

## Investment Design

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

<b>A:</b> <i>Aus4Transport</i>
Start date: 1 July 2017      End Date: 30 June 2022
Total proposed funding allocation: \$30.0 million
Investment Concept (IC) approved by: Layton Pike , DHOM Hanoi      IC Endorsed by AIC: NA
Quality Assurance (QA) Completed: 4 October 2017

# Contents

<b>A: Aus4Transport</b>	<b>1</b>
<b>B: Executive Summary</b>	<b>1</b>
<b>C: Analysis and Strategic Context</b>	<b>5</b>
National Socio-Economic Development	5
Transport Sector in Vietnam	6
Analysis of Issues Related to Project Development	9
Summary of the Constraints to Infrastructure Development and Their Influence on the Investment Design	13
Evidence-Base/Lessons Learned	15
Strategic Setting and Rationale for Australian/DFAT engagement	15
<b>D: Investment Description</b>	<b>19</b>
Logic and Expected Outcomes	19
Options Considered and Value for Money	19
Key Features of the Program	20
Delivery Approach	24
Benefits of the Program	24
<b>E: Implementation Arrangements</b>	<b>26</b>
Management and Governance Arrangements	26
Implementation Plan	30
Procurement Arrangements	30
Monitoring and Evaluation	32
Sustainability	34
Gender Equality	36
Disability Inclusiveness	37
Private Sector	38
Risk Management Plan	38
Safeguards	39
<b>F: Annexes</b>	<b>41</b>

## Abbreviations

ADB	Asian Development Bank	MOLISA	Ministry of Labour, Invalids and Social Affairs
AVTDP	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

Over the past 20 years, Vietnam has achieved considerable economic and social progress 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 grant financing of infrastructure is no longer essential. Vietnam has gained access to a range of other funding sources including concessional loans from bilateral donors and the multilateral development banks (MDBs) as well as increasingly finance from the private sector. More critical now is the need to reduce the constraints that are limiting access to these finance sources. In particular there is a need to improve project preparation that will demonstrate economic and financial viability to investors and reduce risk. Recently, there has also been growing concern about the level of public debt in Vietnam which is making it more difficult to have GOV budget contributions approved for projects by Ministry of Finance and the National Assembly. 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. Four issues need to be addressed to facilitate infrastructure investment:

- **Sub-optimal project development.** The preparation of transport infrastructure projects is hampered by rigid approaches, risk aversion and financial, policy and technical issues that inhibit innovation and delay project development. There is also inadequate financing provided to consider all relevant matters in the design of projects including consideration of engineering, economic, safety, social and environmental issues. MOT has enhanced the breadth and depth of its work over time, but its current practices still lag best international development practice.
- **Capital expenditure needs to be prioritised:** Major investments in transport infrastructure are needed to maintain Vietnam's economic growth and support its integration into the global economy. However there is a growing reluctance to increase budget outlays for both preparation and investment in the face of growing public debt. This is leading to a number of priority projects being delayed, in some cases indefinitely, a situation which is economically unsustainable. Funding at the project preparation stage will help to demonstrate the economic value of these investments. Increasing efficiency in the delivery of transport infrastructure will also help to address concerns about ensuring value for money.
- **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 MDBs, this results in detailed engineering design being delayed until all relevant GOV financing has been secured and the 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 Aus4Transport project will adopt practical measures to address each of these issues, with key elements being to: (i) focus on project development where practical change is most achievable; (ii) provide embedded advisory support and other financial support to MOT to accelerate and improve the quality and coverage of project development activities; (iii) take a programmatic approach to provide a flexible program that can address emerging MOT policy priorities; (iv) focus on providing support for policy reform that will drive innovation in MOT; (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; (vi) harness Australian expertise to demonstrate innovation in areas like road safety, engineering methods and project finance to improve efficiency and (vii) take a longer term perspective to the provision of support to MOT given reforms to entrenched arrangements and practices are needed.

There are a range of benefits from the Aus4Transport program for Vietnam: (i) construction of major transport projects will start more quickly; (ii) higher quality project preparation will deliver improved transport infrastructure, reduce overall project costs and reduce social and environmental risks; (iii) personnel working on project development will gain enhanced skills and experience; and (iv) MOT will have access to a new flexible source of advice and assistance that hasn't yet been provided through other donor assistance. There will also be benefits for Australia; (i) there will be more opportunities to demonstrate Australian innovation in engineering technology and project development practices and (ii) an increased focus on quality and innovation in the assessment of projects will make Australian firms more competitive in the Vietnamese market.

### Program Goal and Outcomes

*Aus4Transport* seeks to achieve the following:

- **Program Goal:** Increased investment in Vietnam's transport infrastructure, leading to an enhanced transport system that supports economic growth and poverty reduction
- **End of Program Outcome:** Faster project development and improved quality of transport infrastructure making use of funding from all financial sources.
- **Intermediate Program Outcomes:** (i) MOT bringing better prepared proposals and concepts more rapidly to implementation drawing on innovative and comprehensive approaches ; and (ii) MOT adopting innovations in policies and procedures that lead to improved project development.

The program design is based on a structured Theory of Change focussed on these goals and with outcomes that will also guide management, monitoring and evaluation approaches.

### Investment Description

There are two broad streams of activities for Aus4Transport:

- **Stream A: Facilitate Project Development.** This stream of activities will provide funding and technical expertise to support 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<sup>1</sup> 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

---

<sup>1</sup> 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.

environmental issues) and the efficiency of projects (such as through improved engineering standards, project optimisation and more rapid implementation).

- **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 improve project preparation; (ii) identify innovations in contracting to promote new technologies and practices and use 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; (iv) identify opportunities to refine engineering design standards and price norms to improve value for money; (v) identify bottlenecks and other constraints to the use of PPPs in the transport sector and potential solutions drawing on international experience and 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. 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. More generally, the Aus4Transport 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.

Aus4Transport will commence in April 2017 and be completed in June 2021. It has a budget of \$30.0 million. An indicative breakdown is 18% for oversight by DFAT and a program leadership team in MOT, 69% to be directed to Stream A activities and 13% to Stream B activities. Depending on the success of the program a further phase will be considered to June 2026.

## Management and Governance

Aus4Transport 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 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; 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.
- **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 Aus4Transport 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 associated with MOT's Department of Planning and Investment to facilitate a close working relationship with MOT's leadership and 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 Aus4Transport. 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 the following full-time staff: (i) a Team Leader, who would also be responsible for Stream B and management of monitoring and evaluation activities; (ii) a Project Development Specialist to manage Stream A activities; and (iii) 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 Aus4Transport. DFAT will also engage independent technical specialists to support its management of the project.

### Monitoring, Evaluation and Learning

A Monitoring and Evaluation (M&E) approach and methodology for Aus4Transport has been prepared. Given the programmatic approach of Aus4Transport, the M&E program will be further developed 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 Aus4Transport is premised on the ability to demonstrate new approaches to facilitate infrastructure investment through improved project preparation 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 a whole.

The M&E program will be supported by the independent technical advisors engaged by DFAT. These advisors will review the performance of Aus4Transport drawing on the results of the M&E program and will examine performance against the results framework at the program level to provide an overall assessment of the effectiveness and efficiency of Aus4Transport. In addition to routine annual reviews, two significant reviews are planned: (i) given the programmatic approach, a formal review will be undertaken around 12 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

Aus4Transport is considered a medium-risk investment for DFAT. Risks at the institutional and program level 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 Aus4Transport in terms of the potential for activities to achieve the desired intermediate and end program outcomes.

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.

### Safeguards

Aus4Transport does not involve 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 Context<sup>2</sup>

This section first describes progress with socio-economic development in Vietnam and then introduces the transport sector. It then identifies issues related to the development of transport infrastructure projects. A final section summarizes the particular constraints to infrastructure development that the *Aus4Transport* Program (the Program) seeks to address and which have guided its design. The work draws on extensive consultation (see Appendix L for a list of the key people met during preparation of this Investment Design), consideration of available literature (see Appendix K for a Bibliography) and the experience of the people met and involved in the Investment Design.

### 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.

Compared to other countries in the region, Vietnam has high relative rates of female labour participation (72% compared to 81% for males), and female representation in the National

---

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



Assembly (24%). Vietnam's Gender Development Index ranks the country 58 out of a total of 138 countries, ahead of neighbours such as Thailand (69<sup>th</sup>) and the Philippines (78<sup>th</sup>). These positive results stem in part from specific measures to promote gender equality which were included in the GOV's Development Goals and then incorporated into its Socio-Economic Development Planning framework. Other legislation and covenants aimed at improving the implementation of these laws and guaranteeing women equal rights in all spheres are discussed in Appendix B.

Significant challenges to gender equality however, persist, such as low levels 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 in rural and mountainous areas; increased domestic violence against women; an increasing spread of HIV/AIDS among women; rising male sex ratios at birth; and weak implementation of gender equity laws and policies at all levels with little consequence for failure to meet the stated targets.

Overlaying these concerns are differences between Vietnam's 54 ethnic groups which make up the country's population. The ethnic majority Kinh, comprise just under 86% of the population while the other 53 ethnic groups account for 14% or about 12.3 million people. Most ethnic minority groups depend primarily on subsistence agriculture for their livelihood and inhabit mountainous, coastal, and remote areas with complex topographies, difficult transportation and communication systems, and harsh climates. Not only are members of ethnic minorities more likely to have poor socio-economic outcomes compared to the Kinh (such as more poverty, less access to transport, health facilities and formal financial services, lower market access, lower wages, and less schooling and educational resources, especially for females), the gaps between men and women tend to be larger in ethnic minority communities. More than half of ethnic minority groups still live below the poverty line. Thus many families migrate to urban centres in search of a better life for themselves and their children.

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 regarding corruption, including improvements to the legal framework, increased transparency and more public engagement. While corruption is now a less 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

### Overview

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 the high cost of sustaining an extensive network much of which carries only limited traffic.

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 140<sup>th</sup> 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” and Decision No.1456/QĐ-BGTVT of 2016 issuing an Action Plan on green growth and climate change responding for the Period 2016-2020. Similarly, the Minister of Transport’s Circular No. 32/2015/TT-BGTVT of 2016 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 out of 74 leadership positions (Deputy Director and above) are held by women. 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.

## The Role of Transport Infrastructure

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 (see the next page). 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 considered 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 *Aus4Transport* Program will focus on the three technical activities associated with project development. The reasons for this are set out in the next section.

Figure 1: Project Preparation and its Context



Source: Adam Smith International (2014)

## Analysis of Issues Related to Project Development

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 upstream activities (the enabling 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 plans can be aspirational rather than being analytically-based. This is more evident in the traditional modes of rail and waterway transport. It can be difficult to revise project proposals once they are included in a strategic plan to take account of changed circumstances and project prioritization is not always transparent.

### Project preparation activities

Key limitations with the current approach to project preparation in Vietnam 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 during 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 must 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 processes for externally supported projects

Bilateral agencies have specific national requirements regarding 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. While it is not practical to expect the practice for local projects to change sufficiently in the short term to fully meet international practice, providing MOT staff and management with a better understanding of good international practice and the capacity to undertake work to the required level will facilitate the eventual application of improved practices to domestically-financed projects.

Hence, the focus is on projects that are to receive support from MDBs. In the case of Vietnam, this currently involves the ADB and the World Bank. It could also involve agencies such as the International Finance Corporation (IFC) regarding private sector investment and the new Asia Infrastructure Investment Bank (AIIB). To date the AIIB has been co-financing projects with other MDBs (including the ADB, World Bank, IFC and European Bank for Reconstruction and Development). It has based its appraisal on the project preparation documents prepared by these other MDBs, and by implication has therefore been using the respective standards. At this stage it is unclear how AIIB's role and practices may change in the future.

Having reached middle-income status, Vietnam is no longer eligible for the concessional lending that it has hitherto been available from the ADB and World Bank. There are currently no direct implications of this shift for the preparation of projects that are to be financed by MDBs, with projects still needing to be subject to the same procedures. Similarly, any shift to policy and results-based lending from MDBs will still require that project preparation meet required 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 regarding some matters such as the engineering design, with the PPTA considering matters that are not considered in sufficient detail in the MOT's FS but with MOT's design being undertaken to a greater level of detail than strictly needed for a PPTA. Following completion of the PPTA, ADB staff appraises 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 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 able 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 proposed program 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.

Regarding the above matters, proposed program 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.

ADB and the World Bank both have transport sector infrastructure projects that are currently under construction and others that are under preparation. Their project pipelines are described in Appendix A, together with the considerably longer list of projects for which MOT seeks international support.

### Social and environment needs

Over time MOT has developed some capacity to attend to an increasing range of social and environmental matters that MDBs and other donors seek to be addressed during 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, though the potential remains to enhance the extent and quality of their treatment. More recent concerns such as identifying and closing gender inequalities, gender mainstreaming processes, and disability inclusion are not well understood. This diminishes the likelihood of transport projects catering to the different transport needs of women and men, including those with disabilities, 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 and socially inclusive 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 20 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 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 propose program set out in this document by providing support for activities not related to project preparation, such as overarching transport sector policy and for operations and maintenance of infrastructure.

## Summary of the Constraints to Infrastructure Development and Their Influence on the Investment Design

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 some 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 require 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 and



approval by various government agencies than is common in many other countries. 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 Technical Assistance using 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. There is the potential to support MDB-mandated systems and processes to improve access to their finance and potentially also to private finance through PPPs. MOT is also hindered by 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 reduce the cost and 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. More generally, current GOV-mandated project design and contracting arrangements are input-based and hence restrict the capacity of the private sector to introduce innovative approaches that can enhance outcomes.

The last three of these in particular are amenable to change through the provision of assistance to MOT and are the focus of the program set out in this document.

## 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 regarding 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.

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 *Aus4Transport* Program 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, now known as *Aus4Transport* (the Program). *Aus4Transport* 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 *Aus4Transport* Program contributes to all three objectives described in 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 *Aus4Transport*;
- *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.

The GOA also has specific relevant policy commitments, including the Gender Equality and Women's Empowerment Strategy (published in 2016) and the requirement that 80% of investments in its portfolio (and 100% in the case of Vietnam) satisfactorily address gender equality and matters that arise from the Development for All Strategy (2015) and its associated Accessibility Design Guide - Universal Design Principles (Annex H: Transport Systems and Infrastructure).

A draft concept design for *Aus4Transport* was prepared in 2015. The proposal in the Draft Concept Note has been found to be appropriate and viable, and the investment design set out in this document is based on the concept and comments made about it.

While it is not within the remit of the current design to identify potential ongoing assistance, a program that is intended to support capacity building, institutional development and policy reform is, by nature, a long-term task. While the current design does not presume that the assistance will be extended beyond June 2021, its potential merit is noted.

In summary, the matters that have had a particular influence on the design of *Aus4Transport* 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 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.
- **MOT has sought assistance to support project development.** MOT has indicated to DFAT that improving project preparation is one of its priorities and has in the past made a number of ad-hoc requests for support. It has indicated a willingness to provide high level support for assistance.
- **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.
- **MOT faces particular financial constraints at present.** Current GOV budget constraints have resulted in MOT having almost no funding for PFS and FS studies for MDB-supported projects. While it can be expected that this constraint will be overcome at some future time, there is a need to sustain the pipeline of projects. Hence, there is a particular need for financial support at present. Funding for DDD activities for MDB-supported projects is still provided for in loans, though DDD is currently delayed until the funds become available.
- **Direct donor support in GOV ministries is novel but well perceived.** The *Aus4Transport* Program 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 *Aus4Transport* Program will be first occasion for such long-term support to MOT. MOT has responded very positively to *Aus4Transport* concept. Even so, it is expected that it will take time to develop relationships and a modus operandi for *Aus4Transport* advisors to establish practical and effective engagement with MOT management and staff.
- **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, in particular, MOC. 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 *Aus4Transport* Program (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, addresses 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 *Aus4Transport* Program involves a new approach that may also, over its duration, support 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 Program. 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 and which is consistent with GOV regulations.
- **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 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 *Aus4Transport* is geared to an initial Program of a little over four years, 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 leadership and staff, and (ii) it involves the development of institutional and personal capacity in MOT and policy reform, all of which take time to secure but which provide greater returns if sustained over a longer period. The potential for a follow-on is therefore flagged, but should be subject to review based on the performance of the initial Program.
- **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 *Aus4Transport* (the “Program”) are:

- **Program Goal:** Increased investment in Vietnam’s transport infrastructure, leading to an enhanced transport system that supports economic growth and poverty reduction.
- **End of Program Outcome F** Faster project development and improved quality of transport infrastructure making use of funding from all financial sources.
- **Intermediate Program Outcomes:** (i) MOT giving enhanced consideration of engineering, financial, economic, safety, gender, social and environmental matters in all pre-feasibility studies, feasibility studies and detailed engineering design and documentation, leading to MOT bringing better prepared proposals and concepts more rapidly to implementation drawing on innovative and comprehensive approaches ; and (ii) MOT identifying bottlenecks to improved project development, identifying and assessing remedial measures, and recommending improved practices, leading to MOT adopting innovations in policies and procedures that lead to improved project development.

A Theory of Change (TOC) for *Aus4Transport* 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.

### Options Considered and Value for Money

An alternate means for providing support to the GOV to achieve the outcomes set out in the TOC is to provide support directly to the MDBs. However, this approach would not develop the capacity of the MOT to improve project development so effectively because: (i) the MDBs are rarely involved in PFS; (ii) the work would only peripherally influence MOT rather than work from inside MOT; and (iii) it would be more difficult to secure a working relationship with MOT that would support the introduction of innovative practices.

The *Aus4Transport* Program will promote value for money by: (i) using only a small team to manage a range of activities; (ii) ensuring that the Program remains focussed on project development rather than seeking to address a range of other, albeit important matters; (iii) adds to the greatest extent possible to current MOT PFS and FS activities; (iv) supports DDD activities only to the extent that is needed to expedite project implementation; (v) focuses on other matters related to project development that are evident bottlenecks to improved outcomes and for which there are reasonable prospects for implementation; and (vi) takes a programmatic approach with comprehensive monitoring and evaluation and periodic review to ensure it addresses area of need.

## Key Features of the Program

### Program Components

Two broad streams of activities for *Aus4Transport* will support the goal for the Program and take into account the context in which it is to be achieved:

- **Stream A: Facilitating Project Development.** This stream of activities will provide funding and technical expertise to support 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 three sets of activities:
  - Expanding the scope and detail of PFS and FS activities for projects to be supported by international financiers (MDBs and potential private sector investors), also taking account of GOA priorities and making best use of appropriate technologies and technical solutions. Examples of additional activities include addressing environmental and social issues, including gender equality, disability inclusion 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 viable PPPs, FS activities could develop the business case for private sector participation.
  - Providing quality assurance reviews for other projects as requested by MOT.
  - Financing 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: Unlocking Opportunities through Innovation.** This stream of activities will provide more general support for project development through measures such as studies, training, study tours and promotion that lead to revised policies, guidelines and practices, testing of new concepts, and addressing bottlenecks in project development and financing. These measures will be directly linked to specific investments and will focus on matters for which there are good prospects for change to be secured. 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, disability inclusion and other social dimensions and more comprehensive treatment of environmental matters, including options to promote climate resilience and mitigation of detrimental impacts;

#### 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, gender responsive and socially responsible and 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 responsible and inclusive dimensions include consideration of the specific needs of women and men, people who are to be resettled or otherwise adversely affected by the project, ensuring that the needs of those who are poor, people with disabilities, remotely located, part of a minority group or who are otherwise disadvantaged are taken into account in project development and implementation and addressing matters such as HIV/AIDS and human trafficking.

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.

- 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 construction techniques) 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 for them by public institutes, other PMUs and consultants 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.

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. Accordingly, relatively greater priority will initially be given to Stream A activities over Stream B activities, which will also facilitate the initial ramp up of the Program. Even so, it is expected that Stream B activities will be initiated within the first year of the Program.

Stream B activities will also serve other needs in MOT such as upgrading specific knowledge and skill sets on gender responsiveness, disability inclusion, 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, *Aus4Transport* 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 *Aus4Transport* 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 are identified, the Program is expected to evolve over time as circumstances change and as MOT gains confidence in the *modus operandi* of the Program and the people involved. That is, initial activities have been identified, with a programmatic approach applied to subsequent activities
- **Focus on priority MDB and PPP-financed projects.** As indicated previously, support for project development will be given to projects in the pipelines of MDBs. Where there is a higher demand for support than can be financed by *Aus4Transport*, priority will be given to projects that address bottlenecks in the transport system, support climate change mitigation and for which funding limitations are most acute. Support could also be provided to formal PPP projects where the assistance serves the needs of the GOV (as



against the commercial needs of the private sector partners). In practice, support for PPPs will proceed in a cautious manner given the limited success of transactions in the transport sector to date. Support will only be considered when the environment for PPPs is more favourable and there are good prospects for a supported PPP to successfully proceed to implementation. 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 considered, including matters related to engineering, finance, economic, social inclusion, 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.** A proposed Australian Transport Advisory Group (ATAG) will manage the day-to-day activities of the Program, with oversight by DFAT in Hanoi. The ATAG will be responsible for monitoring and evaluation (M&E) activities, both internal and external. A Managing Contractor to be selected through competitive tendering will establish and staff the ATAG.
- **Specialised technical assistance.** A mix of long and short-term advisors will be available through the ATAG 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.

## Resources

The investment budget is summarised in Table 1 (see Appendix E for a more detailed breakdown of the costs).

Key features of the budget are:

- **Program Management:** Allowance is made for: (i) independent technical specialist support to DFAT for oversight, review of M&E and for periodic reviews; and (ii) the ATAG, which will have a core management team of around three people.
- **Facilitating Project Development.** In the case of PFS and FS activities, allowance is made for financing of local consultants to undertake the studies and to provide specialist technical advice to them and the project management unit (PMU) of MOT that is responsible for the studies. *Aus4Transport* funding for DDD activities is expected to meet around 40% of the cost of the work for each project supported, with the remaining cost financed by the proceeds of the loan for the project<sup>3</sup>. The Program will also provide specialist technical advice to contractors undertaking DDD activities and to the PMU that is responsible for the studies, and also for project quality assurance studies.
- **Unlocking Opportunities through Innovation.** Budget provision is made for a range of activities that will enable MOT to better perform its project development activities and enhance the role of women in MOT.

Table 1: *Aus4Transport* Program Budget (A\$m)

Component	2016/-	2017/-	2018/-	2019/-	2020/-	Total	
	17	18	19	20	21	A\$ m	Share
<b>A. Program Management</b>							
Technical oversight by DFAT	0.08	0.15	0.08	0.21	0.08	0.60	2%
Australian Transport Advisory Group	1.00	0.95	0.95	0.95	0.95	4.80	16%
Sub-total	1.08	1.10	1.03	1.16	1.03	5.40	18%
<b>B. Facilitating Project Development</b>							
Project quality assurance studies	0.20	0.20	0.20	0.20	0.20	1.00	3%
Enhanced pre-feasibility studies	0.40	0.40	0.40	0.40	0.40	2.00	7%
Enhanced feasibility studies	0.75	1.45	2.51	0.00	0.00	4.70	16%
Bridging finance for DDD activities	0.75	2.93	3.94	3.32	1.95	12.90	43%
Sub-total	2.10	4.98	7.05	3.92	2.55	20.60	69%
<b>C. Unlocking Opportunities through Innovation</b>							
Technical and policy studies	0.10	0.60	0.60	0.60	0.60	2.50	8%
Study tours and training	0.02	0.12	0.12	0.12	0.12	0.50	2%
Support for women in MOT	0.20	0.20	0.20	0.20	0.20	1.00	3%
Sub-total	0.32	0.92	0.92	0.92	0.92	4.00	13%
<b>TOTAL</b>	<b>3.50</b>	<b>7.00</b>	<b>9.00</b>	<b>6.00</b>	<b>4.50</b>	<b>30.00</b>	<b>100%</b>

<sup>3</sup> Full financing of PFS and FS is provided given the severe financing constraints faced by MOT. Partial financing of DDD activities is based on a greater need for finance that is available through *Aus4Transport*, a desire to leverage the influence of the Program to the largest number of projects possible, and the availability of funding for DDD from project loans but with a need to initiate DDD prior to the loan funds becoming available so that subsequent project implementation can be advanced. *Aus4Transport* financing of 40% of DDD for a project will allow early commencement of DDD and for DDD activities to continue until the loan funds become available to finance the remaining 60% of the cost. However, the share of a DDD funded by *Aus4Transport* could rise subject to a request from the Project Coordinating Committee and approval by DFAT.

## Delivery Approach

Two key features of the Program are: (i) it will be as closely associated with 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 *Aus4Transport* 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 and, when well done, reduce the cost and improve the quality of infrastructure and related services that are delivered. 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 grant of around \$2.2 million to be made through the Program to initiate DDD for a project of this scale.
- **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, disability and environmental assessments will result in projects that better meet the needs of the community in ways that promote gender equality and social inclusion, 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 *Aus4Transport* 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, including the specific accessibility needs of people with disabilities.

- **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 *Aus4Transport* 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 the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the Trans-Pacific Partnership (TPP), and the EU-Vietnam Free Trade Agreement (EVFTA) as well as in the future, the Regional Comprehensive Economic Partnership (RCEP).
- **Demonstrate a presence.** The close association between Program personnel, particularly those in the ATAG, with 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 range of skills of the personnel provided through the Program, and the availability of funds to undertake work in response to MOT needs that are in keeping with the framework for the assistance should, subject to the selection of experienced and sensitive personnel (particularly the Team Leader in the ATAG), 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 *Aus4Transport* Program will allow Australian companies associated with the Program to better understand conditions, activities and opportunities in Vietnam and hence, with support from Austrade, 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 *Aus4Transport* 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

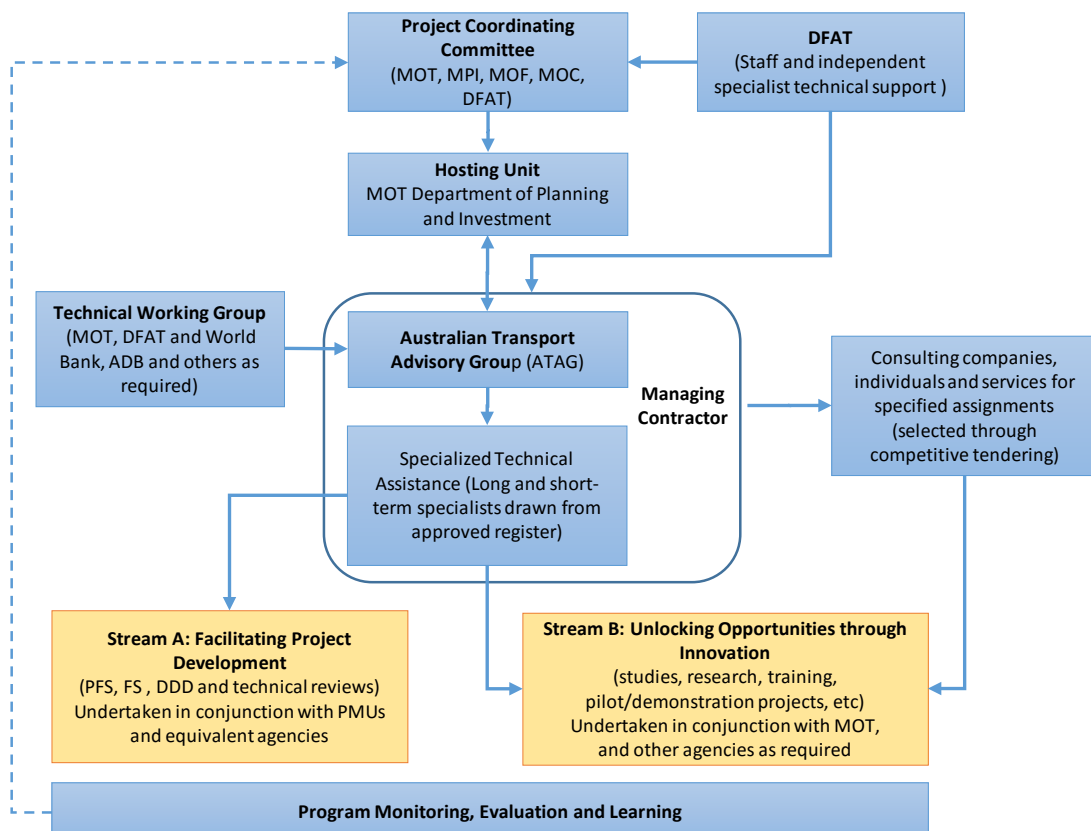
### Management and Governance Arrangements

The *Aus4Transport* Program will be guided by two groups that will be established for the duration of the Program (see also Figure 2):

- a **Project Coordinating Committee (PCC)** 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 Program performance and effectiveness; (iii) meet at least every six months (and out-of-session, as required), with the timing of one meeting scheduled so that it can review and 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 for change and for progress to be achieved; 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.

In addition to formal meetings of the PCC, operational level interactions, through informal and formal working level meetings and discussions, will occur between DFAT and MOT in particular, and other agencies as needed. These will complement other formal and informal interactions between DFAT and MDBs.

Figure 2: Organisational Arrangements and Structure for Consulting Services



The technical activities of *Aus4Transport* will be delivered through:

- A core group (described as the Australian Transport Advisory Group - ATAG). This team will be located in or close to the MOT complex in Tran Hung Dao Street in Hanoi to facilitate the development of a close working relationship with MOT leadership and with personnel in MOT departments and their related agencies.
- 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 in a close collegiate manner with DPI staff 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 PFS, FS and DDD will be located in PMUs of MOT to which responsibility for these activities is assigned. The Program will provide specialist technical personnel to assist the PMUs to plan and oversee the studies, to provide capacity building to the PMU and the contractors engaged to undertake the studies, as well as finance for the work. Technical specialists provided through the Program will be located in the relevant PMUs. It is expected that work for project quality assurance reviews will be undertaken through the ATAG also using technical specialists as needed.

The ATAG should be a small unit (of around three to people) to ensure efficient and effective operation of the Program and to facilitate its accommodation. 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 Innovation) activities that respond to these needs and opportunities; and (iv) support the Project Coordinating Committee. These objectives 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 an M&E program that will enable the performance of the Program to be assessed. This includes developing working relationships with agencies involved in PFS, FS, DDD and quality assurance 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 contractors to undertake the activities, and ensure that the work undertaken meets the needs of agencies involved and the objectives of the Program. The ATAG will have substantial procurement responsibilities that require close coordination with PMUs and MDBs.
- **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.

Other matters that the ATAG is responsible for that are related to ensuring sound governance of *Aus4Transport* are:

- The selection criteria for activities to be undertaken through *Aus4Transport* set out in Section D above are intended to ensure that activities a consistent with the intent of *Aus4Transport* 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 during the year set out in Section D above.
- A Memorandum of Understanding (MOU) will be signed between the ATAG and the relevant PMU regarding each PFS and a tripartite MOU with ATAG and the relevant PMU and MDB regarding each FS and DDD activity setting out clear outcomes and outputs, other pertinent conditions for the work, and associated procurement and management of resources.
- Procurement arrangements and associated financial systems that meet the needs of the Program while ensuring GOA procurement requirements are met; and
- 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.

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 can establish working relationships with ministerial and senior level management of MOT. The Team Leader will need to have an outward focus to identify and pursue opportunities to improve outcomes in the transport sector and to promote beneficial change. The Team Leader will also be responsible for day-to-day management of Stream B activities of the Program and oversight of M&E activities. Short term technical specialist(s) engaged by the Managing Contractor will design and implement 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.

The Managing Contractor will maintain a register of approved technical specialists that can draw on to provide personnel to undertake specific activities when needed. The Managing Contractor may also procure and manage other technical specialists and sub-contractors to undertake specific assignments that are more efficiently and effectively undertaken this way rather than through use of people from the pre-approved register. Independent consulting firms will be engaged to undertake detailed PFS, FS and DDD work.

DFAT in-house administrative staff will manage *Aus4Transport* with the assistance of independent technical specialists as needed.

The responsibilities of these groups are summarised in Table 2.

Table 2: Entity Responsibilities

Entity	Responsibilities
<b>Agencies</b>	
DFAT (Hanoi)	<p>Staff from DFAT in the Australian Embassy in Hanoi will be responsible for fulfilling DFAT's responsibilities regarding <i>Aus4Transport</i>, including</p> <ul style="list-style-type: none"> <li>• being co-chair of the Program Coordination Committee;</li> <li>• setting strategic direction for <i>Aus4Transport</i> and engaging in policy dialogue with GOV on priority issues for the program;</li> <li>• managing the performance of the Managing Contractor;</li> <li>• Managing the contract with the Managing Contractor and of <i>Aus4Transport</i> finances;</li> <li>• contributing to research and policy analysis, including analysing the scope for deeper engagement with key sector partners and sub-program development;</li> <li>• engaging independent technical specialist advice to support its oversight of <i>Aus4Transport</i>;</li> <li>• communicating the outcomes of <i>Aus4Transport</i> to an Australian and Vietnamese audience; and</li> <li>• disseminating the results of M&amp;E activities.</li> </ul>
MOT	<p>MOT will be the GOV counterpart for partnering with GOA for <i>Aus4Transport</i>. It will:</p> <ul style="list-style-type: none"> <li>• co-chair of the Program Coordination Committee;</li> <li>• facilitate access to its staff and to other GOV agencies;</li> <li>• work with the ATAG to develop annual work plans;</li> <li>• support implementation of <i>Aus4Transport</i> activities; and</li> <li>• continue to finance conventional aspects of PFS and FS work for projects that are to be supported by <i>Aus4Transport</i>.</li> </ul>
<b>Committees</b>	
Program Coordination Committee (PCC)	<p>The PCC will:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• ensure that activities selected for inclusion in the Program meet the selection criteria set out in Section D;</li> <li>• approve and guide Program activities, and review of Program performance and effectiveness; and</li> <li>• 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.</li> </ul>
Technical Working Group (TWG)	<p>The TWG will:</p> <ul style="list-style-type: none"> <li>• comprise a representative from key participating groups in MOT, and other key agencies such as ADB and the World Bank in addition to DFAT;</li> <li>• provide guidance and facilitate coordination of Program technical activities with those of other key development partners; and</li> <li>• meet at least every 6 months and around two weeks prior to meetings of the Project Coordinating Committee.</li> </ul>
<b>Contracted Agents</b>	
DFAT Independent Technical Specialists	<p>The independent technical specialists directly engaged by DFAT will:</p> <ul style="list-style-type: none"> <li>• provide advice to DFAT on technical issues as needed;</li> <li>• report on the quality of M&amp;E activities and results; and</li> <li>• assist with annual reviews as needed and conduct two specified major reviews of <i>Aus4Transport</i>.</li> </ul>



Entity	Responsibilities
Managing Contractor	<p>The Managing Contractor will (see Appendix G for a more detailed set of responsibilities):</p> <ul style="list-style-type: none"> <li>• provide staff for the ATAG;</li> <li>• support the PCC and the TWG and cooperate with DFAT Independent Technical Specialists;</li> <li>• develop, initiate and manage <i>Aus4Transport</i> activities;</li> <li>• secure technical specialists and sub-contractors as needed to undertake specific activities;</li> <li>• ensure probity in procurement and payment systems;</li> <li>• develop and implement the M&amp;E program;</li> <li>• draft communication products for DFAT and MOT on project activities and outcomes;</li> <li>• administer <i>Aus4Transport</i>, including management, financial and other compliance reporting; and</li> <li>• be a source of trusted and timely advice to MOT leadership and senior management.</li> </ul>

## Implementation Plan

It is expected that the Program will commence in July 2017. Initial work will require that the Managing Contractor submit:

- an Inception Period Plan (covering activities to be undertaken during the first four months after mobilisation in Vietnam) to be submitted three weeks after mobilisation;
- an Annual Work Plan and Budget for the 2017/18 financial year two months after mobilisation;
- operational manuals, including a Procurement Guideline, all of which are to be prepared progressively and fully completed within three months of mobilisation;
- an Inception Report four months after mobilisation; and
- an M&E Plan, Gender Equality and Social Inclusion Plan, Promotion and Communication Plan and Risk Management Plan to be submitted progressively between four and six months after mobilisation.

A schedule for preparation and submission of these reports (and other reports that are to be provided by the Managing Contractor) is included in Appendix G.

Activities to be undertaken by DFAT prior to mobilisation of the Managing Contractor include:

- signing an MOU between the GOV and DFAT;
- commencement of the process to procure the Managing Contractor; and
- establishing a contract with the Managing Contractor.

## Procurement Arrangements

Procurement and expenditure arrangements for *Aus4Transport* will be compliant with the principles and requirements of the GOA's Commonwealth Procurement Rules. This approach is recommended rather than use of GOV procurement or co-mingling of funds because: (i) the GOV has a very rigid procurement, contracting, payment and auditing system; (ii) *Aus4Transport* will be the first occasion that DFAT will work on a continuing basis with MOT; and (iii) there will be a large number of contract packages. There is a need to become more familiar with MOT procurement and financial management practices and to gain experience with the contracting of services under the Program before committing to the use of MOT procurement systems.

Procurement arrangements are set out in more detail in Appendix H. Key features are:

- **Managing Contractor.** The Managing Contractor will be selected using competitive tendering. Bidders will need to identify ATAG staff. Given the need for an indeterminable number of specialists and quantity of input to provide advice and guidance for technical activities such as PFS, FS, DDD and quality assurance reviews, a register of potential pre-qualified advisors who can be drawn on to provide the services will be established as part of the competitive tendering process to select the Managing Contractor. A TOR for the Managing Contractor is included in Appendix G. The payment schedule for the contract should be linked to deliverables as far as is possible, including: (i) in the case of PFS, FS, DDD and specific contracted activities, payments should be linked to progress with the activities; and (ii) payments with regard to the ATAG should be linked to the delivery of reports described in Appendix G.
- **Pre-Feasibility and Feasibility Studies.** MOT assigns responsibility for the work to prepare a PFS or FS to one of its PMUs. The PMU in turn engages local consultants to undertake the technical work. As the Program is expected to finance the entire cost of the technical work to be undertaken by these consultants, procurement will be managed by the ATAG using GOA procurement requirements. Given the objective of supporting local capacity building, local competitive tendering will be used with the contract to be specified in Vietnamese currency. The PMU that is responsible for the project will be involved in the selection, contracting and contract management to the greatest degree possible while not diminishing the ultimate responsibility of the Managing Contractor, through the ATAG, for ensuring that contracting is arranged and implemented to the standard required by the GOA.
- **Detailed engineering design and documentation.** The Program will provide finance for DDD activities that can be undertaken in the period between acceptance of the results of the FS for the project by the GOV and relevant MDB and the time of Loan/Project Effectiveness. The remainder of the DDD work for a project will be financed by proceeds from the loan. It is vital that the same contractor that commences work on the DDD with full payment coming from *Aus4Transport* should also continue to work on the DDD following Loan/Project Effectiveness to ensure continuity of personnel and technical activities. This will be accomplished by using a two-part TOR, with back-to-back contracts for the two parts that are to be undertaken in contiguous stages, i.e. with one contract being with the ATAG and the following contract being with the MOT/PMU. Specific actions will include:
  - The ATAG will establish a tripartite MOU with the MDB and MOT/PMU that defines the scope of DDD activities to be funded by *Aus4Transport* and conditions related to contracting.
  - The PMU will take the lead in tendering, tender assessment and recommendation of the contractor to be appointed. The ATAG will review the tendering process, assessment and recommendation and, if satisfied, provide a no-objection notice. If the PMU and ATAG cannot settle concerns, the view of the relevant MDB (which also reviews the procurement process and results) will be accepted.
  - The ATAG will work jointly with the PMU to oversee the technical work performed by the contractor.
- **Other technical services.** The Managing Contractor will arrange for other technical services to be provided by specialists from its pre-approved register or competitively tendered contracts. The Managing Contractor will be responsible for procurement and payments for these contracts and will undertake management in associated with the relevant MOT entity.

## Monitoring and Evaluation

### Purpose

The M&E approach and methodology for *Aus4Transport* 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 *Aus4Transport* 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 *Aus4Transport* is:

- provide strategic, high-level feedback of the influence *Aus4Transport* 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 *Aus4Transport* 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 the *Aus4Transport* Program 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 the Program is guided by the following key principles:

- **Simple and practical.** The implementation of program interventions should be simple, practical and not overtly complicated.
- **Participatory.** Implementation of *Aus4Transport* 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 *Aus4Transport* 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.
- **Inclusion.** The impact of initiatives on the inclusion of women and men, people with disabilities and other marginalised groups should be considered, with specific measures to promote inclusion incorporated into the design of every initiative.

## Approach

The initial approach of M&E for the *Aus4Transport* Program 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 the Program 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, credibility and practicality.

Development of the M&E system will be led by a M&E/program design specialist who will 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 *Aus4Transport* 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 *Aus4Transport* Program 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.

*Aus4Transport* progress reports will need to be aligned with the Australian Embassy's needs for reporting and learning and DFAT's performance reporting requirements under the performance framework for Australian aid. *Aus4Transport*'s M&E system will need to provide the following progress information:

- **Activity-Level Reporting.** Each individual activity under *Aus4Transport* 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. Individual activities, with individual M&E requirements, will feed through the facility/program level reporting.
- **Program-Level Reporting.** Progress of *Aus4Transport* (the program portfolio) will be assessed against the goal, objective and key result areas established in the finalized *Aus4Transport* results framework; this will include measures of coordination and efficiency aligned with DFAT M&E and value for money standards.

- **Facility Operations Reporting.** Underpinning the programmatic approaches detailed at the activity and facility level, the contractor should develop as part of an overarching M&E Framework, a number of core indicators that can be used to assess the overall effectiveness and efficiency of the Facility in delivering defined services and outputs. These indicators can be used to assess overall contractor performance and also provide useful guidance on the efficiency of *Aus4Transport* overall and areas for further strengthening, enhancement and/or support. Suggested indicators have been included in the Performance Assessment Framework (PAF) in Appendix I.

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.

The M&E system will be reviewed by the independent technical advisors engaged to support DFAT. They will draw on the results of the M&E program and will, inter alia, examine performance against the results framework at the program level to provide an overall assessment of the effectiveness and efficiency of *Aus4Transport*.

In addition to routine periodic monitoring, two significant reviews are planned:

- given the programmatic approach, a formal review in the second year of the Program to assess the need for any refinements to the remainder of the Program; and
- a review in year 4 to assess the success of the Program and the potential for follow-on activities, if any, after June 2022.

## Sustainability

The *Aus4Transport* Program 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 essential for sustainable improvements in the practice of project development in Vietnam.

MOT support for *Aus4Transport* should enhance the prospects for sustainability. The support includes the provision of good access to MOT ministerial, high-level management and other staff, the role of a Vice-Minister in co-chairing the Project Coordinating Committee and MOT's willingness to establish a gender focal point, for gender to be addressed in all aspects of project studies and for support programs to be provided for women in MOT.

Improved sustainability will be reflected through:

- improved consideration of a broader range of environmental and social issues during project development and inclusion of improved practices into the design and implementation arrangements for the projects addressed in *Aus4Transport*;
- identification of improved practices, demonstration of their merits and inclusion of improved practices in project development during *Aus4Transport*; 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 other key institutions such as MOC to accommodate recommended changes and insufficient finance to fund changes. The *Aus4Transport* Program and its Project Coordinating Committee will need to maintain a focus on these matters and seek to support the implementation of policy change.

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 *Aus4Transport* Program will add to the current policy community, which includes the ADB, World Bank and various Vietnamese institutions and individuals who are active and passionate for change. However, the potential for *Aus4Transport* to support change is enhanced by its expected close working relationship with MOT and the funding it brings to examine issues and develop ways forward. The *Aus4Transport* Program 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 *Aus4Transport* can establish all 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 MOT department needs), will be consistent with MOT annual work plans, and will be prioritised according to the likelihood of success. To support the process, the ATAG should develop a capacity development plan around possible options to strengthen learning, adoption and uptake of new methods, approaches and possible policy enhancements. Care needs to be taken to detail and outline possible approaches and methodologies to capacity development within the Vietnam context.

Additional measures to enhance the sustainability of *Aus4Transport* 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 for implementation (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 (Facilitating Project Development). That is, pursuing policy and practice innovations that can be put into effect.
- Work 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 (particularly MPI and MOC).
- 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 *Aus4Transport* can be expected to sustain the momentum and process of change, particularly given the focussed

content of the Program and the way 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 *Aus4Transport* Program 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 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

Women and men with disabilities face specific and often different challenges in accessing mainstream transport services and related infrastructure, however these barriers are not always well understood since there is relatively little information about the use of transport services people with disabilities in Vietnam. Available research suggests that transportation costs are high for people with disabilities, who must spend money on taxis or motorcycle taxis due to access issues including difficulty in accessing public buses, the lack of assistive devices and alternative transport such as motorised tricycles. Inaccessible or expensive transport also impacts the ability of people with disabilities to work, travel in their communities and seek medical care.<sup>4</sup>

In order to better understand the barriers and facilitators for people with disabilities to access transport infrastructure, people with disabilities and their representative organisations must be consulted and engaged in design processes. Consultation and analysis can help identify the types of measures that will make transport infrastructure more accessible to people with disabilities, including those with a variety of impairments. However there are also existing recognised good practices and standards for accessibility measures that can and should be integrated into transport infrastructure. Often such measures can be implemented at relatively low cost, compared with much higher costs for retrofitting infrastructure. Examples of accessibility features can include buses and bus stops and infrastructure that is accessible for wheelchair users; provision of ramps and handrails; tactile markings at crossings, bus stops etc.; and information available in accessible formats including Braille, and in written form for those who are deaf or hard of hearing.

Universally accessible transport infrastructure is cost efficient – it has benefits not only for people with disabilities but for all road users, and can improve road safety. The cost of universal access is typically minimal in new projects, but by contrast it can be costly to make modifications after infrastructure has been designed or completed.

The *Aus4Transport* Program will ensure that consideration is given to the needs of people with disabilities (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:

- recruitment of a disability specialist to guide and provide on-the-job training and support for staff of MOT, PMU and local consultants on disability inclusion, as well as leading and supporting the approach to disability inclusion within implementation and monitoring and evaluation of project activities;
  - developing an overall understanding of the behaviour and concerns of men and women with disabilities, how people with disabilities access, and participate in, transport-related services, and how activities can be improved using document research, key informant/-stakeholder discussions and community consultation;
  - identify any specific differences between men and women with disabilities in terms of needs, perceptions, attitudes and opportunities associated with transport related services, through desk studies and stakeholder consultation as mentioned above;
  - identify the likely differential impacts of project activities on men and women with disabilities and identify measures that could be incorporated in projects to secure more socially inclusive outcomes; and
- identify existing standards and good practice for accessibility of transport infrastructure, either within Vietnam or from other similar contexts, and identify ways to ensure these are adhered to or incorporated into infrastructure projects.

---

<sup>4</sup> Palmer, M et al, 'The Economic Lives of People with Disabilities in Vietnam', Public Library of Science, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4510056/>.



Further guidance for this role is given in Appendix B: Social Dimensions. In addition, the Gender Equality and Social Inclusion Plan should set out a detailed and coherent strategy for disability inclusion across *Aus4Transport*, including both mainstreaming and disability-specific activities.

## Private Sector

The *Aus4Transport* Program will contribute to private sector development in the transport sector in Vietnam by:

- supporting the development of international practice 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, FS and DDD activities and providing technical guidance to the firms during these activities;
- 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; and
- 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 *Aus4Transport* Program is considered a relatively high-risk investment for DFAT. Risks at the institutional and program level remain and need to be carefully managed throughout the implementation period. Any program that requires changes in attitudes, work activities and government systems in a country such as Vietnam to be fully successful is high risk. It is improbable that *Aus4Transport* can establish all the conditions needed for change but this design includes mechanisms to effectively manage this risk. The best way to manage the risk is to identify clear expectations for GOV/MOT action to move forward on this agenda.

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, procurement and the implementation model of *Aus4Transport* in terms of the linkages of activities to the intermediate and end-program outcomes set out in the TOC. Details of the significance of risks, current treatments and proposed contractor approaches to manage the risk are contained within Appendix J.

The risk management plan will be aligned to *Aus4Transport* M&E Plan. Key risks should be reviewed and revised (and new risks included) as part of the TOC 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 Team Leader in the ATAG 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 *Aus4Transport* Program 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 highest individual standard set by participating MDBs and DFAT are incorporated into planned projects covering all social and environmental matters such as those described in Box 1 on page 20. An assessment of *Aus4Transport* 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
<b>Child protection</b>			
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	
<b>Displacement and resettlement</b>			
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		
<b>Environment</b>			
Will the investment support any of the following: <ul style="list-style-type: none"> <li>• medium to large-scale infrastructure such as roads, bridges, railways, ports, infrastructure for energy generation; or</li> <li>• development of irrigation and drainage, diversion of water; or</li> <li>• land clearing, intensification of land use; or</li> <li>• hazardous materials and wastes; or</li> <li>• activity in mining, energy, forestry, fisheries, water supply, urban development, transport, tourism or manufacturing sectors?</li> </ul>	Yes		
Will the investment support any of the following: <ul style="list-style-type: none"> <li>• small to medium scale infrastructure such as localised water supply and/or sanitation infrastructure; irrigation and drainage; rural electrification, rural roads; or</li> <li>• construction/renovation/refurbishment/demolition of any building for example: schools, hospitals or public buildings; or</li> <li>• localised use of natural resources, including small-scale water diversion, agriculture, or other types of land-use change?</li> </ul>		No	

	Yes	No	Not Sure
<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"> <li>• trust funds, procurement facilities; or</li> <li>• co-financing contributions; or</li> <li>• support for planning, change to regulatory frameworks, technical advice, training or;</li> <li>• applied research?</li> </ul>	Yes		
Has an environmental review of the proposed investment already been, or will be completed by an implementing partner or donor?		No	
Does this investment need to meet any national environmental standards or requirements?		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: Cost Estimates and Budget
- Appendix F: Illustrative Position Descriptions and TOR
- Appendix G: Statement of Requirements and Pricing Schedule
- Appendix H: Procurement Arrangements
- Appendix I: Monitoring and Evaluation
- Appendix J: Risk Register
- Appendix K: Bibliography
- Appendix L: List of Key Persons Met During the Design Mission