

**BEYOND WTO PROGRAM
PHASE II**

**FIRST ANNUAL WORKPLAN
(From September 2009 to December 2010)**

Ha Noi, September 2009

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List of acronyms and abbreviations

| | |
|--------|---|
| BWTO | Beyond WTO |
| CIDA | Canadian International Development Agency |
| CPV | Communist Party of Vietnam |
| DfID | Department for International Development |
| EC | European Commission |
| GDP | Gross Domestic Product |
| GOV | Government of Vietnam |
| ISC | Integration Steering Committee |
| M&E | Monitoring and evaluation |
| MARD | Ministry of Agriculture and Rural Development |
| MDTF | Multi-donor Trust Fund |
| MOF | Ministry of Finance |
| MOJ | Ministry of Justice |
| MOIT | Ministry of Industry and Trade |
| MPI | Ministry of Planning and Investment |
| MUTRAP | Multilateral Trade Assistance and Reform Project |
| GAP | Government Action Plan |
| NCIEC | National Committee for International Economic Cooperation |
| NME | Non-Market Economy |
| OOG | Office of Government |
| OSC | Office of the Steering Committee |
| PAP | Provincial Action Plan |
| PRSC | Poverty Reduction Support Credit |
| SEDP | Socio-Economic Development Plan |
| VDG | Vietnam Development Goals |

1. Introduction

- 1.1 Vietnam has been remarkably successful in achieving economic growth and improvements in the well-being of its people since it began its comprehensive program of restructuring and renovation in the late 1980s. GDP growth has averaged over 7 per cent per annum in the two decades — one of the strongest performances in the region, and in the world. This growth has brought about a spectacular reduction in poverty, with the number of people living in poverty falling from over 70 per cent of the population in the early 1990s to 14.8 per cent in 2008. Whilst Foreign Direct Investment (FDI) has shown significant growth, the global recent economic downturn, however, has caused a major slowing of Vietnam's economy, and slashed the country's trade performance in both exports and imports.
- 1.2 Liberalisation of trade and investment, and the pursuit of integration with the regional and world economy have played a pivotal role in Vietnam's renovation process and in generating growth. Exposure to international markets, foreign investors and external competition has provided strong stimulus to develop the legal, judicial and institutional underpinnings of a market economy, at the same time as it has brought resources, technology and know-how to support economic development. The early stages of integration were pursued largely through unilateral reductions in barriers to trade and investment. In recent years, bilateral, regional and multilateral initiatives have been playing a greater role, culminating in accession to the World Trade Organization in January 2007.
- 1.3 Vietnam's growth and poverty performance has been accompanied by strong achievements across other dimensions of development. The pattern of growth remains relatively equal at the aggregate level with no increase in inequality. Social indicators are higher than those of other countries at similar levels of GDP per capita. Vietnam has already met four of the ten targets of the Millennium Development Goals (relating to poverty, hunger, gender equality and malaria and other diseases), and is expected to reach all but two of the remaining six. However, protecting past reductions in poverty, and enabling even more people to lift themselves out of poverty will require a deepening of reforms, continued pursuit of more sophisticated forms of regulation that do not stifle competition (domestic or international) and development of well-targeted social safety nets. It will also require dealing with the consequences of past reluctance to address structural problems in the financial system and more aggressive programs to impose financial, economic and competitive disciplines on state owned enterprises.
- 1.4 The purpose of this document is to set out the first Annual Work Plan (AWP 01) of Phase II of the Beyond WTO (BWTO II) program in Vietnam. The document recalls the objectives, components, and strategic directions under the BWTO II programme and sets out the roadmap for implementing, funding and monitoring the key activities in its first period. The implementation period covered by AWP 01 runs from [1 July 2009 to 31 December 2010] in order to synchronize fully with the Government's financial year. Subsequent AWP's will be prepared to cover an implementation period of 12 months from 1 January to 31 December.

2. Program background and objectives

- 2.1 The BWTO program aims to strengthen the Government's capacity to manage the integration of Vietnam into the global economy and its transition to a socialist market

economy. In doing this it will contribute directly and indirectly to helping Vietnam to sustain pro-poor growth and protect poverty reduction gains and thus meet the targets set out in the SEDP (2006-2010) and in the Vietnam Development Goals (VDGs). The BWTO program will directly support implementation of the Government's Action Plan (GAP) for integration and sustainable development, and the 16th Resolution of the 4th Congress of the Central Committee of the CPV (10th term).

- 2.2. The goal of the program during the second phase will continue to be 'to strengthen government's capacity to manage the integration of Vietnam into the global economy and the transition of Vietnam to a socialist market economy. The Program's purpose is 'implementation of priority policy actions from the Government's Action Plan'. The GAP has been constructed to enhance Vietnam's capacity to sustain pro-poor growth and protect poverty reduction gains.
- 2.3 The BWTO program was developed in response to a request from the Government for donor support to help with managing economic integration and the transition to a market economy in the period after Vietnam's accession to the World Trade Organization (WTO). The first preparatory phase of the program, which was launched in January 2007, shortly after Vietnam formally acceded to the WTO, was designed to help the Government to develop a comprehensive national action plan (GAP) and robust institutional arrangements for coordinating integration and related reforms, and to test a nationally managed multi-donor trust fund (MDTF) to provide pooled donor support for implementation of the plan.
- 2.4 The program phase II design draws on the lessons from the first phase, and on consultations with key stakeholders concerning the priority areas for support. The main elements of the approach proposed for the design, which will maintain the program's status as a key vehicle for harmonised donor support on integration and economic transition are:
- The program will focus on agreed core priority policy areas and activities with sufficient flexibility to address changing and emerging priorities.
 - The program will provide support for the Government's GAP management and coordination function. The program will also provide support to strengthen the management of the MDTF.
 - Monitoring and evaluation will be an essential part of the program, with a results framework that focuses clearly on implementation of the GAP.
- 2.5 BWTO II program design recognises that the Government's GAP of itself does not yet provide a sufficiently well-articulated set of priorities that is integrated into the work programs and budgets of ministries and agencies. Nor, given the nature of the activities that the GAP involves can it reasonably be expected to do so, at least to a degree sufficient to allow a fully open-ended and flexible program of support. The design therefore envisages an additional step of developing priorities and work programs for two key areas of action in the GAP, and on coordination of the integration-related reform agenda. The two areas, selected on the basis of priorities expressed during the design mission, analysis of the GAP and reports commissioned by the program, reflect priorities in recent resolutions of the Communist Party of Vietnam and are (i) strengthening the institutions of a market economy and (ii) addressing the social and economic challenges of integration for the rural sector.

3. Strategic directions & priorities for the AWP

- 3.1 This AWP focuses on four key strategic directions and overall priority themes for this implementation period of the BWTO II program:
- Getting the post WTO legal and regulatory framework right & giving regulators skills & tools for new challenges
 - Strengthening key functions of market economy by focus on price controls, SOE reform, land and real estate market regulation, corporate tax and competition.
 - Extending analysis into real economy sectors (food, retail, financial services etc) to guide effective market-oriented intervention at provincial level in later AWP.
 - Developing sound analytical frames, baselines & datasets to assess/track disaggregated impacts on socio-economic groups/ areas and guide policy responses.
- 3.2 Future AWPs under the BWTO II program may well reflect different strategic directions and overall priority themes, as implementation of the Government Action Plan progresses and the process of economic integration deepens in Vietnam.

4. AWP preparations & Consultation process

- 4.1 Following the approval of PDD since 20 March 2009, call for proposals has been made via various communication activities by OSC. A BWTO kick-off workshop was organised in early March 2009 to introduce BWTO Phase II and to invite expression of interests from relevant line ministries and institutions.
- 4.2 Interests in BWTO are high. MTDF Office has received 43 proposals from [16] leading agencies including: (i) 3 central offices including OOG, NFSC, NCIEC; (ii) 8 line ministries including MOIT, MOF, MOJ, MPI, MONRE, MOLISA, MARD, MOC; (iii) 4 provincial committees including Hanoi, Ho Chi Minh city, Da Nang and An Giang; and (iv) The Association of Small and Medium Enterprises. Total fund in requests amounts to US\$25.7 million.
- 4.3 A team of one international consultant and one national consultant has been contracted to assist the MTDF Board and donors in the process of reviewing, appraising and selecting proposals and drafting this AWP for the approval by The Steering Committee. Meetings between MTDF Office/consultancy team with the owner of 39 proposals have been extensively undertaken in Hanoi and Ho Chi Minh city from 11 May 2009 to 19 May 2009 to obtain inputs for this AWP.
- 4.4 Most of proposals fit well to one of the BWTO component while some proposals match to two components concurrently. Many proposals are well prepared while others are weak and originally not prepared for BWTO but tweaked for submissions.
- 4.5 In addition to DFID and AusAID, MTDF Office and consultants have consulted with other donors including MULTRAP III, [CIDA, JICA, WB], independent research institution: Harvard School in Vietnam to get their views about BWTO and to mobilise inputs to this AWP.

- 4.6 MTFD Board and Steering Committee had a few meetings to discuss screening results by consultant team. The 20 best proposals have been shortlisted for the first year Phase II. 02 proposals (MOC and Hanoi PPC) continue to be adjusted, amended and completed for consideration by the end of 2009.

5. Methodology and approach.

5.1 Component 1

- 5.1.1 This component will provide support to selected priority areas of action to strengthen the market economy. This support should be within the six areas that Government has identified as required as priorities for addressing the Non Market Economy (NME) issue such as price controls; interest rate policy; subsidies to state owned enterprises; State Owned Enterprise reform, land policy and management, and implications of socialization of public services. It will also provide support to the further development of appropriate approaches towards promoting competition and addressing regulatory constraints to competition within the Vietnamese economy. This will involve support to strengthen processes of regulatory review, development of more rigorous approaches to state enterprise reform, and assessments of regulatory arrangements for utilities and ‘natural’ monopolies, as well as building the capacity of the competition agency to analyse and take action against anti-competitive practices.
- 5.1.2 Progress in these areas will contribute to supporting Vietnam's attempts to secure recognition by trading partners of the country's Market Economy status in line with the plans developed by MPI for achieving this objective. However, the achievement of recognition of Market Economy status by specific trading partners (notably the European Union and the United States) will in part be determined by domestic political considerations, rather than purely as a result of reforms undertaken in Vietnam. The main value of the Market Economy commitment is that it provides a clear impetus for necessary reforms whose main benefit will be in terms of improved economic efficiency.
- 5.1.3 The project activities and lead agencies that will be supported under Component 1 during AWP 01 are as follows:

| No | Lead Agency | Project |
|----|---|---|
| 1 | VCAD, Ministry of Industry & Trade | Enhancing Capacity for VCAD to Reinforce the Market Economy Institution in Vietnam |
| 2 | Ministry of Finance | Support to the formulation of the Government Decree on Stipulating the State Capital |
| 3 | Ministry of Finance | Support to the formulation of the Price Management Law |
| 4 | Ministry of Finance | Support to the formulation of GOV policy on land in SOEs equalization |
| 5 | Ministry of Justice | The Improvement of Viet Nam Legal System to Implement WTO Commitments |
| 6 | Ministry of Natural Resources and Environment | Survey and evaluation of the current status, identification of the opportunities and challenges, and development of a strategy for environment service by 2020 and orientation for 2030 |

| | | |
|---|---|--|
| 7 | Ministry of Natural Resources and Environment | Formulation of legal policy and mechanism to develop organizations to provide services for the real estate market |
| 8 | Centre for Integration and Economic Management, Ministry of Planning & Investment | Renewing corporate governance in state-owned enterprises and supervision of state economic groups in accordance with WTO commitments and market economy practices |
| 9 | SME Association | Proposing solutions to enhance manufacture and business operation capability and strengthen roles and advantages of SMEs in Vietnam in the process of completing market economy. |

5.2 Component 2

5.2.1 Intensified international economic integration has very uneven sectoral and spatial implications. Understanding these is critical to addressing the social and economic consequences of the integration process, with the implications for the rural sector in which the large majority of the population live and work (and where poverty is concentrated) being of central importance. The Action Plans place a high priority on improving understanding of these issues and their implications for policy choices. Specifically, the Action Plan of the Ministry of Agriculture and Rural Development (MARD) includes a set of proposals for “Research projects and programs for international integration, and agricultural and rural industrialization and modernization” which will form a basis for the selection of some activities in AWP 01.

5.2.2 In part, therefore, this component will support the agenda of policy analysis and policy research that has been identified. It will also support the development of specific initiatives and policy responses (including potentially in relation to social and economic issues relating to land policy as noted under Component 1, and to some of the stresses that rural Vietnam will face during the current global economic crisis, when the rural sector may have to re-absorb people who moved to urban areas for jobs in industry and services which may now be under threat). The overall focus will be on measures concerned with continued poverty reduction and protecting previous gains on the rural poverty front.

5.2.3 Specific activities in this area will be informed by the Rural Development Strategy that MARD is currently developing. They will also be informed by the results of work on the social impacts of integration on rural women currently being carried out (with AusAID funding) by UNIFEM and the Institute of Labour Science and Social Affairs.

5.2.4 The project activities and lead agencies that will be supported under Component 2 during AWP 01 are as follows:

| No | Lead Agency | Project |
|----|-------------|--|
| 1 | MOLISA | Impact of WTO accession on labour migration from rural area to urban area and industrial zones |
| 2 | MARD | Analysis and evaluation on impact of WTO commitments and regional commitments (impacts on economy, society, rural area, poverty, SME in agriculture) |
| 3 | MARD | Research and development of database and regulations on Food safe and sanitary and SPS of |

| | | |
|--|--|--|
| | | commercial partners such as EU, Japan, Korea, America, China and ASEAN |
|--|--|--|

5.3 Component 3

- 5.3.1 Since the one of the overall objectives of the BWTO program is “to strengthen the Government of Vietnam’s capacity to manage the integration of Vietnam into the global economy and its transition to a socialist market economy” the MDTF should provide support to building capacity for management and coordination of integration processes. GOV has confirmed that this coordination function will be the responsibility of the NCIEC. In the past, the NCIEC has been mainly involved in coordinating work on negotiating trade agreements. If it is to successfully deliver a coordination function with respect to implementation of the GAP, it will need considerable support to be able to deal with the more complex challenges and broader scope that the GAP entails.
- 5.3.2 Over the AWP 01 period, Component 3 will include support to monitoring and evaluation of GAP implementation; further adaptation of the GAP in the light of experience; conduct of the 3 and 5 year evaluations of the impact of WTO membership; assessment of issues falling outside the mandate of individual ministries (this may involve commissioning relevant studies or research, supporting inter-ministerial cooperation processes, or advising GOV on institutional mechanisms to handle such issues); and addressing priority capacity development needs. Technical assistance will be provided to the Office of the NCIEC and the Planning Department of Ministry of Industry and Trade, with additional funds available to undertake studies and address capacity development needs.
- 5.3.3 The project activities and lead agencies that will be supported under Component 3 during AWP 01 are as follows:

| No | Lead Agency | Project |
|----|--|--|
| 1 | Ministry of Industry & Trade | Assisting integration coordinating by means of supervision, examination and assessment mechanism of the implementation of tasks defined in the Action Plans of the Government, Ministries Agencies and local authorities to realize the Government’s Resolution No.16/2007/NQ-CP |
| 2 | Office of the Government | Increasing capacity of The Office of Government staff and civil servants in resolving joint sector issues in the context of international economic integration |
| 3 | NCIEC | Capacity building for the international economic integration focal points |
| 4 | CIEM, MPI | Impacts of integration on Viet Nam's economy after three years of joining the WTO |
| 5 | Administration and Politics Institute Area I | Increasing management capacity to implement WTO commitments for the leaders and managers at Province, Commune level at Administration and Politics Institute Area I |

5.4 Component 4

- 5.4.1 It is important that the MDTF should provide support to implementation of aspects of Provincial Action Plans, both to recognise the substantial efforts made by Provinces in developing them, and to ensure that resources are applied to deal with integration issues at the local level. The proposed approach for Component 4 takes account of (i) the variable quality of the Provincial Action Plans and the fact that (as with the Action Plans in general) they fall some way short of fulfilling the three criteria for effective use of the MDTF listed above, (ii) the danger of spreading resources too thinly across provinces so that impact is limited, and (iii) the limited value in promoting development of an additional ongoing planning process, as opposed to supporting incorporation of integration issues in the long-standing SEDP process.
- 5.4.2 The approach proposed is therefore to provide support to the implementation of priority integration related activities identified in a selection of Provincial Action Plans, initially on a pilot basis. It is initially proposed that two provinces will be selected for support under AWP 01. Support will take the form of technical assistance to help with the design of specific activities selected from the Provincial Action Plan, and to assist with the integration and mainstreaming of these activities into the provincial budget and development plans. Lessons from the pilot will be used to design the possible roll out of additional support in subsequent years.
- 5.4.3 The project activities and lead agencies that will be supported under Component 4 during AWP 01 are as follows:

| No | Lead Agency | Project |
|----|--|--|
| 1 | Danang Peoples Provincial Committee | Establishment of a Center for WTO Issues in Danang City. Development Plan of Wholesale Network and Retail Network in Danang City to 2020 |
| 2 | Ho Chi Minh Peoples Provincial Committee | Increase the capacity of Ho Chi Minh city to manage global economic integration |
| 3 | An Giang Peoples Provincial Committee | Increase the capacity of and farmers for economic development and cooperation in An Giang Province from 2010 to 2012. |

6. Inputs

6.1 Budget

- 6.1.1 Total programme budget is expected to be US\$20-25 million to meet the programme's objectives. Funding commitment for BWTO Phase II is US\$13 million from DFID and AusAID excluding the earmark support outside of MDTF amounting to US\$0.5 to finance independent review, audit and evaluation activities. The Government of Vietnam committed to provide total contribution of VND10 billion (equivalent to US\$0.57 million) in cash for implementation of BWTO.

Table 1: Committed MDTF contributions

| Component | Total Programme Budget (USD mil) |
|---------------------------|----------------------------------|
| AusAID and DFID | 13,000,000 |
| The Government of Vietnam | 571,500 |
| Total | 13,571,500 |

6.1.2 BWTO has also drawn high interests from other donors including European Communities via MUTRAP III, CIDA, SDC, IAID. These donors have agreed to earmark total budget of approximately US\$7 million to support BWTO activities.

6.1.3 The Government will provide in-kind support through the provision of programme staff, office arrangements through the programme management structure i.e. MDTF Office and implementation agencies. The World Bank will provide in-kind support for the programme including sector experts and available research resources.

6.1.2 It is agreed from AusAID and DFID that total MDTF budget for AWP1 will be US\$5 million. The donor budget by component for AWP 1 is presented in Table 1 below.

Table 2 : Donor Budget by BWTO component for AWP 1

| Component | Donor Budget (million USD) | Rate (%) |
|--------------|----------------------------|------------|
| Component 1 | 1,668,084 | 41 |
| Component 2 | 312,904 | 8 |
| Component 3 | 780,532 | 19 |
| Component 4 | 453,586 | 11 |
| Component 5 | 856,828 ¹ | 21 |
| Total | 4,071,934 | 100 |

6.2 Support from line ministries and leading agencies

6.2.1 BWTO very much relies on the Government's administration system to undertake activities. The model had been well tested in Phase I. Proposal calling has been undertaken efficiently in a month's time with strong support from line ministries. The continuing support from line ministries and Government's agencies appear to be the key to success.

6.2.2 Financial contributions by the Government of Vietnam include cash contributions and in-kind contributions such as office and facility arrangements. Contributions in cash are determined in each proposal in accordance with the State budget regulation. BWTO does not require a minimum percentage for counterpart funding.

6.3 Financing requests to MDTF for AWP 01

6.3.1 The 43 proposals submitted to MDTF Office have requested total donor budget of US\$25.7 million. There are high interests from line ministries with 24 proposals but

¹ If the STA is provided by a consulting company

their donor budget is moderate at US\$241 thousand. The largest amount comes from An Giang's PPC where they are proposing \$12.5 million in an individual project on vocational training while the lowest amount of US\$40,000 comes from MPI for their internal coordination capacity building.

Table 2: Proposed Amount by Agency Level

| Component | Proposed Donor Budget (thousand USD) | Proposed Donor Budget (%) | Number of proposals | Average Amount (thousand USD) |
|------------------|--------------------------------------|---------------------------|---------------------|-------------------------------|
| Central agencies | 8,956 | 35% | 27 | 331 |
| Institutes/SMEA | 670 | 3% | 5 | 134 |
| Provincial | 16,108 | 62% | 11 | 1,464 |
| TOTAL | 25,734 | 100% | 43 | 598 |

- 6.3.2 Many agencies were struggling with proposal preparation and thus the budgeting is at low reliability. There was a lack of an appropriate logic frameworks and detailed financial budget calculation in most of proposals. Thus, MDTF will require refinements in all proposals and definitely to provide support in budgeting work in full proposal stage.

7. Outputs and expected results

7.1 Expected key headline results over AWP 01 period

- 7.1.1 The table below sets out the key headline results expected to be achieved over the AWP 01 period from September 2009 to December 2010.

| Line Agency | Project | Key Result/Outcome by December 2010 |
|--|--|---|
| Component 1 | | |
| MOIT/ Competition Administration Department | Enhancing Capacity for VCAD to Reinforce the Market Economy Institution in Vietnam | <ul style="list-style-type: none"> • Clarified market economy status with the US and EU by December 2010 • Broadened scale and promoted status and capacity of Department officials • Improved ability in clarifying ME Status and enforcing competition laws and policies |
| MOF | Support to the formulation of the Government Decree on Stipulating the State Capital | <ul style="list-style-type: none"> • Decree on Management and Use of State Capital Investment in Businesses enacted by December 2010 |

| Line Agency | Project | Key Result/Outcome by December 2010 |
|--|---|--|
| | | <ul style="list-style-type: none"> • Groundwork completed for the drafting of a Law on Management and Use of State Capital in Businesses to be approved by the National Assembly by December 2010 |
| MOF/ Department of Price Management | Support to the formulation of the Price Management Law | Report on existing framework and draft of a new price management law submitted to the National Assembly by June 2010 |
| MOF/ Department of Price Management | Support to the formulation of GOV policy on land in SOEs equalization | <ul style="list-style-type: none"> • Draft decree to amend and supplement Decree 198/ 2004/ ND-CP dated 3 December 2004 regarding the land use right fee collection to be submitted to the GOV. • Draft decree to amend and supplement Decree 142/ 2004/ ND-CP dated 14 November 2004 regarding the land and water surface rent fee collection to be submitted to the GOV for approval. • The Ministry of Finance issues guiding circulars for the above decrees. |
| MOJ | The Improvement of Viet Nam Legal System to Implement WTO Commitments | <ul style="list-style-type: none"> • The consistency and compatibility of Vietnamese legal documents with WTO agreements reviewed by April 2010. • Research on recommendations to the Government concluded by April 2010 |
| MONRE | Survey and evaluation of the current status, identification of the opportunities and challenges, and development of a strategy for environment service by 2020 and orientation for 2030 | <ul style="list-style-type: none"> • Report on domestic and overseas study tours and survey. • General report on current status, opportunities & challenges of environment service development in the context of international economic integration and the implementation of WTO commitments. |

| Line Agency | Project | Key Result/Outcome by December 2010 |
|-----------------|---|---|
| | | <ul style="list-style-type: none"> • Drafting “strategy for environment service development by 2020 and orientation for 2030” |
| MONRE | Formulating mechanism and legal policies to develop organizations for providing services for the real estate market | <ul style="list-style-type: none"> • Report on domestic and overseas study tours and survey. • Building 04 models in 03 provinces representing 03 regions (the North, the South and the Central), in detail <ul style="list-style-type: none"> - Model of organizations providing land price fixing service - Model of organizations providing land-use planning service - Model of organizations developing land fund, creating “clean” land fund to provide land for assets market. - Model of Centre for land-use right transactions and auction • Report on assessing and reviewing the effect of all models • Report on proposals to perfect mechanism, policy and legal frames for organizations (both state and private) providing service so as to develop asset market. |
| MPI / CIEM | Renewing corporate governance in state-owned enterprises and supervision of state economic groups in accordance with WTO commitments and market economy practices | <ul style="list-style-type: none"> • SOEs undergoing reform to achieve optimal market economy mechanisms by May 2010 • A level and transparent business environment between SOEs and private enterprises by May 2010. • SOE corporate governance in line with market economy practices by May 2010. |
| SME Association | Proposing solutions to | <ul style="list-style-type: none"> • Report on impact of integration |

| Line Agency | Project | Key Result/Outcome by December 2010 |
|--------------------|--|---|
| | enhance manufacture and business operation capability and strengthen roles and advantages of SMEs in Vietnam in the process of completing market economy. | <p>on Vietnam small and medium enterprises;</p> <ul style="list-style-type: none"> • Role of the Association of small and medium enterprises in the consulting, building mechanisms, policies, institutions of market economy, creating opportunities for small and medium enterprises involved in producing economic in international and regional institutions in the market economy; • Solutions to improve productivity of small and medium enterprises; • Policy recommendations to the Government on SME development |
| Component 2 | | |
| MOLISA | Impact of WTO accession on labour migration from rural area to urban area and industrial zones | <ul style="list-style-type: none"> • Increased level of information on the situation of migration by April 2010 • Study conducted, proposed solutions to management, support for labour migration by April 2010 |
| MARD | Analysis and evaluation on impact of WTO commitments and regional commitments (impacts on economy, society, rural area, poverty, SME in agriculture) | Research on impacts of integration on rural areas, agriculture and farmers. Propose proper measures and policies to promote advantages and hinder negative effects of integration process on rural areas, agriculture and farmers. |
| MARD | Research and development of database and regulations on Food safe and sanitary and SPS of commercial partners such as EU, Japan, Korea, America, China and ASEAN | <ul style="list-style-type: none"> • Database on SPS regulations of partners such as Japan, Korea, USA, China and Asean • Update and post the database on SPS website in Vietnam • Guidelines and leaf lets to instruct usage of information on SPS website and other related sites. |
| Component 3 | | |
| MOIT | Assisting integration coordinating by means of | <ul style="list-style-type: none"> • Consolidation and evaluation of |

| Line Agency | Project | Key Result/Outcome by December 2010 |
|--|--|--|
| | supervision, examination and assessment mechanism of the implementation of tasks defined in the Action Plans of the Government, Ministries Agencies and PPCs | <p>the 3 – year implementation of the common Governmental, Ministerial and provincial action plans by December 2010</p> <ul style="list-style-type: none"> • Submission of recommendations and reporting of necessary moderations, supplementations and updates by 2010 |
| MOIT / National Committee Office (NCIEC) | Capacity building for the international economic integration focal points | <ul style="list-style-type: none"> • Reviewing, proposing the pattern/model for and strengthening the network of international economic integration focal points in place by December 2010 • A system of indexes developed for assessing and ranking the annual international economic integration capacity of the Ministries, agencies, and localities by November 2011 • Training and improving the knowledge of international economic integration for the officials working in the international economic integration focal points completed by November 2011 • Assistance to Develop the “Vietnam’s Cooperation Index 1995-2008” Book |
| OOG | Increasing capacity of The Office of Government staff and civil servants in resolving joint sector issues in the context of international economic integration | <ul style="list-style-type: none"> • An effective mechanism to solve joint-sectors issues under Government’s authorization and Prime Minister based on commitment of joining WTO by July 2010 • Stronger capacity of OOG staff and civil servants on these issues by July 2010. |
| MPI / CIEM | Impacts of integration on Viet Nam's economy after three years of joining the WTO | <ul style="list-style-type: none"> • Regular and systematic monitor and evaluation of integration process in Vietnam to May, 2010 • Capacity of the Government to effectively support the process before May, 2010 |

| Line Agency | Project | Key Result/Outcome by December 2010 |
|--|---|---|
| Administration and Politics Institute Area I | Increasing management capacity to implement WTO commitments for the leaders and managers at Province, Commune level at Administration and Politics Institution Area I | <ul style="list-style-type: none"> • Raising the awareness of integration for lecturers and researchers of The Institution • training documents on capacity of managing integration process and integration commitments for sample classes developed |
| Component 4 | | |
| Da Nang | Development Plan of Wholesale Network and Retail Network in Danang City to 2020 | <ul style="list-style-type: none"> • A specialised agency under PPC to study problems occurring during the process of international economic integration and having impacts on all aspects of society – culture – economy, security and defence of the City before December of 2009. • Development Plan for wholesale and retail networks in Danang up to the year 2020, taking into account demands and concerns of productive sector and consumers; how to serve and positively influence the socio-economic development progress of the city and of the commercial field; and how to set up a legal foundation to authorize foreign investments into the city commercial area according to WTO joining commitments of Vietnam. |
| Ho Chi Minh City | Increase the capacity of Ho Chi Minh city to manage global economic integration | Ho Chi Minh City and its key authorities able to act as effective contact points on WTO membership issues for local enterprises, related organizations and potential foreign investors by December 2010. |
| An Giang | Increase the capacity of farmers for economic development and cooperation in An Giang Province from 2010 to 2012. | <ul style="list-style-type: none"> • There are over 30 regular lecturers, including 5 professional lecturers of the SIYB program • There are 3 documents to teach and instruct practice about Start Your Business, Improve Your Business (including |

| Line Agency | Project | Key Result/Outcome by December 2010 |
|-------------|---------|---|
| | | cooperatives, cooperative groups), and cooperative economy when participating WTO <ul style="list-style-type: none"> • Coordinative capacity, management of unit is increased • New plans, projects to carry out action program of province are established |

8. Programme Co-ordination

8.1 OSC, ministries and lead agencies

8.1.1 The tasks of programme co-ordination will be shared between OSC, ministries and lead agencies. Project owners within ministries and lead agencies will take the primary role for co-ordination of project activities. The role of OSC will be at the overall program level, providing aggregate co-ordination across the AWP 01 portfolio.

8.1.2 OSC will have an important role to play in ensuring the smooth and effective coordination between Steering Committee, MDTF Management Board, the project management unit of implementing agencies. It is also important to establish and maintain a communication mechanism whereby information about implementation progress is regularly exchanged between relevant stakeholders.

8.2 MDTF donors and OSC

8.2.1 The current donors to the MDTF are AusAid and DFID. The MDTF donors and OSC will work closely together to ensure the smooth implementation of AWP 01, through the mechanisms of project management units.

8.2.2 Several other donors (for example Canada, Switzerland and Ireland) have expressed interest in joining BWTO II as co-financiers. During the AWP 01 period, OSC, AusAid and DFID will continue to consult with these donors with a view to them joining them MDTF as co-financiers during the implementation period. In order to maintain the interest of the potential donors, it is important to keep them in the loop including, for example, inviting them to key events such as regular MDTF and/or Steering Committee where they can observe and be updated about progress and any initial tangible outcomes/results of the BWTO II.

8.3 Between BWTO and other programs

8.3.1 Other donors supporting economic integration, such as the Asian Development Bank (ADB) are committed to align their programs under the BWTO framework. In particular, the European Commission (EC) has indicated that it will ensure close co-ordination and synergies between Phase III of its Multilateral Trade Assistance and Reform Project (MUTRAP) and support BWTO activities (see box 1). In respect of BWTO II program components 2 and 4, it will be important to co-ordinate with the

\$2bn Mekong Delta Project working in 13 provinces and supported by the World Bank and the Ministry of Agriculture and Rural Development.

- 8.3.2 It is worth considering an option to have more organised mechanism in coordinating donor support to trade related issues e.g. through the formation of a Trade Technical Working Group (TTWG) with representatives from relevant donors and projects/programmes. This has its merit as donors are talking about and moving towards “beyond aid” agenda whereby trade is an important instrument
- 8.3.3 There are also other thematic donor supports which might relate to the scope of BWTO e.g., on public financial management. The Price Management Law is a good example of an initiative which falls under both BWTO territory and public financial management which both AusAid and DFID support through another MDTF. It is therefore important to have a coordination framework with other ongoing or pipeline initiatives to avoid duplications and maximise potential contributions of the BWTO

Box 1: The Multilateral Trade Assistance and Reform Project (MUTRAP III)

MUTRAP III is a project of the European Union which aims to assist Vietnam to implement the Socio-Economic Development Plan and the Government’s action plan for post-WTO integration for sustained pro-poor growth through stronger integration into the global trading system. Unlike the BWTO MDTF, it only provides support to the Ministry of Industry and Trade, focusing on the capacity of MOIT to coordinate and implement WTO commitments, to negotiate and coordinate regional trade related agreements, facilitate trade in services and implementation of the competition law. It has the potential however, to provide important synergies with some of the components of the BWTO program.

9. Programme Management

9.1 Role of project owners and technical support needs

- 9.1.1 Project owners will be executing agency to implement the agreed activities in the approved full proposal and reporting to MDTF Office. The Operational Manual provides a framework for execution, monitoring and evaluation and reporting formats.
- 9.1.2 It is apparent that all projects are in need of technical supports from the preparation of concept notes to the project closure. Following priority areas would need assistance from MDTF Office:
- (i) Brainstorming and preparing the concept note and outline. In many cases, proposers are struggling with logic frameworks, budgeting. Project’s background or regulatory and socio-economic rationales for the project have not been evaporated properly. While legal bases for project are well defined by denoting the instruction documents and decisions from governing bodies, the socio-economic feasibility is weak. It is failed to provide a socio-economic context in relation to the necessity of the project.
 - (ii) Refining and making a full proposal taking into account feedback from MDTF Board. This area, we believe, should be put at high priority as long as the concept notes have been approved by MDTF Board;
 - (iii) Developing analysis frameworks and methodology appears to be a burning issue from our extensive discussions with project owners. Except for research institutions such as CIEM, most of other project management are not very well clear at this stage

in determining an analysis methodology for the execution. Technical supports from MTDF Office in specifying an applicable framework and incorporating into a project's logic framework would be a great help to project management. This also helps MTDF impose Monitoring & Evaluation and measure the results. For example, we noted in many proposals the “Analysing the Impact of WTO Accession to...”. MTDF may consider to provide a centralised guidance on the logical framework and to apply across executing agencies.

(iv) Mobilizing of WTO information resources: It appears that the information resources for WTO at all levels are fragmented. Some agencies such as Ho Chi Minh city's WTO Center put in their proposed budget to purchase books, documents in relation to WTO and international economic integration activities while it is or will be definitely available from other BWTO's executing agencies.

9.2 MTDF Office role, staffing and technical support needs

- 9.2.1 By PDD, MTDF Office is a secretariat and implementing body of MTDF Steering Committee and to assist the Committee in managing daily operations of the trust fund. Detail responsibilities are set out in PDD and Operations Manual.
- 9.2.2 The high priorities for AWP 1 are Senior Technical Advisor and Programme Coordinator to help MTDF Office handle fund management work and work closely with the owners of approved proposals and other stakeholders.
- 9.2.3 MTDF Office will seek for services from independent consultants in a number of key priority themes including specialists on gender, rural development, State Owned Enterprise equitization.

9.3 Operational, procurement and management procedures

- 9.3.1 Operations Manual provides detail guidance on the implementation of MTDF and the financial management.
- 9.3.2 While Operations Manual is the foundation to the implementation of MTDF, communication tools including an OM workshop and regular M&E from MTDF Office's officials are the key to success.

10. Monitoring and Evaluation

10.1 Monitoring and reporting

- 10.1.1 Monitoring of progress and financial performance will be undertaken by project owners from implementing agencies against the logical framework and reported to OSC on a [quarterly] basis. The OSC will aggregate project monitoring reports and provide quarterly summary reports to the MDTF Management Board and the BWTO II Steering Committee and donors. The OSC will be assisted by a Monitoring & Evaluation specialist within the program's technical team.

10.2 Evaluation

- 10.2.1 As this is the first AWP covering the initial 18 months of the BWTO II program, no evaluation is foreseen over this period. However, the results of this AWP will be included within the mid term review and end of program evaluation.

11. Risk assessment and mitigation

11.1 Risk assessment for AWP 01

- 11.1.1 There is considerable risk associated with the BWTO II program, since it lies at the heart of the policy and institutional change processes associated with Vietnam's transition to a market economy and ongoing reforms. There are risks related to the activities of the Programmes. There are however, specific features of the design to mitigate those risks that are within the ambit of the program's reach.
- 11.1.2 Overall, the level of risk for AWP 01 is judged to be medium to high. There is relatively low risk on misuse of funds and improper accounting, provided that the Operational Manual provides sufficient guidance and safeguards on financial management. There is considered to be high risk on value for money – poorly planned researches, study tours, workshops and a potentially high risk of duplications and overlapping within BWTO II and other initiatives.
- 11.1.3 Institutional risks for AWP 01 implementation are also considered significant. There are numerous parties involved, requiring clarity of roles and responsibilities for each party. This also places a heavy burden on the co-ordination capacity of OSC as well as the need for effective knowledge management and information sharing across the project owners in the AWP 01 portfolio.
- 11.1.4 There is a risk of conflicts of interests whereas members of SC/MB representing project owners and there are proposers who have no seats in the SC/MB hence have no voice in the decision making process (e.g. provincial governments). To ensure that the process of decision making (especially in selecting project to be funded) is sound and objective, it is important to have a common set of pre-defined and transparent criteria in selecting projects and activities that can be supported and/or financed by BWTO II under each planning cycle. This is also to prevent the inequality and lack of transparency risk in the form of nepotism where the proposals/projects from those who represented in the SC/MB are treated more favourably.
- 11.1.5 It is noted that there is a notion of wanting to have too many 'balances' in the AWP: central and provincial governments, rural and urban, important and urgent issues, regional parity.... To some extent this notion is welcomed, however the risk for the programme is that it will be spread too thinly in too many areas. To mitigate this risk, there should be a clear strategic direction set out by the SC/MB for each period and for each AWP. The strategic direction will be the guiding principle in programming and implementing projects and activities under the auspice of BTWO II.

11.2 Mitigating measures

- 11.2.1 A key mitigating measure will be the strengthening of the OSC's technical and co-ordination capacity by the technical team comprising the Senior Technical Adviser, Senior Programme Co-ordinator and the Monitoring and Evaluation specialist. It is recommended that the recruitments of these positions be carried out as soon as possible, so they can be aboard early on in the process, ideally before or right after the approval of the AWP 01.
- 11.2.2 Project owners will need to provide commitments that funds will be used for the intended purposes, achieve value for money; and are properly accounted for. The OSC will also need to link disbursements with project performance e.g. through (likelihood of) achievement of milestones and create incentives by linking potential

future supports (AWP 2 onwards) with performance under AWP1. Financial performance of project owners means not only complying with the applicable rules and procedures but demonstrating value for money for every cent being spent. Overall, the Operational Manual is key for setting out the clarity of procedures; robustness of checks and controls; and the consequences of non-compliance. The OM needs to have clear provisions for handling the mismanagement of funds or frauds detected including appropriate sanctions e.g. debarred from any future BWTO support.

11.2.3 The funding arrangement between OSC and the implementing agencies, which governs how the proposed projects will be funded, implemented and managed, is an important managerial tool. This arrangement should include robust provisions on how non compliance is handled, irregularities (e.g. of financial management) are dealt with. It should also promote integrity as a principal characteristic

11.2.3 To make use and leverage on existing knowledge or knowledge to be generated by implementing activities and projects under the auspice of AWPs, OSC should have a good system of knowledge management in place. This system should have information about key methodologies (e. on impact assessment), approaches (e.g. sector-wide or thematic), baseline data... .which is accessible by relevant agencies.

12. Timeline for completion of next steps

| No | Description | 2009 | | | | | 2010 | | | | | | | | | | | | |
|----|--|------|------|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| | | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
| 1 | Recruitment of technical personnel | | | | | | | | | | | | | | | | | | |
| 2 | Finalization of Operation Manual | | | | | | | | | | | | | | | | | | |
| 3 | Signing of Joint Financing Agreement / Program launching | | | | | | | | | | | | | | | | | | |
| 4 | OM training for project managers | | | | | | | | | | | | | | | | | | |
| 5 | Detailed design of activities | | | | | | | | | | | | | | | | | | |
| 6 | Timing of quarterly progress reports provided to donors and SC | | | | | | | | | | | | | | | | | | |
| 7 | Timing of SC meeting | | | | | | | | | | | | | | | | | | |
| 8 | Timing of first annual progress report | | | | | | | | | | | | | | | | | | |
| 9 | Timing of independent audit of first AWP activities | | | | | | | | | | | | | | | | | | |
| 10 | Timing for development of AWP 2 | | | | | | | | | | | | | | | | | | |

ANNEX A. ACTIVITY SUMMARY MATRIX

| No | Activity | Agency | Time Period | BWTO Funding | Component |
|--------------------|--|--|-------------|--------------|-----------|
| Component 1 | | | | | |
| 1. | Enhancing Capacity for VCAD to Reinforce the Market Economy Institution in Vietnam | VCAD, MOIT | 12 months | \$ 195,040 | 1 |
| 2. | Government Decree on Stipulating the State Capital Investment in the Enterprises | Department of Enterprise Finance, MOF | 12 months | \$ 150,000 | 1 |
| 3. | Support to the formulation of GOV policy on land valuation in SOE equitization | Department of State Assets Management, MOF | 12 months | \$ 150,000 | 1 |
| 4. | Support to the formulation of the Price Management Law | Department of Price Management, MOF | 12 months | \$ 300,000 | 1 |
| 5. | Renewing corporate governance in state-owned enterprises and supervision of state economic groups in accordance with WTO commitments and market economy practices | CIEM, MPI | 12 months | \$ 150,000 | 1 |
| 6. | The Improvement of Viet Nam Legal System to Implement WTO Commitments | International Law Department, MOJ | 12 months | \$ 110,000 | 1 |
| 7. | Survey and evaluation of the current status, identification of the opportunities and challenges, and development of a strategy for environment service by 2020 and orientation for 2030 | MONRE | 12 months | \$ 224,044 | 1 |
| 8. | Formulation of legal policy and mechanism to develop organizations to provide services for the real estate market | MONRE | 12 months | \$ 200,000 | 1 |
| 9. | Study to Recommend Solutions for Strengthening Production Capacity of Small and Medium Enterprises on The Basis of Promoting Their Advantages in The Process of Improving the Institutions of Market Economy in Viet Nam | SISME | 12 months | \$189,000 | 1 |
| Component 2 | | | | | |
| 1. | The impact of WTO accession on labour migration from rural area to urban area and industrial zones | Department of Employment, MOLISA | 12 months | \$ 200,000 | 2 |
| 2. | Analysis and evaluation on impact of WTO commitments and regional commitments (impacts on economy, society, rural area, poverty, SME in agriculture) | MARD | 12 months | \$81,000 | |

| No | Activity | Agency | Time Period | BWTO Funding | Component |
|--------------------|--|--|-------------|---------------------|-----------|
| 3. | Research and development of database and regulations on Food safe and sanitary and SPS of commercial partners such as EU, Japan, Korea, America, China and ASEAN | MARD | 12 moths | \$31,904 | |
| Component 3 | | | | | |
| 1. | Research of functions, tasks, organizational structure and capacity improving of The Office of Government staff and civil servants in resolving joint sector issues in the context of international economic integration | OOG | 12 months | \$ 110,000 | 3 |
| 2. | Assisting integration coordinating by means of supervision, examination and assessment mechanism of the implementation of tasks defined in the Action Plans of the Government, Ministries Agencies and local authorities to realize the Government's Resolution No.16/2007/NQ-CP | Department of Planning, MOIT | 12 moths | \$ 220,000 | 3 |
| 3. | Impacts of integration on Viet Nam's economy after three years of joining the WTO | CIEM, MPI | 12 moths | \$ 120,000 | 3 |
| 4. | Capacity building for the international economic integration focal points | NCIEC | 12 moths | \$ 200,000 | 3 |
| 5. | Increasing management capacity to implement WTO commitments for the leaders and managers at Province, Commune level at Administration and Politics Institute Area I | Administration and Politics Institute Area I | 12 months | \$130,532 | 3 |
| Component 4 | | | | | |
| 1. | Establishment of a Center for WTO Issues in Danang City & Development Plan of Wholesale Network and Retail Network in Danang City to 2020 | Da Nang PPC | 12 moths | \$ 50,532 & 46,499 | 4 |
| 2. | Improving capacity of staff members and Farmers in developing rural small enterprises in An Giang, at the stage of 2010-2013 | An Giang PPC | 12 moths | \$ 166,555 | 4 |
| 3. | Increase the capacity of Ho Chi Minh city through global economic integration. | Ho Chi Minh City PPC | 12 moths | \$ 190,000 | 4 |
| TOTAL | | | | \$ 3,215,106 | |