



Country Partnership Strategy for Vietnam 2011-2015



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1. Introduction

This Country Partnership Strategy (CPS) for the Socialist Republic of Vietnam (hereinafter referred to as “Vietnam”) aims to provide the overall policy direction of the Republic of Korea (hereinafter referred to as “Korea”) for its development assistance to Vietnam. It outlines Korea's proposed partnership programs for its development assistance in Vietnam for 2011-2015, and sets out how Korean aid will assist Vietnam in achieving their development goals to become a modern industrialized country.

The strategy aims to make a meaningful contribution to the poverty reduction and sustainable development of Vietnam in line with their Socio-Economic Development Strategy (SEDS) and Socio-Economic Development Plan (SEDP). It also lays out a framework to expand the bilateral relationship through the further reinforcement of partnership and cooperation.

This strategy paper is based on mutual understanding and respect, and aims to enhance aid effectiveness by identifying Korea's development experience and comparative edge suitable to Vietnam's development needs.

Korea, as a member country of the Organization for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), is obliged to abide by international norms in providing its development assistance. Korea will strengthen cooperation not only among its relevant Korean agencies, but also with international partners, to overcome fragmentation and enhance aid effectiveness.

As the first step, the role and contribution of Korean official development assistance (ODA) during the period 2011-2015 will be clearly defined in this strategy paper to allow the systematic and consistent implementation of CPS. This will assure predictability while reducing administrative costs on Vietnam's side.

For the timely incorporation of internal and external changes of Vietnam, the strategy will be continuously revised and updated through mutual discussion and agreement between Korea and Vietnam.

2. Development Status and Challenges

Vietnam has achieved an impressive economic growth rate (7 percent per year on average) and rapid poverty reduction following the *doi moi* reforms since 1986. Based on political and social stability, Vietnam continuously pushes ahead with public sector reforms, and has been successful in transitioning to a market economy by adopting an export-led growth model and foreign investment policy. Rapid progress has been (and will be) made on almost all Millennium Development Goal (MDG) indicators except for HIV/AIDS (MDG 6) and incorporating environmental sustainability (MDG 7). On the basis of these remarkable achievements, Vietnam aims to achieve a GDP per capita of US\$ 2,100 and US\$ 3,200 by 2015 and 2020, respectively, in order to become a modern industrialized country.

Despite its impressive achievement, however, income inequality among regions and social classes, lack of infrastructure, environmental degradation and weak governance/corruption could become barriers to further development. Moreover, some donor countries have been

considering reducing or withdrawing from their commitment to provide aid to Vietnam as the country has made progress toward achieving a lower-middle-income country (LMIC) status. This could be a major factor in determining the future of Vietnam's development.

The focal point of the Strategy, therefore, will be to assist Vietnam in overcoming such barriers and achieving sustainable growth. For this, on the basis of the SEDP and SEDS, Korea will become more engaged in core areas where progress is needed, while engaging effectively with various donor agencies to enhance aid effectiveness and collaboration in Vietnam.

3. Korea's Partnership Strategy for Vietnam

This partnership strategy aims to support Vietnam's poverty reduction strategy and sustainable development in line with the SEDS. It also aims to strengthen the bilateral relationship by furthering mutual friendship and cooperation.

For Korea, Vietnam is one of the most significant partner countries in development cooperation. Korea's partnership strategy will strengthen the basis for Vietnam to achieve sustainable development and successfully develop into a middle income country.

In particular, in consideration of aid coordination as well as Vietnam's development needs and our strengths, we will select three areas of main cooperation, for which about 70% of our budget will be allocated. The core areas are:

1. Environment and Green Growth
2. Technical and Vocational Education and Training
3. Transportation

In addition to the strategy, Korea will pursue three values - efficiency, sustainability, and harmonization - in implementing the strategy to enhance aid effectiveness.

We will also set detailed objectives regarding the proportion of untied aid and program-based approaches (PBAs) in order to further advance our ODA in alignment with international norms such as the Paris Declaration and DAC recommendations.

3.1. Priority Areas of Partnership

Environment and Green Growth: Ensuring Sustainable Growth

Integrating environmental sustainability into policy is the key to the success of Vietnam's development plan. This program aims to prepare for and adapt to the impacts of climate change through environmental preservation and green growth.

The strategy will especially focus on the three strategic priority areas including water supply and sanitation, waste management, and response to climate change through the generation of renewable energy and forest management. Technical assistance, policy advisory and capacity building programs will be provided to boost Vietnam's capability in dealing with these issues.

- **Water and Sanitation:** While much progress has been made in this area, more work

needs to be done to deliver more positive results for meeting the MDG target. Until 2015, Korea will contribute to the expansion of water supply facilities (a volume of 81,000m³/day) and sewage systems (a volume of 28,200m³/day). Concessional loans will mainly provide for the construction of infrastructure in urban areas, while grants including possible budget support will focus on rural areas along with technical assistance and capacity building programs.

- **Waste Management**: By 2015, Korea will provide one or more solid waste treatment facility, and support research and capacity building in this area. Korea's soft infrastructure policy assistance in this area will be further strengthened through the provision of technical assistance that will help the management of the industrial waste water treatment process and the disposal of harmful waste in industrial zones.
- **Response to Climate Change**: Korean assistance will help Vietnam respond to the changing climate. We will support Vietnam's sustainable use of resources by considering building a renewable energy facility such as a solar energy plant before 2015. Korea will fund research in the field of reforestation and air pollution through the East Asia Climate Partnership program.

Human Resource Development: Technical and Vocational Education and Training (TVET)

This program is aimed at improving the facilities and systems for skilled labor development that will ultimately contribute to the timely provision of trained labor required for achieving Vietnam's vision of becoming a modern industrialized country. The details of the contribution are as follows:

- By 2015, establish seven or more vocational colleges or training centers that can annually educate and produce graduates of about 9,000 skilled employees, and provide education materials and technical cooperation.
- Establish long-term training/degree courses in the field of technical and vocational education and training (TVET) and train highly skilled personnel.
- Support capacity building by improving systems and teaching methods in the field of TVET.

For the above-mentioned purpose, a long-term strategy will be developed in the field of TVET, following a joint review with Vietnam of the conditions of our previously supported facilities. We will especially focus on supporting policy development for effectively linking local industries with TVET schools/colleges. This program also targets members of marginalized groups such as ethnic minorities, women, rural population and the disabled who wish to acquire vocational skills to improve their economic situation.

In view of local labor demand, middle- and large-scale vocational colleges and training centers will continuously be expanded, while the support for building an effective TVET system, such as enhancing the quality of the education programs and capacity building of teachers, will also increase.

In addition, together with other key donors, we will support the Vietnamese government in drafting its long-term TVET strategy (especially for rural areas) and in establishing master plans. Possibilities of joint technical cooperation and co-financing will be explored to enhance aid effectiveness.

Transportation: Construction of Infrastructure for Economic Growth

This program aims to assist Vietnam in constructing the transportation infrastructure necessary for regional economic integration, the balanced development of land, and the enhancement of trade to support sustainable economic growth. The details of the contribution are as follows:

- **Road Improvement:** Until 2015, Korea will provide solutions to improve transportation infrastructure that connects farms to markets, rural areas to urban areas, and Vietnam to neighboring countries. It includes constructing highways, bridges, and coastal roads with a total length of 160km. The construction of modern and safe transportation systems such as ITS will be pursued as well.

While putting Vietnam's needs first, Korea will focus on the construction of infrastructure in the Mekong Delta region and remote areas of Vietnam such as the northern and central mountainous regions.

- **Capacity Building in the Transportation Sector:** Comprehensive capacity building through training programs and the dispatch of experts in the transportation sector is critical in addition to project-based assistance. Korea is ready to provide support in the fields of master planning and the operation and management of road construction. To facilitate the process of EDCF loan projects, we intend to include a plan to dispatch consultants who will offer advice on project management in the concessional loan agreement.

We will be supportive on the issues of resettlement for the purpose of preventing the emergence of a new poverty group from aid projects, and will also carry out environmental impact assessments of the proposed projects.

3.2. Other Areas of Partnership

Rural Development: Saemaeul Undong Project (Building a New Countryside)

To connect Korea's experience of rural development, Saemaeul Undong, with Vietnam's own rural development program, we will support Vietnam in their efforts to create self-reliant villages in the countryside. In particular, to help sustainable rural development through voluntary participation and competition among village residents, we will jointly develop a strategy with the relevant Vietnamese authorities, in consideration of local conditions, systems and opinions.

A model village with a high likelihood of success will be selected to focus our assistance on during the 2011-2015 period. Based on this pilot project, the program will be scaled up nationwide after 2016.

To this end, we will prepare a comprehensive support package that combines different modalities and instruments into one program:

- ✓ To provide comprehensive services by linking policy and master plan development, infrastructure, technical assistance, volunteer dispatch and follow-up measures
- ✓ To build agricultural infrastructure such as irrigation systems and reservoirs to enhance agricultural productivity, while operating training programs and dispatching consultants, to foster future leaders of agricultural development

Institutional Capacity Building

We will cooperate with Vietnam in strengthening its institutional capacity. Assistance will be given for the establishment of e-government, the improvement of administrative services, and the establishment of the national standardization system, as part of the 2nd Public Administration Reform planned by Vietnam.

A comprehensive strategy will be prepared by each subcategory, such as IT infrastructure for public administration, economic development strategy, law and systems development, and capacity building of management personnel. Regular maintenance is essential to ensuring the continued operation of facilities constructed with Korean ODA. Korea will strengthen its support for the capacity building of maintenance personnel by providing training programs and sending experts to the completed project sites.

Health

In this area, Korea's hard infrastructure assistance will be complemented by support for soft infrastructure policy and institutional reform. Ongoing projects for building large-scale hospitals will be wrapped up successfully. We will then focus on fostering the health workforce, improving the system through policy advisory services, and expanding medical service coverage throughout less developed areas.

Long-term training programs will be provided to improve the expertise and skills of health care workers. Access to medical services for local population in less developed areas will be improved through the education programs provided for local health workers.

Plans for Cross-Cutting Themes

Cross-cutting themes such as IT, gender, and environment will be examined from the beginning stage of establishing project plans. This approach ensures that cross-cutting issues are an integral part of the efforts directed toward improving broader aid effectiveness.

In order to address social inequality issues, economic empowerment and health service improvement for ethnic minorities and women in mountainous areas will receive special attention. With regard to environment, Korea will pursue environment-friendly ODA to achieve sustainable development.

3.3. Technical Assistance

Training Program

Annual training programs will cover about 100 people on average, with strengthened connections to main programs of development cooperation such as the environment, vocational education and training, and transportation. In order to improve the quality of training, multi-year training programs will be introduced, along with the expansion of long-term degree courses and increases in the budget for training each personnel.

In addition, participants of training programs will manage their programs by setting their own goals and contents. We will also focus on establishing a comprehensive and long-term training strategy for the institutional capacity building of Vietnam's institutions.

To improve Korean training institutions at the same time, the quality of our training institutions will be reviewed and a pool system containing data on program experts will be established. Led by KOICA, a network of training institutions will be set up to develop comprehensive training programs in cooperation with relevant Korean authorities.

Dispatch of Experts

Korean experts will help Vietnam improve the quality of life for the Vietnamese people and contribute to ensuring the sustainability of completed projects. With a focus on the main areas of cooperation, experts from Korean research institutes will be sent to strengthen cooperation with the relevant Vietnamese authorities and to participate in sectoral meetings.

In consideration of the demand in Vietnam, we will decide how many experts will be provided. Our effort to extend the dispatch period to over six months is expected to lead to greater efficiency in the sharing of knowledge and expertise between the two countries.

Overseas Volunteers Program

Volunteers will be mobilized to support the implementation of the programs in the main areas of cooperation or to ensure the sustainability of completed projects. Additionally, the number of volunteers for areas of surging local demand such as Korean language education and IT will increase.

The number of volunteers to be dispatched annually will total around 80-90. In order to improve the quality of life of the poor, health and education will become the main areas of support. To improve the effectiveness of their work, their stays will be at least two weeks.

Development Research and Policy Advisory Service

Assistance in the form of consultancy services such as development research and policy advisory services will increase from the current 0.42% (2005-2009, grant aid) to 2.5% by 2015. Korean ODA agencies will share information regarding development research to make sure that the results of development research are put into practical use and to ensure that the research projects do not overlap. More EDCF projects will be implemented based on the feasibility study provided by grant aid, and joint research with other donor countries will also increase.

To map out development research programs that can have practical impact in Vietnam, experts will be dispatched to explore potential projects. Vietnamese institutions will jointly take part in these research activities for capacity building purposes.

Through the Knowledge Sharing Program (KSP), we will use our knowledge and our own economic development experience tailored to the needs of Vietnam to help the country develop policies related to public finance, businesses and human resources development. We will also help Vietnam enact laws and regulations and develop new action plans based on the results of our policy advisory work.

Strategic Targets and expected Korean Contributions by 2015

Vietnam Goals & Targets	Projects (Examples)	Korean Contributions
1. Environment and Green Growth		
Protection of natural resources/environment and response to climate change <Targets 2015> - Forestration: 42.5% - Rural clean water access: 96% - Urban clean water access: 98% - Industrial waste water treatment: 70% - Medical waste treatment: 85% - Solar power: 2,015MW - Small hydro power: 250MW	<Approved Projects> - Solid Waste Treatment Project in Ninh Binh Provin - Expansion of Thien Tan Water Plant <Potential Projects> - Capacity Building for Waste Recycling Management Technology - Project for Strengthening Environmental Protection Capacity in Key Industries - Long Xuyen Drainage and Waste Water Treatment - Quang Binh Solar Power Plant - SP-RCC (Program Loan)	<Infrastructure> - Water supply: 81,000m ³ /per day - Waste water treatment: 28,200m ³ /per day - Solar power plant: 1,312kW cap. - Sector budget support for climate change: app. USD 20,000,000 <Capacity Building> - 10 Experts, 120 Invitational Training - 20 Volunteers
2. Human Resources Development		
Human resource development through education and training <Targets 2015> - Skilled labour: 55% - Create 8 million employment - Reduce urban unemployment rate: 4%	<Approved Projects> - Five Vietnam-Korea Vocational Colleges Project - Equipment Supply to Ayunpa Vocational Schoo - Training Schools in Quang Tri and Bac Giang Province - Establishment of the National Skills Testing and Certification System	<Infrastructure> - Providing equipments for vocational training - Increase facilities for education - Increase students enrollment: 9,000 <Institutional Capacity> - Establishment of the National Skills Testing and Certification System <Capacity Building> - 10 Experts, 150 Invitational Training - 50 Volunteers
3. Transportation		
Build transport-infrastructure for modern industrialized country <Targets 2015> - Increase annual volume of transport (people): 10% - Increase annual volume of transport (people): 9.4%	<Approved Projects> - GMS SCCP Phase II - Hanoi-Haiphong Expressway (Ex.7/10) - Vinh Thinh/Vam Cong Bridge Projects <Potential Projects> - ITS Project for Ha Noi-Lao Cai Expressway - Mekong River Corridor Project	<Infrastructure> - Total length of road improvement: 160km - Total length of bridge: 8.47km - Lower operating costs: avg.30% - Increase transport capacity: avg.30-40% <Capacity Building> - 10 Experts, 50 Invitational Training
4. Institutional Capacity Building		
Enhance public institutional capacity building by introducing IT technology <Targets 2015> - Reduce annual costs for public admin. by 10% - Making public service "one-stop-shop": 100%	<Approved Projects> - Integrated Information System for Competition Administration Department - Sharing Korean Development Experiences <Potential Projects> - Government Information Database Center	<Infrastructure> - Target 60% digital administration - target 65% public service satisfaction <Capacity Building> - 10 Experts, 80 Invitational Training - 60 Volunteers
5. Health		
Improvement of health status through easy access to medical service <Targets 2015> - Number of doctors in commune: over 80% - Holding national medical insurance: 80% of population	<Approved Projects> - Yen Bai and Quang Nam General Hospital Construction Projects - Improvement of Thua Thien Hue General Hospital - Establishing National Health Insurance Law <Potential Projects> - Ben Tre General Hospital Project	<Capacity Building> - Increase number of doctors and nurses - Increase number of beds/equipments - Increase number of health insurance recipients - 100 Invitational Training

* The figures above are subject to change through further consultation with the Vietnamese government.

4. Implementing the Strategy

4.1. Budget Allocation

At least 70% of the funding will be allocated for the three priority areas of development cooperation, while allowing some flexibility to respond to urgent demand. The budget allocation of the three priority areas will be determined through closer dialogue with the Vietnamese government.

In order to improve efficiency in managing ODA for Vietnam, staff in local offices will be boosted both in number and capacity. Field-oriented ODA will be pursued. Efforts to bring together Korean ODA agencies managing concessional loans and grants, NGOs, and businesses will materialize within a joint ODA consultation body of the Korean embassy in Vietnam. Local experts will be hired, and a permanent staff specializing in aid harmonization and cooperation with other donor countries will be placed at offices.

4.2. Measures to Improve Aid Effectiveness

Synergy could be created when project linkages between concessional loans and grants, as well as those between feasibility studies, projects and technical assistance are strengthened. Starting from the stage of policy dialogue and project selection, we will explore possibilities for such linkages with the Vietnamese government. With regard to the main areas of development cooperation, relevant Korean government organizations will come together to discuss and develop strategies with the Ministry of Planning and Investment (MPI) and other relevant institutions in Vietnam. In order to ensure the strengthening of post-project management, the results of completed projects, especially those in the main areas of cooperation, will be jointly reviewed with Vietnam, and comprehensive follow-up measures will be developed. Our goal in supporting such follow-up assistance will be ensuring the independence and self-reliance of local management capacities.

4.3. Cooperation with Other Development Partners

Vietnam and Other Donor Countries

We will try to introduce and increase the proportion of budget support to provide funding directly to Vietnam's government agencies. As a first step, we will provide sector budget support and participate in the Support Program to Respond to Climate Change (SP-RCC) which serves as an aid harmonization platform.

The main areas of cooperation will be provided in alignment with Vietnam's national development strategy, and the use of Vietnam's own systems such as financial management and procurement system will increase.

We will develop pilot PBA schemes by improving our system to allow for more PBAs. By 2015, the proportion of aid based on PBAs will increase to about 20% of total ODA. For aid harmonization, Korea will actively pursue joint field studies or research and pooled funding deals with key donors, and participate in partnership groups on rural water supply, transportation as well as the Aid Effectiveness Forum.

In particular, in the field of environment and green growth, cooperation with groups such as the Rural Water Supply and Sanitation Partnership (RWSSP), the International Support Group for National Resources and Environment (ISGE), and the International Support Group-Ministry of Agricultural and Rural Development (ISG-MARD) will be strengthened. We will also maintain a

close relationship with the group led by the General Department for Vocational Training under the Ministry of Labor, Invalids and Social Affairs (MOLISA). Our participation in the Transportation Partnership Group, the Vietnam Urban Forum (VUF), and the Health Partnership Group will also be increased.

NGOs and Other PPP Projects

To increase the promotion of corporate social responsibility and ODA, a web site for sharing information on ODA activities in Vietnam, including those of NGOs and businesses, will be established.

Specialists will be trained in line with the capacity building program of government agencies, universities and research institutes, NGOs, and businesses involved in Korea's ODA activities. Capacity building will be achieved through more exchange of personnel among agencies, and through joint projects with overseas organizations.

By 2012, pilot projects based on public-private partnerships (PPP) will be developed and scaled up depending on the results. Additionally, evaluation of government ODA and NGO projects will be jointly carried out with NGOs to ensure objectivity, to develop future joint projects with NGOs, and to strengthen NGO capacities.

5. Monitoring and Evaluation

5.1. Monitoring

A comprehensive monitoring system to manage ODA activities in Vietnam will be established, with a risk matrix for each main area that enables effective response in the case of domestic/foreign emergencies. When necessary, strategies will be revised accordingly.

In the future, local offices will be responsible for real-time monitoring of projects. Korea will consult with Vietnam and participate in Consultative Group Meetings to detect any possible risks.

5.2. Evaluation

Performance assessments, post-project evaluations and program evaluations will be carried out periodically. To increase the participation of Vietnam, a pilot joint evaluation with Vietnam will be conducted within 2011 with the aim of expanding it further in the future.

Through a mid-term review in 2013, we will revise our strategy if deemed necessary. A final evaluation will be carried out by a joint body of relevant authorities six months before the expiration of the CPS (2015), the results of which will be reflected in the next CPS.

6. Prospects and Vision for 2016-2020

To help Vietnam achieve its goal of becoming a modern industrialized country by 2020 with a GDP per capita of US\$ 3,000-3,200, it is predicted that significant international assistance will have to continue even after 2015.

As Vietnam's industry structure develops into a technology-oriented one accompanied by economic growth, the focus of assistance will presumably move to systems improvement, cooperation in science and technology, the development of specialized human resources, and green growth in the future.

Reflecting on the achievement of the 2011-2015 SEDP and in consideration of the goals set for the 2016-2020 period, Korea will decide on the scale of future assistance within 2015. It will be the basis of the next CPS in 2016. If Vietnam becomes an upper middle income country after 2020, assistance will be gradually decreased while cooperation in the private sector will continue to be boosted.

Finally, to increase development effectiveness beyond aid effectiveness, more efforts will be needed to observe international norms for development cooperation and to increase cooperation among development partners.