.** Implementation of AVTDP interventions seeks to engage key stakeholders (namely MOT) to enable them to participate in initiatives for their own benefit, promote ownership in program interventions and outputs, and support long-term sustainability.
- **Evidence-based.** Initiatives should promote evidence-based decision making within the program. This will impact the way initiatives are prioritised, designed, monitored and evaluated.
- **Synergy.** Maximised efficiency and effectiveness will be gained by implementing AVTDP as an integrated whole – working in partnership with MOT and DFAT, rather than as a series of separate stand-alone components/interventions based on contracting partners.
- **Flexibility.** Implementation of proposed interventions should remain flexible. This will enable interventions to respond to emerging opportunities and constraints in a dynamic environment, and the operational challenges inherent in the delivery of services on behalf of MOT and DFAT.
- **Sustainability.** Planning of each initiative should consider sustainability as a key requirement so that it is fully integrated into the design of every initiative.

Approach

The initial approach of M&E for the AVTDP will be to further refine to the theory of change (TOC) and logic in Appendix C. The development of a refined performance framework and associated plan will emphasise a utilisation-focused approach to M&E aligning to aspects of the Donor Committee for Enterprise Development's (DCED) Standard for Results Measurement as well as recognising other relevant approaches to evaluation, review and learning.

The DCED Standard is premised on a pragmatic approach to results measurement that balances being "complex enough to be credible, yet simple enough to be practical". This approach suits the facility nature of AVTDP allowing for a range of possible evaluation and research approaches to be considered. Whatever approach is decided, the underpinning responsibility is for a system that achieves quality, credibly and practicality.

Development of the M&E system will be led by a M&E/program design specialist who establish the overall system and support development of initial activity proposals. The specialist will then be involved on a part-time basis to further support implementation of the M&E system. This approach has been selected primarily due to the smaller nature of the Program and the importance of "front-loading" the development of the M&E system and development of initial activity designs.

Prior to the development of the M&E performance framework and plan, the Program will undertake a participatory theory of change workshop with key stakeholders and AVTDP staff. The workshops will bring together program personnel, DFAT and key partners to review the theory of change and program logic and ensure it reflects current and shared understanding of the program and how it will operate.

Each activity or initiative funded under the AVTDP will include in its design how it is linked to the TOC and how it will be addressed in the M&E system. This approach allows for a range of activity level M&E approaches to be designed (qualitative and quantitative) under the broad M&E program. The preferred evaluation approach would be a series of thematic case studies that are

longitudinal in nature, but flexibility is maintained to consider alternatives based upon identified priorities and activities.

AVTDP progress reports will need to be aligned with the Australian High Commission's needs for reporting and learning and DFAT's performance reporting requirements under the performance framework for Australian aid. AVTDP's M&E system will need to provide progress information at two levels:

- **Activity Level Reporting** – Each individual activity under the AVTDP will have proportionate monitoring arrangements in place that provide regular information about progress (financial and outputs) against expected results and program risk status. This will be based on clarity about the Program activities being supported, how they will come about (program theory), and how they contribute to the strategic aims of the Program.
- **Program Level Reporting** – Progress of the AVTDP as a whole (the program portfolio) will be assessed against the goal, objective and key result areas established in the finalized AVTDP results framework; this will include measures of coordination and efficiency aligned with DFAT M&E and value for money standards.

Learning is a core feature of the M&E approach and the program should ideally build in an annual learning and reflection event to review progress, identify bottlenecks and challenges and consider key lessons learned and their influence on program implementation and management. This learning event could form the initial steps towards an Annual Planning process and support preparation of key performance information for relevant Project Coordinating Committee meetings.

Supporting AVTDP M&E will be the independent technical advisors engaged to support DFAT. These advisors will review the performance of the AVTDP (see Table 1). This will draw on the results of the M&E program and will, inter alia examine performance against the results framework at the program level provide an overall assessment of the effectiveness and efficiency of the AVTDP.

In addition to routine annual reviews, two significant reviews are planned:

- given the programmatic approach, a formal review around 15 months after commencement of the program to assess the success of initial activities and to make any necessary refinements to the remainder of the project; and
- a review at the end of year 4 to assess the success of the program and the potential follow-on activities, if any, after June 2021.

Sustainability

The AVTDP provides assistance that requires changes in attitudes, work activities and governmental systems to be fully successful. Such change is not easily accomplished in any jurisdiction, and can be even more challenging in a country such as Vietnam where reform to entrenched arrangements and practices are needed. Equally, securing such change is the essence of securing sustainable improvements in the practice of project development in Vietnam.

Improved sustainability will be reflected through:

- improved consideration of environmental and social issues in the course of project development and inclusion of improved practices into the design and implementation arrangements for the projects addressed in the AVTDP;
- identification of improved practices, demonstration of their merits and inclusion of improved practices in project development in the course of the AVTDP; and
- ideally, applying the improved arrangements and practices to all transport infrastructure projects in Vietnam, including those that are domestically financed.

The principal constraints to securing these sustainability outcomes will be the inability of MOT and approving institutions such as MOC to accommodate recommended changes and insufficient finance to fund changes.

A number of theories of how policy change occurs involve three common elements: (i) policy communities, which examine policy options; (ii) policy entrepreneurs, who lead a proposal for change; and (iii) policy windows, which is the largely serendipitous occasion when decision makers are open to change (Sabatier 1999). The AVTDP adds to the current policy community, which include the ADB, World Bank and various Vietnamese institutions and individuals who are active and passionate for change. However, the potential for the AVTDP to support change is enhanced by its location in MOT and the funding it brings to examine issues and develop ways forward. The AVTDP cannot act as the policy entrepreneur, but can support key leaders in MOT and other agencies who are motivated to pursue change. Finally, it is improbable that the AVTDP can establish all of the conditions needed for change; however, it can keep initiatives for improved policy and practice up-to-date so that they can be pursued if the opportunity for change presents itself. The facility overall and annual work plans of support will be based on MOT needs (aggregated from different MOT department needs) and will be responsive to MOT annual work plans, in a prioritised manner, so that it will utilise policy windows for policy influencing.

More specifically, measures to enhance the sustainability of the AVTDP will include:

- Developing a good understanding of current institutional arrangements, need for change to policy and practice, openness to specific types of reform and potential challenges so that the best initiatives and means to pursue them can be identified.
- Undertaking project development activities for projects for which funding is available (i.e. projects to be financed by ADB, the World Bank and the private sector) to ensure that the activities lead to productive and sustainable outcomes.
- Using a key criterion for selecting activities to be undertaken under Stream B (Unlocking Opportunities through Innovation) that they can lead to change that can be implemented in PFS, FS and DDD activities being undertaken in Stream A (Facilitate Project Development). That is, pursuing policy and practice innovations that can be put into effect.
- Work on AVTDP activities with people in GOV agencies who can facilitate the adoption of new approaches to project development. These people will include entrepreneurial and motivated staff and key decision-makers in various relevant departments and other entities of MOT, and key staff in other agencies (MPI and MOC in particular).
- In the case of activities directed to new policies and practices, provide concise documentation of the work that provides sound reasoning for the change and quantitative evidence, including cost-benefit analysis, to justify the change.
- Documents that seek to encourage change in policies and practice will be translated into Vietnamese and followed up with workshops and other means for encouraging their adoption.
- Supporting staff in MOT and PMUs, and consultants undertaking work for them, to developing their capacity to sustain improved project preparation and investigation and adoption of innovative practices.
- Making use, and seeking improvements to, GOV systems and processes (rather than donors' systems) to enhance the impact and sustainability of improvements.
- Undertake the above activities with GOV officials in a sensitive and cooperative manner, including involving them throughout the activities to ensure their positive involvement and their understanding of the results of the work.

There can be no assurance that improved policies and practices will be adopted in MOT's broader infrastructure program. However, in the same manner that MOT officials have adopted better practices than occurred in the past, the provision of support through the AVTDP can be expected to sustain the momentum and process of change, particularly given the focussed content of the Program and the manner in which it is to be implemented. The risk is

acknowledged and will be monitored during the Program and refined and remedial actions introduced if needed.

Gender Equality

Vietnam has made considerable advances in relation to gender equality, especially compared to other countries in the region. However, significant and systemic challenges still exist which affect the ability of public agencies such as MOT to adequately address gender equality issues. Major challenges include the persisting low level of women's participation in public decision-making at local, regional, and national levels; a highly gender segregated labour market in which women are paid less than men; gender disparities in educational outcomes (particularly in regional and remote areas of the country), and; weak implementation of gender equity laws and policies at all levels with little consequence for failure to meet the stated targets.

The AVTDP will advance gender equality and promote the empowerment of women and girls in the transport sector by adopting a gender-responsive pro-poor, and socially-inclusive approach. This program will act as a catalyst and model for incorporating gender equality principles and activities to enable progress on issues such as those raised above. This includes the following elements:

- recruitment and deployment of a gender specialist to guide and provide on-the-job training for staff of MOT, PMU and local consultants in comprehensive gender mainstreaming;
- extensive community consultation with women and men to make sure communities understand about the project and to ensure all stakeholders' concerns and needs are listened to effective incorporation of identified needs of both men and women in the design of the project;
- ensuring that women's concerns in particular about issues such as road safety, personal security, and cost issues related to transport services and infrastructure, are voiced and acted upon;
- use of sex-disaggregated data for project design, implementation and monitoring as well as data disaggregated by ethnicity, disability, age, extent and type of transport use, where feasible;
- use of specific gender responsive indicators to monitor and assess the gender impacts of the project;
- extension of equal opportunities to male and female community members to participate in transport project activities and benefit from skills development, leadership training, employment, and/or other opportunities;
- mechanisms such as separate sex groups and quotas to ensure women's equal representation and participation in decision-making processes related to the design, operation, and maintenance of transport infrastructure;
- mentoring and professional development of female MOT staff to provide leadership skills and role models for women's empowerment;
- encouraging more women into engineering courses to increase women's participation;
- strengthening links to build capacity and leadership of MOT staff via short course training involving Australian Universities and Alumni, channelled through Australia's human resource development program in Hanoi; and
- feeding evidence based information into the project preparation stage so that PMUs can submit more gender responsive pre-FS and FS which respond directly to affected community needs in local contexts, as well as to donors' due diligence requirements.

These measures will need to be explored further during the inception phase of the Program with refined plans and activities subsequently developed.

Disability Inclusiveness

Disabled females and males face specific and conceivably different challenges in accessing mainstream transport services and related infrastructure, however these barriers are difficult to determine since little information is known about people with disabilities (PWD) transport behaviour and concerns due to a lack of survey data. Collecting this type of information poses problems in itself because comparatively few PWD travel on public services to enable interviewing, and some PWDs may have difficulty in communicating, especially if they feel embarrassed talking about their disability. Thus it is difficult for transport projects to include specific measures to cater to disabled female and male needs, such as special seating arrangements, ramps for wheelchair access, specialized toilets, and other measures, or to consider if it is possible to employ PWD in some meaningful way. The AVTDP will ensure that consideration is given to the needs of PWD (and also other socially disadvantaged people) in PFS, FS and DDD activities for specific infrastructure projects. It will also examine other matters related to policy and practice through Stream B activities that could be adopted in future project development activities by MOT.

The work will include:

- developing an overall understanding of disabled female and male transport user behaviour and concerns, and how PWD access to, and participation in, transport-related services and activities can be improved using document research, key informant/- stakeholder discussions and community consultation;
- identify any specific differences between disabled female and male needs, perceptions, attitudes and opportunities associated with transport related services through desk studies and stakeholder consultation as mentioned above; and
- identify the likely differential impacts of project activities on disabled females and males and identify measures that could be incorporated in projects to secure more socially inclusive outcomes.

Private Sector

The AVTDP will contribute to private sector development in the transport sector in Vietnam by:

- Supporting the development of international practice PPP projects by identifying and seeking to resolve current bottlenecks and supporting PFS and FS activities for PPP projects.
- Building the capacity of Vietnamese private sector consulting firms to develop better prepared projects by sponsoring the consideration of a broader set of issues in PFS and FS activities and providing technical guidance to the firms.
- Developing the capacity for MOT to secure the best outcome from the use of the private sector for project development through better management of consultants undertaking PFS, FS and DDD activities.
- Promoting opportunities for the private sector to contribute to the implementation of projects by supporting consideration by MOT and MOC of alternative engineering design and construction approaches.
- Providing opportunities for the private sector from Australia to better understand conditions, processes and opportunities in Vietnam and hence to expand their operations in Vietnam.

Risk Management Plan

The AVTDP is considered a low-risk investment for DFAT. However, risks at the institutional and program level remain and need to be carefully managed throughout the implementation period. A risk management plan is required for implementation and could be integrated alongside the program M&E Plan. A risk register detailing immediate and significant risks identified during the

design phase is included as Appendix J. This risk register provides guidance and forms the basis for the development and articulation of a more comprehensive and detailed risk management plan.

Key risks revolve around the availability of finance to support interventions and investments, institutional capacity and the implementation model of AVTDP in terms of the linkages of activities through contribution and attribution to achieve desired intermediate and end program outcomes. Details of the significance of risks, current treatments and proposed contractor approaches to manage the risk are contained within Appendix J.

The IID proposes that the risk management plan is closely managed and aligned to the risk management plan. Key risks should be reviewed and revised (and new risks included) as part of the Theory of Change workshop and subsequent development of the M&E Plan. Key responsibilities for risk assessment and management should be identified at this stage also. Annual reviews should occur and form part of Annual Work Plans and performance reports. An annual joint workshop should ideally be facilitated involving key stakeholders and the risk register updated and shared with the Steering Committee. Reporting through the M&E framework should also report against key risks and their on-going influence on the Program and the strategies being undertaken to address and minimise these. Key lessons should also be documented as part of the process.

The AVTDP team leader will assume overall responsibility for the management of risk but will work closely with the core team to ensure all risks are effectively identified, prioritised, minimised and potentially mitigated.

Safeguards

The AVTDP does not involve any direct involvement in the implementation of physical infrastructure other than that which may occur through currently unidentified demonstration projects. Through its project development activities, it will ensure that all necessary safeguards needed to meet the minimum standards set by MDBs and DFAT are incorporated into planned projects. An assessment of the AVTDP with regard to safeguard needs is described in Table 3 based on the current known content of the program. If any demonstration projects involving physical construction were to occur, they will be required to meet the same standards as those included in projects to be prepared through the program.

Table 3 Safeguard Assessment

	Yes	No	Not Sure
Child protection			
Is the investment likely to involve contact with or access to children (0-18 years old) due to the nature of the activity or the working environment?		No	
Will the investment involve personnel working with children?		No	
Displacement and resettlement			
Does the investment involve construction on: exclusion from: or repurposing of land that is occupied, accessed to generate livelihoods or of cultural or traditional importance?		No	
Does the investment's success depend on other development activities that may involve construction on; exclusion from; or repurposing of land that is occupied, accessed to generate livelihoods; or of cultural or traditional importance?		No	
Does the investment involve planning for, advising on or designing the economic or physical displacement of people to make way for infrastructure development, disaster risk reduction or exclusion of the local population from land accessed to generate livelihoods?	Yes		
Environment			

	Yes	No	Not Sure
<p>Will the investment support any of the following:</p> <ul style="list-style-type: none"> • medium to large-scale infrastructure such as roads, bridges, railways, ports, infrastructure for energy generation; or • development of irrigation and drainage, diversion of water; or • land clearing, intensification of land use; or • hazardous materials and wastes; or • activity in mining, energy, forestry, fisheries, water supply, urban development, transport, tourism or manufacturing sectors? 	Yes		
<p>Will the investment support any of the following:</p> <ul style="list-style-type: none"> • small to medium scale infrastructure such as localised water supply and/or sanitation infrastructure; irrigation and drainage; rural electrification, rural roads; or • construction/renovation/refurbishment/demolition of any building for example: schools, hospitals or public buildings; or • localised use of natural resources, including small-scale water diversion, agriculture, or other types of land-use change? 		No	
<p>Will the investment contribute to, directly or indirectly, or facilitate, activities such as those listed above, including through:</p> <ul style="list-style-type: none"> • trust funds, procurement facilities; or • co-financing contributions; or • support for planning, change to regulatory frameworks, technical advice, training or; • applied research? 	Yes		
<p>Has an environmental review of the proposed investment already been, or will be completed by an implementing partner or donor?</p>		No	
<p>Does this investment need to meet any national environmental standards or requirements?</p>		No	

F: Annexes

Appendix A:	Sector Review
Appendix B:	Social Dimensions
Appendix C:	Theory of Change
Appendix D:	Activity Selection Criteria and Potential Initial Activities
Appendix E:	Not Used
Appendix F:	Illustrative Position Descriptions and TOR
Appendix G:	Not Used
Appendix H:	Not Used
Appendix I:	Monitoring and Evaluation
Appendix J:	Risk Register
Appendix K:	Bibliography
Appendix L:	List of Key Persons Met During the Design Mission