



House of Commons
International Development
Committee

**DFID's Programme in
Vietnam: Government
Response to the
Committee's Eighth
Report of Session
2006–07**

**Ninth Special Report of Session
2006–07**

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Ninth Special Report

On 24 July 2007 the International Development Committee published its Eighth Report of Session 2006-07, *Department for International Development's Programme in Vietnam*, HC 732. On 17 September 2007 we received the Government's response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government response

DFID welcomes the International Development Committee's positive report on our programme in Vietnam. We are pleased that the Committee has highlighted the impact of our increased budget and found that "*British money has helped to lift millions of people in Vietnam out of poverty*". It is also helpful that, having heard evidence from the Government, civil society and other donors, the Committee has endorsed our use of budget support, recognising "*its multiplying effect, impact on government capacity and ownership of development*". We agree with the majority of the recommendations and in most cases we are already taking the appropriate steps to address them. Responses to specific recommendations follow below.

It is clear that tackling inequality and vulnerability will be a key challenge as Vietnam approaches middle-income status. While the Committee states that "*the programme appeared to be effective and targeted*", we agree that we will need to further improve targeting of the poorest and marginalised groups to make sustained progress on poverty reduction. Reducing vulnerability to external shocks, including climate change, will be critical to ensure development gains are not lost. We will continue to support a number of programmes that address this directly, as well as promoting measures such as a social security system. We also recognise the need for a more coherent focus on building a strong civil society. On monitoring and evaluation, we are already working to improve our internal systems, in the context of budget support and working through others.

We are currently developing a new Country Assistance Plan (CAP) for the Vietnam programme to 2011. We believe this builds on many of the Committee's findings and recommendations. A draft of this is currently out for consultation and will be published by the end of the year. The overarching objectives to 2011 are:

- Ensure the poor benefit from the opportunities provided by WTO accession;
- Improve quality and inclusiveness of services for the poor and vulnerable;
- Promote effective and accountable governance.

Response to specific recommendations

[Paragraph 8] Against a backdrop of staff and administrative efficiency targets across the civil service, including at DFID, the tripling of DFID’s budget in Vietnam in five years is a very sharp increase to manage. However, in general terms, we were very impressed by the quality of the work in which DFID was involved in Vietnam. DFID staff in Vietnam were well-informed and the programme appeared to be effective and targeted. We were provided with good examples of the positive effect British development assistance was having on Vietnam’s development. All our comments in this report should therefore be seen in that light.

We welcome this positive assessment of DFID Vietnam’s work and the quality of staff. The new draft Country Assistance Plan has been developed to ensure that we are able to continue to deliver an expanding, effective and high-quality programme while achieving our staffing and administrative efficiency targets.

[Paragraph 11] Much of DFID’s programme in Vietnam focuses on rural populations, particularly through targeted budget support programmes: ‘Education for All’, which focuses on increasing access to primary education, and the rural infrastructure-oriented programme, ‘Programme 135’. These are excellent programmes which we applaud.

We welcome these findings and have no specific comments.

[Paragraph 12] Dealing effectively with growing inequality between Vietnam’s ethnic minorities and its majority will be key to ensuring that all Vietnam’s poor benefit from the country’s remarkable economic development. We therefore welcome a review by DFID of the Government of Vietnam’s policy to promote ethnic minority education. However, given the scale of the challenge and the apparent failure of current policies to halt the widening inequality, we recommend that DFID work with the Government of Vietnam and other donors to carry out such reviews across the range of government policies towards ethnic minorities.

The Government of Vietnam is currently reviewing its policies towards ethnic minorities across a range of policy areas. The review of education policies referred to above was initiated by the Ministry of Training and Education. DFID is supporting it jointly with other donors. DFID will continue to actively support improvements to Government policies to ensure ethnic minorities share the benefits of economic growth and development. We will also promote improvements through the new Governance and Poverty Policy Analysis programme with the World Bank, in which ethnic minority poverty is a core theme.

[Paragraph 15] Vietnam has a particularly large proportion of its population living just above the poverty line. Ensuring that these people remain above that line, and indeed increase their income so as to reduce their vulnerability to external shocks, is crucial for

Vietnam's further development. There is also an increasing number of economic migrants being drawn to industrialised centres who are at risk of becoming marginalised and vulnerable. We recommend that DFID monitor these populations closely and work with the Government of Vietnam to prioritise programmes which reduce their vulnerability.

[Paragraph 33] We view the priorities for a sustainable and effective social security system in Vietnam to be: broad coverage which includes the poorest and most vulnerable people; simplicity; and demand-side education led by civil society. We recommend that DFID ensure that each of these priorities is reflected in its support in this area.

Vulnerability is one of the main development challenges facing Vietnam now. Over 14 million people (16%) are still poor (<\$1 a day) and 45% of the population lives on <\$2 dollars a day. These people are extremely vulnerable to external shocks and risk slipping back into poverty.

The Government of Vietnam is committed to eliminating poverty and protecting the vulnerable. This is reflected in the national five-year development plan — SEDP (2006-10) — where a key priority is improving its social security programmes. The government has allocated budgetary resources to ensure all the poor and vulnerable have full health insurance coverage by 2010. From 2008 onwards the Government will expand the social safety net to institutionalise voluntary old-age pensions for the poor and vulnerable. Their coverage will be monitored through the Poverty Reduction Support Credit (PRSC).

In addition to supporting this issue through general budget support, DFID, along with the World Bank, is designing assistance to strengthen the Government's social security programme. We acknowledge the importance of simplicity and the important role for civil society in supporting demand-side education. However, DFID's policy priorities are slightly different to the Committee's suggested ones. These are: (a) supporting implementation of voluntary social insurance with specific focus on the poor and vulnerable; (b) increasing coverage of voluntary health insurance (c) reforming Vietnam's Social Security Agency to become an accountable and responsive agency. Our "Making Markets Work for the Poor" Programme has also been working on ways to reduce vulnerability and increase incomes of poor producers in key economic sectors where the poor are very active.

[Paragraph 20] We agree with many of DFID's arguments in favour of budget support, including its multiplying effect, and its impact on government capacity and ownership of development. The Government of Vietnam has a good track record on poverty reduction and should be supported. We are concerned, however, that DFID may be neglecting other aid instruments or combinations of aid instruments in favour of budget support, even where these could be equally or more effective. In particular, we believe that DFID should engage with civil society more than it currently does, including looking at options for civil society projects to run in parallel with Government-led initiatives. We believe that a strong civil society in Vietnam will be

crucial as the country faces new challenges in its development, and in its social and political evolution.

We welcome the endorsement of budget support as a main way to support the strong leadership of the Government of Vietnam in the implementation of its poverty reduction strategy. We also welcome expert-witness comments that agreed that, in terms of aid effectiveness, budget support in Vietnam is an effective way to support a strong, capable and committed state.

However, we disagree that DFID is neglecting other aid instruments or combinations of aid instruments. We are using a mix of aid instruments, with budget support accounting for 70% of our resources, and the remaining 30% as projects. A number of these projects support investment (for example, in rural roads, public financial management and education facilities) where the conditions are not appropriate for budget support. Other projects provide technical assistance and promote innovation in areas such as World Trade Organisation accession and anti-corruption.

We agree with the Committee that a strong civil society will be crucial to the country's future. That is why our new CAP prioritises strengthening the accountability dimension of governance, including civil society. We have already agreed a process with NGOs to review civil society strengthening in Vietnam and see what more DFID and other donors should do. The results will be reflected in our 'legacy strategy' [see Paragraph 58 below].

[Paragraph 23] It is fundamentally important that DFID is able to demonstrate effectively its impact on poverty reduction. We saw some evidence on the ground of this impact. But in terms of systematic monitoring and evaluation, we believe that "reasonably inferring" such impact is not good enough. Given that 70% of DFID's budget in Vietnam is channelled through the Government, we recommend that DFID urgently re-examine the level of support it is providing to enhance Vietnam's own monitoring and evaluation systems, in particular the capacity to produce qualitative data and analysis. Until those systems are fit for purpose, we recommend that DFID further enhance its own monitoring and evaluation systems, including through allocating dedicated staff to this role.

We agree that demonstrating impact is fundamental. Some examples of the directly attributable impact of our work include: a reduction of 210,000 people living in poverty in rural communes as a result of provision of all-weather roads through co-funding of the Government's rural access programme; an improvement in quality of schooling for more than 1,000,000 children through co-funding to the Government's primary education programme.

We already provide a high level of support to strengthening Vietnam's own monitoring and evaluation (M&E) systems. We have invested over £10 million in a programme with the World Bank which includes supporting Government to strengthen these systems. As a direct result, for the first time ever in 2006, the Government of Vietnam approved an M&E framework for its Poverty Reduction Strategy. Currently, DFID is also supporting the General Statistical Office (GSO) through a project co-financed with UNDP to strengthen its data-collection capacity; and the new Governance and Poverty Policy Analysis

Programme with the World Bank has the strengthening of Government M&E systems as one of its three core themes.

We agree that DFID's own M&E systems can be further enhanced and we have implemented three measures to address this. First, we have created a new post to work on strengthening our internal M&E. Secondly, we have strengthened M&E in existing projects after carrying out a portfolio review. Finally, we have organised training on results-based programming for staff to strengthen our capacity in M&E.

[Paragraph 28] We welcome the progress on gender equality that is being achieved in Vietnam. We believe, however, that women must routinely have the opportunity to participate equally in decision-making, both at a policy level and on the ground. This calls for a participatory approach at project level which we did not observe in DFID's work in Vietnam. As well as ensuring basic fairness and inclusion, such an approach would provide the Government of Vietnam with a model for its own programmes. We recommend that DFID devise a specific gender strategy for each of its programmes and projects in Vietnam and share these with us within six months.

We agree that participation of women and men in programmes and policies that affect their lives is crucially important to maximise the impacts of our interventions. We ensure a participatory approach in many of our projects, for example the Northern Mountains Poverty Reduction Project (NMPPR). This approach has maximised the impact on Vietnam's own programmes. For example, the lessons learned from NMPPR influenced the Government design of the National Targeted Poverty Programme — P 135/2. We have also organised specific gender training for programme staff. We will however review all our programmes and projects to see what changes we should make, and will report back to the Committee within 6 months.

[Paragraph 36] In 2004, DFID was the first donor to fund large-scale HIV/AIDS prevention programmes in Vietnam. 115 million condoms and millions of needles have been distributed through these programmes. These are good initiatives which we wholeheartedly support. We recommend that a lessons-learned exercise be carried out in connection with the underspend on the HIV/AIDS programme and shared with us within six months.

We welcome the Committee's support for our HIV/AIDS prevention programme and recommendation that DFID continue to prioritise support to HIV as an off-track MDG. Although the programme underspent in 2004/05, disbursement has increased rapidly since 2006, when we transferred management to the Ministry of Health. In 2005, the project reached 40.4% of street-based sex workers, increasing to 96.8% in 2006. In 2005, the project distributed 200,000 needles and syringes, increasing to 1.5 million in 2006 and expected to rise to 10 million in 2007.

Our regular M&E of projects includes consideration of lessons learned, so we can share those lessons learned on this project with the Committee now. These are attached at Annex 1. The main lesson learned is that Government leadership and ownership is critical. Sole

management of the project by the Ministry of Health, leading to stronger government ownership and leadership, has been more effective than co-management with WHO.

[Paragraph 39] Our report on sanitation and water makes clear that these services sit at the heart of development. We recommend that DFID work urgently to find the £20 million for rural sanitation in Vietnam which DFID analysis suggests could provide four million people with hygienic sanitation, whether as a single donor or in coordination with other donors. DFID should also look at options other than budget support for its work in this sector.

We agree. As we set out in our earlier evidence to the Committee, sanitation is now the most off-track MDG target in Vietnam. It is identified as a priority in our draft Country Assistance Plan, which is currently out for consultation. We are working with the World Bank on the design of a joint programme to support Government in getting rural sanitation back on track. DFID's investment would be at least £20 million. At the same time we are tackling the institutional constraints holding back progress. Through the PRSC, we have successfully encouraged Government to develop a Unified Sanitation Strategy. This is an important step towards the better inter-ministerial co-ordination and multidisciplinary working which the Committee highlighted in its recent inquiry on water and sanitation.

Our work in this sector is not and will not be limited to budget support. We recognise that a range of approaches are helpful to achieve progress. In particular we see the introduction of more demand-driven approaches to water and sanitation provision, proven elsewhere, as a key contribution. We are doing this in a number of ways: "Making Markets Work for the Poor" is piloting the provision of market-based sanitation; our contribution to the 'Sanitation and Water Partnership for the Mekong' is supporting the scaling-up of such research and pilots into national programmes; and, through our secondees in the World Bank, we are developing revolving credit funds for sanitation. This project-based work is linked to the development of a sector programme.

[Paragraph 44] Given the scale of the challenge, we agree that the DFID programme in Vietnam should increasingly focus on governance and human rights issues. We recommend that resources be redirected at least to double the financial resources available for DFID's governance programme in Vietnam, mirroring the planned increased DFID staff capacity. The refocused and strengthened governance programme is likely to coincide with Foreign and Commonwealth Office priorities. We recommend that DFID and FCO begin planning now for this convergence in order to avoid duplication and to maximise cooperation and shared resources, including staff.

We welcome the Committee's endorsement of our increased focus on governance and human rights. This increased effort will require us to commit additional resources, both human and financial, to the programme. We have already substantially increased our staff working on this and we are also working with the UN and World Bank to increase their capacity in this area. Our experience in Vietnam is that supporting improved governance is less about financial inputs and more about ideas, knowledge transfer and ways of working. We are therefore reluctant to specify at this stage precisely what increase in financial resources will be required for the programme.

We already work closely with the FCO on governance and human rights. We co-operate in both the preparation and implementation of our respective business plans and agree joint annual objectives. We share analysis and resources, including staff, and work constructively to maximise our different comparative advantages and avoid duplication. This will continue and deepen over the period of our next CAP.

[Paragraph 47] DFID already supports programmes whose aim is to ensure that the benefits of World Trade Organisation membership reach beyond the urban industrialised areas and include the poor and vulnerable. We support this work and endorse the priority given to it in the draft new DFID Country Assistance Plan for Vietnam and would expect to see this level of priority maintained in the final agreed Plan.

We agree. Our new CAP prioritises support to Vietnam to ensure that the poor and most vulnerable also benefit from World Trade Organisation membership. See also responses to Paragraphs 15 and 33 above.

[Paragraph 50] DFID was not able to tell us by how much its budget will reduce once middle-income status is attained nor how quickly. We believe, however, that this is likely to involve more than a “slight scaling back”. DFID should therefore begin now to set out for the Government of Vietnam the likely changes so that it in turn is able to prepare for reduced aid flows.

The UK was used as the example of best practice on aid predictability by the Government of Vietnam in its ODA Newsletter in December 2006. Our Development Partnership Arrangement (DPA) sets out planned annual aid flows to 2010/11. We will carry out an in-depth review of the DPA in 2010, and following this we will agree DFID aid resources for the last five years of the DPA until 2015. We, together with other donors, have already started dialogue with the Government on potential changes in aid flows after 2011, once Vietnam achieves middle-income country status. This will be a main topic of discussion at the annual donor-government consultations in December 2007.

[Paragraph 54] We see a medium-term role for DFID in Vietnam in providing more advice and less funding. We believe that research-led, pioneering work is a strength of DFID’s programme in Vietnam and can lead to compelling arguments on which DFID can base its advice to the Government. We recommend that this work should become even more central to DFID’s work in Vietnam as it approaches and attains middle-income status. We believe that DFID support for some small, innovative civil society projects would complement well its role as a development pioneer in Vietnam and recommend that DFID begin such funding in this financial year.

We welcome the Committee’s recognition of the influence DFID’s research-led, pioneering work has had in Vietnam. We will increase this type of work under the new CAP. We also agree that support for small, innovative work by civil society is important. We are already

funding such work e.g. to inform government thinking on drug rehabilitation and to curb HIV transmission among intravenous drug users. We agree this type of approach can produce compelling evidence on which DFID can base its advice to government.

[Paragraph 58] We agree that a strengthened and coordinated UN presence in Vietnam offers significant potential gains for Vietnam. We do not agree, however, that it is the only vehicle for ensuring that Vietnam's development continues to be informed by advice and innovation which draws on international experience and best practice. Strong civil society groups and well-resourced international non-governmental organisations can also offer relevant experience while also encouraging increased government accountability. We recommend that DFID's 'legacy strategy' be reviewed in order to provide a much clearer role for civil society capacity-building.

We recognise that the UN is not the only vehicle for ensuring Vietnam continues to access international experience and best practice. As bilateral donors scale back their presence with Vietnam's achievement of middle-income country status, a more effective civil society and a strengthened UN will both have important roles to play. The UN, in collaboration with international NGOs, continues to help build the capacity of civil society. The process of UN reform is well established in Vietnam. We believe it promises significant efficiency and effectiveness gains as well as providing lessons for other countries embarking on UN reform. More importantly, the Government of Vietnam has provided the vision and taken a strong lead on this agenda.

We are also considering other ways to support civil society better and have included this as one of four key questions in ongoing consultations on our new CAP with all development partners (including both Vietnamese and International NGOs). See also response to Paragraph 20 above.

Annex 1: Lessons learnt from under-spend of The “PREVENTING HIV/AIDS Project” (PHP)

These lessons are drawn from the independent mid-term project review and the recent Country Programme Review carried out by DFID’s Evaluation Department.

Lesson 1: Government ownership and leadership is important for good project implementation.

During the first two years, 2004-2005, PHP was co-managed by Ministry of Health [MOH] and the World Health Organization [WHO]. Division of responsibility and accountability was not clear, resulting in delays in decision-making, project implementation and expenditure. A key lesson is that WHO lacks the delegated authority to effectively manage large-scale programmes.

In response, in 2006, DFID transferred sole management to MOH, retaining WHO’s technical assistance role. Under Government management, the project is expanding coverage of activities and disbursement is starting to increase. In 2005, the project reached 40.4% of street-based sex workers, increasing to 96.8% in 2006. In 2005, the project distributed 200,000 needles and syringes, increasing to 1.5 million in 2006 and still rising. Decentralizing implementation to provinces is helping accelerate disbursement, with more attention focused on strengthening provincial implementation capacity.

Lesson 2: An enabling policy and legal environment is important for effective delivery of HIV prevention programmes for at risk groups

PHP targets harm-reduction and high-risk groups — sex-workers and intravenous drug-users. This sensitive pilot work outside the law led to slow disbursement as peer educators faced police harassment while distributing condoms and clean needles and syringes.

The Government of Vietnam passed the Law on HIV/AIDS in 2006, legalising harm-reduction and institutionalizing coordination among health, police and social affairs in combating HIV/AIDS. This enabling policy environment facilitates the work of PHP. PHP instantly scaled up needle and syringe distribution from 1.5 million in 2006 to 10 million [planned] in 2007. It demonstrates how DFID can be a catalyst to support pioneering prevention work that lays the foundation for scaling up.

Lesson 3: Flexible staffing is important to ensure adequate DFID capacity to tackle implementation difficulties.

Initially, DFID Bangkok provided advisory support to PHP. In response to rising implementation challenges, DFID allocated dedicated in-country advisory capacity in 2006 to support hands-on management demands. This has improved project delivery and disbursement, supported and strengthened government leadership and enhanced working with other donors.

Department for International Development
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