

# Mid-Term Review: DFID/UNDP Strategic Partnership Initiative



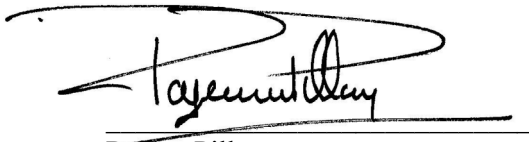
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28 April, 2007

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## Glossary of Acronyms

| <b><u>Acronym</u></b> | <b><u>Full Name/Term</u></b>                             |
|-----------------------|--|
| AD                    | Anti-Dumping   |
| AECI                  | Agencia Espanola de Cooperacion Internacional            |
| ATLAS                 | Proprietary UNDP Management Information System           |
| CEBA                  | Committee on Economic and Budget Affairs (NA)            |
| CIDA                  | Canadian International Development Agency                |
| CPAP                  | Country Programme Action Plan                            |
| CPRGS                 | Comprehensive Poverty Reduction and Growth Strategy      |
| DFID                  | Department for International Development, United Kingdom |
| EU                    | European Union   |
| FDI                   | Foreign Direct Investment                                |
| GBP                   | Great Britain Pound (Pound Sterling)                     |
| GSO                   | Government Statistical Office                            |
| LSDS                  | Legal Systems Development Strategy                       |
| MDG                   | Millennium Development Goal                              |
| MOLISA                | Ministry of Labour, Invalids and Social Affairs          |
| MPI                   | Ministry of Planning and Investment                      |
| NA                    | National Assembly  |
| NGO                   | Non-Governmental Organization                            |
| NME                   | Non-Market Economy                                       |
| ODA                   | Overseas Development Assistance                          |
| ONA                   | Office of the National Assembly                          |
| PC                    | Peoples' Council   |
| PMRG                  | Prime Minister's Research Group                          |
| PRSP                  | Poverty Reduction Strategy Programme                     |
| RC                    | Resident Coordinator (of the United Nations)             |
| RCC                   | Regional Centre in Colombo                               |
| RSC                   | Regional Service Centre of UNDP                          |
| SEDP                  | Socio-Economic Development Plan (Viet Nam)               |
| SOE                   | State-owned Enterprise                                   |
| SPI                   | Strategic Partnership Initiative                         |
| TNTF                  | Tripartite National Task Force                           |
| TRAC                  | Target for Resources Against Core (UNDP core funds)      |
| UNCDF                 | United Nations Capital Development Fund                  |
| UNDG                  | United Nations Development Group                         |
| UNDP                  | United Nations Development Programme                     |
| UNICEF                | United Nations Children's Fund                           |
| VASS                  | Vietnamese Academy of Social Sciences                    |
| VLA                   | Viet Nam Lawyer's Association                            |
| WTO                   | World Trade Organization                                 |

## EXECUTIVE SUMMARY

### SUMMARY OF FINDINGS

1. **Origins and Rationale:** The SPI was originally created primarily as a means of implementing DFID's institutional strategy for UNDP through a mechanism that minimises transaction costs. It is a pool of funds for use in pre-determined thematic areas applying pre-determined modalities and a series of common principles. The SPI has since been the subject of growing expectations as the UNDP and the UN in Viet Nam are a designated pilot for reforms of the UN at Country Level. These expectations are only realistic to a limited extent as activities under the SPI were identified long before the report of the High Level Panel on UN Coherence and room for manoeuvre and changing the course of the SPI is limited to funds not yet programmed.
2. **The Use of Resources:** Somewhat over US\$9 million have been committed to activities under the SPI and delivery stands at about 50 per cent of that total at about the mid-term of the SPI; delivery is on track despite some early delays. The thematic areas in which the funds have been allocated are largely in line with the thematic areas and principles outlined in the underlying agreement. They are also in line with UNDP's own mandate. Delays and uncertainties associated with the introduction of new Government procurement practices and ATLAS identified in the previous review appear to have been overcome and delivery is on track at the mid-term of the SPI.
3. Steps have also been taken to address issues pertaining to timely reporting of actual delivery under NEX projects and the mounting of regular audits noted in the previous review. UNDP is aware that continuous monitoring of both are required.
4. **Ownership:** Activities under Component A (projects) show strong ownership as each of the projects have been identified and formulated in close consultation with the counterpart Government agencies and are being implemented by the national entities largely with Vietnamese expertise. While this may reduce efficiency, leading to delays and at times mixed quality of individual outputs, it does raise the chances of sustainability.
5. Activities under Component B are identified largely by UNDP. More attention needs to be paid to advocating the key findings of policy relevance and ensuring that they are taken into account in the formulation of national policies and approaches and contribute to substantive dialogue.
6. **Transaction Costs:** The SPI has reduced transaction costs in the DFID-UNDP relationship for DFID. It is doubtful that it has reduced the transaction costs for UNDP. Indeed, on the project component, it may have increased transaction costs for UNDP by raising the number of reports required. Recommendations made in the 2006 independent review should reduce transaction costs for UNDP when implemented.
7. **Flexibility:** 38 per cent of firm allocations are devoted to 3 inherited projects. A further five projects approved were already in the pipeline before the SPI. A total of 85 per cent of total funding is allocated to projects that are implemented under NEX and relatively inflexible for reasons of accountability.

8. The 15 per cent of resources allocated to the research component were highly flexible in their use and have enabled the SPI to address a varied array of issues that are highly sensitive and may be said to be of emerging importance in designing pro-poor policies in an environment of rapid change and growth.
9. During the Avian Influenza crisis, the SPI served as an impromptu source of bridge financing that enabled UN agencies to mobilize quickly in a coordinated and coherent manner. Funds used in this manner were fully reimbursed to the SPI from additional resources mobilised as cost-sharing.
10. The flexibility demonstrated in the Research Component and Avian Influenza, suggest that “non-projectised” funds under a facility such as the SPI can serve to raise UNDP Viet Nam’s nimbleness and responsiveness, attributes so necessary for it to remain relevant in an environment of increasingly rapid change.
11. **Is it Strategic?** While the project component cannot be used to address new, emerging needs, it does address issues that are critically important to economic and institutional reform and development. From strengthening the functioning of key committees of the National Assembly, to the drafting and promulgation of enterprise laws that create an environment conducive to domestic and foreign investment, it cannot be argued that the project component is un-strategic even if it is inflexible and prevents redeployment in support of new priorities.
12. The research component has, to date, involved 20 studies of considerable relevance to Viet Nam’s transforming economy. Exploring new important and sensitive issues, the research component is generating conclusions and lessons that need to urgently inform government and even donor decision-making. Greater deliberation in the development of a follow-up strategy for each study would greatly enhance strategic effectiveness.
13. **Is the SPI a Substantive Partnership?** Records of annual review meetings and interviews with staff of both institutions would suggest that there is not a great deal of added substantive dialogue between DFID and the UNDP resulting from the SPI; the relationship has thus far followed the pattern of that between a donor and recipient of funds. While DFID has at various times viewed the SPI as “budget support” to UNDP, both institutions would probably profit from more intensive dialogue on substantive conclusions arising from SPI activities.
14. **National Ownership:** The level of national ownership of the products under the project component are high as they are all conceived and produced with extensive national involvement.
15. Studies in the research component have either only been completed recently or are still ongoing and their effects on policy are not discernible. Research studies constitute a special challenge when it comes to ensuring that their findings influence policy-making. Active and deliberate advocacy needs to be linked to each piece of research project.
16. With the exception of the MPI, Government counterparts are not really aware of the SPI as an instrument. However, they are fully familiar with individual projects that they are directly involved with and are aware that funds are being contributed from DFID through UNDP.

17. **Programme Focus:** The SPI is demonstrably in compliance with its overall goals, purposes and principles both under Component A and Component B. None of the activities fall outside the scope of the prescribed core areas of reform.
18. **Results:** Many of the programme results under Component A are significant for Vietnam's economic transformation and institutional development and address some very sensitive areas that are of importance to poverty reduction strategies, economic transformation and sustainable resource management. By helping to develop enabling legislation, improve checks and balances through institutional change, effectively target and monitor vulnerable groups within national poverty reduction programmes, support Vietnam's accession to WTO while helping to identify its negative repercussions and propose policy options to counter them, the products of activities funded under the SPI are clearly significant even at the mid-term of the SPI. Their use and their actual developmental effects will require dedicated monitoring to assess outcomes and impact.
19. Many of the studies under Component B, are ongoing and all are intended to influence policy. The advocacy and outreach strategies for each study need to be strengthened and more time is required before one can assess results beyond the quality of the products themselves. Many of the studies, are raising issues with far reaching implications for some of the most sensitive and topical areas of policy pertaining to economic and social transformation as well as decentralisation.
20. **Monitoring and Evaluation:** UNDP does not have standalone M & E capacity that can help develop direct and indirect indicators and collect qualitative and quantitative data to support true results-based management. As a result, there is a very real possibility that the achievements of projects funded under the SPI are being underestimated. It is also possible that less than successful modalities or approaches are being pursued without adjustment.
21. **Advocacy:** Activities under Component B in particular require more concerted and extensive advocacy and outreach strategies in order to ensure that they have any real impact on the policies that they seek to influence. This is less true for Component A, which consists of project activities that are, for the most part, identified, managed and inserted within ongoing national processes.
22. **Resource Mobilization:** The precedent set by the SPI has led to a similar mechanism being approved with AEI (Spanish) funding. The latter is more linked to the study and possible promulgation of Spanish models, but the SPI is nevertheless said to have inspired it.
23. Four of the projects funded under the SPI have received addition cost sharing from bilateral donors as they are all viewed as being in strategic areas and UNDP is said to have an edge in addressing such issues by virtue of its relationship of trust with government. Indeed, cost sharing has supplemented funds allocated to the project component of the SPI by 61%.
24. In general, additional resources were mobilised for projects of particular strategic importance to Vietnam's ongoing transformation. Only SPI and core UNDP resources (TRAC) were used for activities that are of more central importance to UNDP's global mandate such as in the area of MDGs. As such, the SPI can be said to have supported UNDP in the fulfilment of its global mandate.
25. Bridge funding for Avian Influenza enabled the UN system to mobilise in excess of US\$7 million for its coordinated response to the crisis from other donors.

26. **One UN:** The SPI is deployed very much in accordance with UNDP's substantive responsibilities within One Programme, the latter having incorporated all of the main elements of the UNDP's Country Programme Action Plan. To the extent that it supports UNDP's capacity to fulfil its mandate within the One UN, it is also supportive of the One UN reforms. The SPI, however, is based on a direct relationship between the DFID and UNDP rather than the 5 UN entities at the core of the plans for the One UN pilot in Viet Nam. Planned arrangements for funding One UN in the future would suggest that there is still be room for cost-sharing arrangements directly targeting specific entities and their projects. However, the principal venue for budget support to the UN for both strengthening of its own capacity is clearly going to be the "One Programme Fund".

## ***SUMMARY OF RECOMMENDATIONS***

1. **Monitoring and Evaluation:** Remaining SPI funds should be used to establish dedicated monitoring and evaluation capacity in the form of a Monitoring and Evaluation Officer with sufficient resources to establish standalone monitoring mechanisms geared to assessing outcomes and impact of activities supported by the SPI. Consideration should be given to broadening the scope to cover all UNDP activities. The M&E mechanism should include retroactive establishment of baselines to the extent possible, the selection of indicators of performance, data collection and analysis. Support for monitoring and evaluation capacity should subsequently be taken over by successor funding arrangements for One UN.
2. The monitoring and evaluation facility should work closely with the joint UN Communications Unit to ensure that results are widely communicated – not just for the purpose of self-congratulation, but also for the purpose of advocacy.
3. **Results Based Management:** Management of the SPI should shift its focus rapidly away from inputs and activities to programme results. For this purpose, the Monitoring and Evaluation facility should rapidly analyse and better define the results already achieved under projects in Component A with a view to better understanding their implications for Viet Nam's future development as well as follow-up projects and activities required on the part of the UN system.
4. **Governance:** UNDP is the governance agency of the UN system at country level and governance is of central importance to future reforms in Viet Nam. Remaining funds should also be used to capacitate UNDP to fulfil its governance mandate within the framework of "One UN" through the provision of funds for bridge funding of two posts of governance advisers as part of a Governance Policy Unit reporting to the UNDP Country Director and the UN Representative in accordance with the recent report recommending a reorientation of UNDP's strategy in the area of governance. The Governance Policy Unit should subsequently be funded under successor funding arrangements for One UN.
5. **One UN:** Future funding should not only be assessed based upon whether it is supporting multiple agencies, but the extent to which it is supporting the key functions and mandates of constituent UN entities such as UNDP within One UN Programme. All capacity created (such as the Monitoring and Evaluation Facility and the Governance Policy Unit) should report not



only to the UNDP Country Director, but also the UN Representative. DFID funding should support this principle.

6. **An Upstream UNDP:** For the remainder of its lifecycle, the SPI should be used to further reinforce UNDP's upstream role in cutting edge substantive dialogue and policy advocacy on issues of emerging importance in a rapidly transforming economic and institutional environment. The funding should focus on ensuring that the UNDP can respond nimbly with cutting-edge technical expertise to new priorities that arise as Viet Nam's growth and transformation accelerates. This focus should continue under successor arrangements.
7. **Advocacy Strategies:** There is an urgent need to develop comprehensive advocacy strategies for each of the research studies in Component B to ensure that they have a chance of influencing public policy, the PRSC and donor programmes. Advocacy strategies need to be tailored for each study and the conclusions of the studies should be fully digested and propagated by all UNDP staff, most particularly the UNDP Country Director and the UN Representative in their interaction with influential Government and Party figures.
8. **Boosting Substantive Dialogue:** More frequent discussions on particularly important policy conclusions of projects and research studies need to be instated. DFID, UNDP and the Government should all benefit from the discussion of substantive issues arising from the collaboration. Key substantive conclusions derived from projects and research activities should permeate the work of UNDP and the UN and needs to be sufficiently analysed and digested by programme staff at all levels and then used in their ongoing discussions and work in prioritisation of cooperation.
9. **Substantive Cross-Fertilisation:** In the same vein, UNDP needs to pay more attention to ensuring that the research studies inform UNDP's own projects and programmes on a regular basis. There needs to be more substantive dialogue between units.
10. **Preserving a Strategic Edge:** To remain strategic in the future, UNDP will need to capacitate itself to be to provide high level policy advice in a nimble and flexible manner as Viet Nam's transformation accelerates. This entails reducing the emphasis on traditional long-term technical assistance. The recruitment of governance policy advisers as already discussed between DFID and UNDP is part of this overall approach as should be the continued provision of funds for carefully targeted research studies within the context of well structured advocacy and outreach strategies. It is likely that such funding will need to be established under a successor funding arrangement that supports UNDP as part of the One UN.
11. **Future DFID Funding:** Current "budget support" to UNDP under the SPI should, over time, be folded into successor funding arrangements for One UN. To the extent that participating UN entities will continue to have distinct mandates, DFID funding should ensure continued support to UNDP's mandate outlined in its institutional strategy for UNDP. This includes UNDP's own capacity to fulfil its role. The approach embodied by the SPI – i.e. one of jointly funding multiple interventions should continue to be used.
12. **Transaction Costs:** The frequency of progress reporting on individual projects should be reduced. A single, detailed report, focusing on programme outcomes and impact should constitute the principal forum for substantive dialogue and the reorientation of priorities. The underlying agreement should be revised accordingly.

## **I. INTRODUCTION**

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### ***I.A GENERAL***

This evaluation was conducted approximately 2 years and six months after signature of the Strategic Partnership Initiative (SPI), at the mid-term of its implementation. As such, it is being used to assess the use of resources to date, performance and results attained, the effects of the SPI on the strategic positioning of UNDP within the UN system in Viet Nam and on the cost-effectiveness of management practices. It is also intended to determine whether the programme might benefit from re-orientation or adjustment during the remainder of its implementation. Terms of reference of the study agreed on by both DFID and UNDP are contained in Annex I.

It is important to note that this is an evaluation of the SPI as a framework/modality rather than a detailed evaluation of its constituent projects (A1-10) that are otherwise subject to individual evaluation and review. Nevertheless, the results achieved under the projects are also highlighted to the extent that they are attributable to the relationship under the SPI and to the extent that they were readily accessible in the short period of time available.

### ***I.B METHODOLOGY***

The 10 day evaluation was based on:

- A desk review of delivery information and partnership documentation;
- A desk review of past progress reports and evaluations;
- A desk review of select project outputs;
- A desk review of documents pertaining to ongoing UN reform in Vietnam and beyond;
- Interviews with DFID and UNDP staff;
- Interviews with UN staff;
- Interviews with select Government officials familiar with the SPI; and
- Interviews with other bilateral and multilateral partners of UNDP.

The evaluation sought answers to the following evaluative questions:

1. Did the SPI provide value added:
  - As a funding mechanism;
  - As a strategic instrument?
2. Were resources utilised under the SPI according to the parameters set out in the agreement?
3. What results have been achieved under the SPI?
4. What are the comparative advantages of UNDP in Viet Nam and does the SPI build on them? How best can it do so?
5. How has the SPI supported the One UN reforms in the past and how can it fit into the reforms in the future?

## **II.C GENERAL RATIONALE FOR THE PARTNERSHIP**

In its Institutional Strategy Paper<sup>1</sup>, DFID has identified four objectives for working with UNDP globally that include to:

- Consolidate UNDP's role in the international architecture;
- Pursue with UNDP enhanced partnerships in specific thematic and geographic areas;
- Strengthen UNDP country level effectiveness; and
- Develop professional relationships with UNDP that strengthen regional and country linkages and that share and expand knowledge.

It also focused attention on the relationship at country level. UNDP's mandate and role in poverty reduction, democratic governance, energy and the environment, crisis prevention, HIV/AIDS, support for coordination of the UN system and coordination in the management of MDGs were seen at the basis for the relationship. The SPI, which came into effect on 27 September 2004<sup>2</sup> is to be seen within this overall context and has the overall stated goal to: "enhance our effectiveness in supporting Viet Nam in achieving the Viet Nam development Goals and the MDGs." The purpose of the strategic partnership is to "support UNDP in broadening and deepening its focus on the reforms process in Viet Nam for sustainable poverty reduction in line with the government's development strategy, the five-year plan and the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)."<sup>3</sup>

More specifically, the SPI was envisaged as a means of channelling resources to UNDP to enable it to support core areas of reforms across sectors critical to sustainable poverty reduction and a total of £5 million were allocated under it with the following specific objectives that are intended to guide allocations to specific projects and programmes:

- a) Strengthening democratic governance, accountability and voice;
- b) Supporting the process of economic and social transition;
- c) Strengthening environmental sustainability; and
- d) Responding to emerging national priorities.

The above thematic areas funding allocation are to be underpinned by the following "operating principles"<sup>4</sup>:

- i) Foster national ownership and leadership by engaging directly in the strengthening of the Government of Viet Nam's own systems where possible;
- ii) Support up-stream policy engagement and advocacy work;
- iii) The following projects, separately funded by DFID were incorporated under the common umbrella of the SPI, thereby encumbering funds under the SPI from the outset, and reducing the funds available for new programming:
- iv) Support transformational projects;

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<sup>1</sup> DFID, Working in Partnership with the United Nations Development Programme (UNDP), 2004-2007, Institutional Strategy, December 2005.

<sup>2</sup> See Administration Arrangement for the DFID-UNDP Strategic Partnership Initiative Between the United Kingdom of Great Britain and Northern Ireland and the United Nations Development Programme, Signed 27 September 2004.

<sup>3</sup> SPI Project Memorandum, page 9, para. 3.3.

<sup>4</sup> SPI Project Memorandum, page 9, para. 3.6.

- v) Collaborate with other development actors to avoid duplication and reduce transaction costs by: pro-active sharing of information with others; building on and adding value to the work of others; and working with other donors on joint programmes;
- vi) Draw on the strength of[ the UN presence though greater UN collaboration; and
- vii) Focussing efforts only in those areas where there is a clear comparative advantage.

The Project Memorandum also states, “the relationship between DFID and UNDP at Viet Nam country level is already well developed and the partnership will seek primarily to further the PRS alignment of the UNDP programme.”<sup>5</sup>

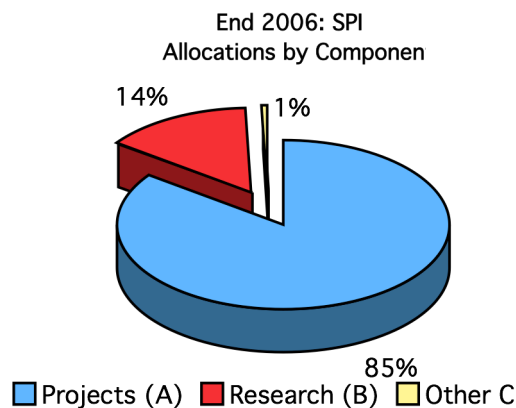
## II. IMPLEMENTATION AND RESULTS

### II.A STRUCTURE OF THE PROGRAMME AS IMPLEMENTED

The programme consists of three components based on different modalities or forms of Technical Assistance:

1. Projects (A);
2. Discretionary Research and New Initiatives (B); and
3. Other (C);

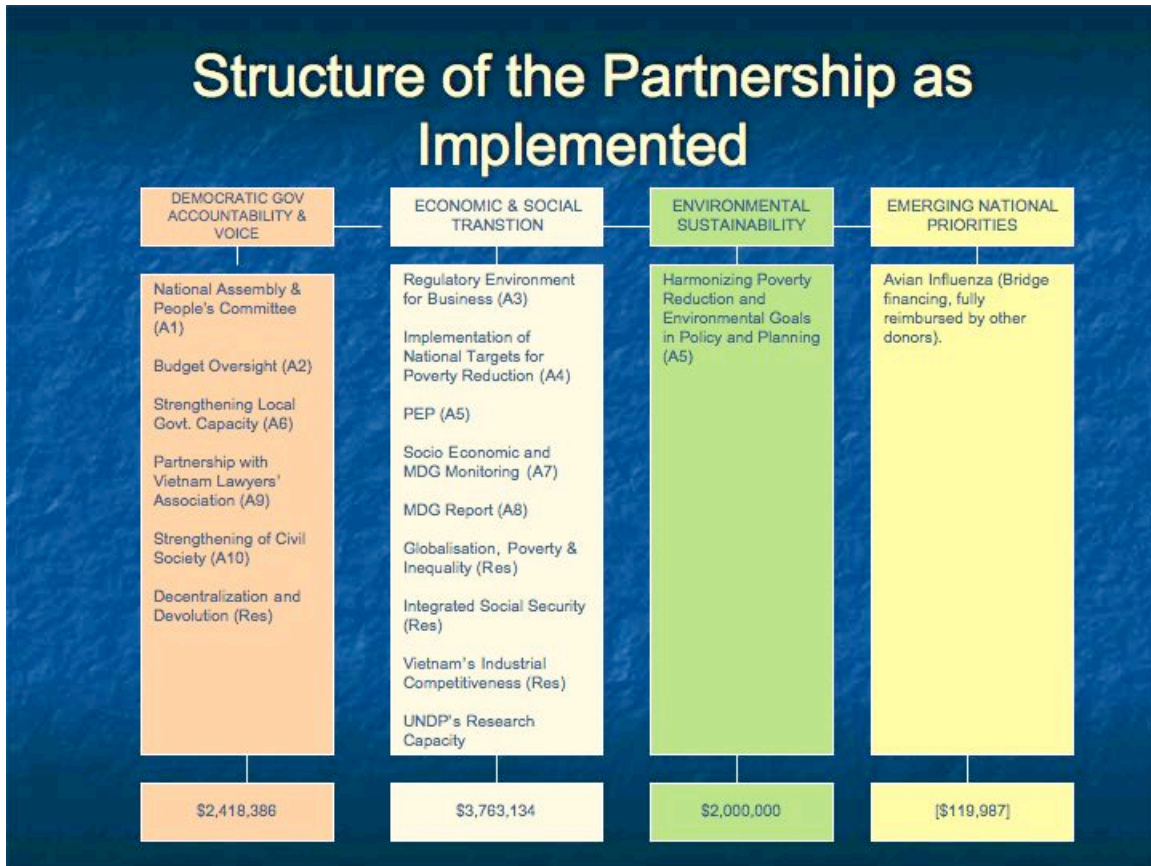
In terms of actual resource allocation, 85% was originally allocated to projects, 14% to research activities and 1% to other purposes.



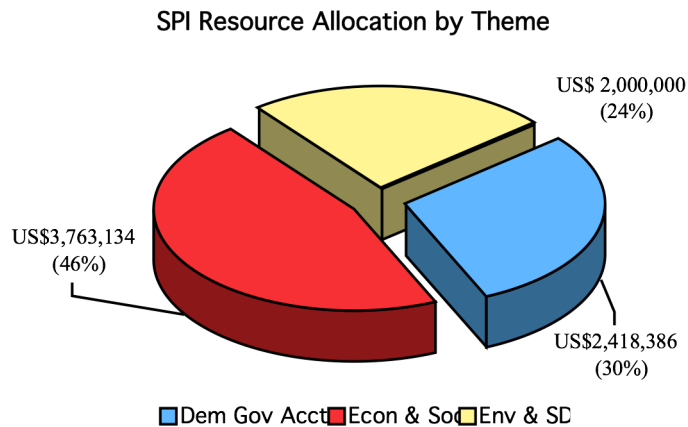
The agreement stipulates four thematic, “core areas of reform” that dominate the structure of the SPI:

1. Democratic Governance, Accountability and Voice;
2. Economic and Social Transition;
3. Environmental Sustainability; and
4. Emerging National Priorities.

<sup>5</sup> SPI Project Memorandum, page 9, para. 3.2.



As suggested by the above chart, all of the activities undertaken, in both the project and research components fall within the core areas of reform prescribed. Many of the projects and research



activities in particular could have been classified under “Emerging National Priorities” as they are highly topical. However, the Consultant opted to classify them within the more specific, substantive areas as a tool to help better understand their potential relationship to one another, their content and potential policy implications. Based on this categorisation, total resources were allocated to

each area as follows (see pie chart above). Together, Democratic Governance, Accountability and Voice and Economic and Social Transition account for 76% of the resources used. This is in line with both UNDP’s corporate priorities and mandate and with the priorities of the Government of Viet Nam.

It should also be noted that UNDP’s use of funding under the SPI for the Avian Influenza outbreak does not figure in the total programmed, as it was bridge financing that was fully reimbursed and funding transferred for other priorities. The total amount reimbursed is accordingly placed in square parentheses in the chart.

## II.B DELIVERY

Three projects were inherited from earlier agreements as follows:

- A1. Strengthening Capacities of the National Assembly and People's Councils in Viet Nam in examination, decision and oversight of state budget (CEBA project);
- A2. Strengthening Capacities of People's Elected Bodies in Viet Nam (ONA project); and
- A.5 Integration of Environment into Policy and Planning Frameworks for Poverty Reduction and Sustainable Development (PEP).

Accordingly of the total £4,973,000.00 (US\$9,011,076.00) available for programming<sup>6</sup> under the SPI, as much as US\$3,454,850 or 38 per cent was allocated to projects inherited from prior DFID-UNDP agreements, leaving US\$ 5,556,226 for fresh programming.

As of the annual review at the end of 2006, US\$8,232,197 of the US\$9,011,076 had been already

### DFID SPI 2004-2005 ACTUAL EXPENDITURES AND 2006-2008 FORECASTING Annual Review Meeting 16 January 2007 @ UNDP

|     |   | TOTAL (GBP)         | TOTAL (USD)         | TOTAL (allocated approved) | Actual Expenditures 2004 (USD) | Actual Expenditures 2005 (USD) | Estimated Expenditures 2006 (USD) | Forecast 2007 (USD) | Forecast 2008 (USD) |
|-----|---|---------------------|---------------------|----------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------|---------------------|
|     | <b>TOTAL (1+2+3)</b>                              | <b>4,973,000.00</b> | <b>9,011,076.00</b> | <b>8,232,196.68</b>        | <b>170,789.79</b>              | <b>1,703,413.65</b>            | <b>2,199,145.84</b>               | <b>2,190,650.70</b> | <b>1,968,196.70</b> |
|     | <b>Firm Allocation (1)</b>                        | <b>4,342,150.00</b> | <b>7,867,975.80</b> | <b>6,988,722.48</b>        | <b>20,566.07</b>               | <b>1,264,010.44</b>            | <b>1,720,797.30</b>               | <b>2,015,151.97</b> | <b>1,968,196.70</b> |
| A1  | National Assembly and PCs (ONA)                   | 236,250.00          | 428,085.00          | 428,085.00                 | -                              | -                              | 285,390.00                        | 142,695.00          | -                   |
| A2  | Budget Oversight (w CEBA)                         | 470,400.00          | 852,364.80          | 852,364.80                 | 20,566.07                      | 236,610.40                     | 243,530.00                        | 351,658.33          | -                   |
| A3  | Improving the regulatory env. for business (CIEN) | 667,500.00          | 1,209,510.00        | 500,000.00                 | -                              | 235,728.95                     | 262,625.00                        | 1,646.05            | -                   |
| A4  | HEPR (w MDL USA)                                  | 800,000.00          | 1,087,200.00        | 1,050,000.00               | -                              | 451,061.02                     | 122,011.00                        | 276,927.98          | 200,000.00          |
| A5  | PEP   | 1,200,000.00        | 2,174,400.00        | 2,000,000.00               | -                              | -                              | 225,486.30                        | 625,000.00          | 1,149,513.70        |
| A6  | Strengthening capacity of local gov. (w MPI)      | 550,000.00          | 996,800.00          | 999,999.89                 | -                              | 116,866.89                     | 283,500.00                        | 360,000.00          | 249,633.00          |
| A7  | Socio-Eco & MDG M&E (w MPI)                       | 450,000.00          | 815,400.00          | 859,000.00                 | -                              | 76,477.00                      | 239,595.00                        | 173,878.00          | 389,050.00          |
| A8  | MDG report  | 90,000.00           | 163,080.00          | 162,110.00                 | -                              | 117,496.39                     | 41,094.00                         | 3,519.61            | -                   |
| A9  | Partnership w/ VN Lawyers' Ass. (VLA)             | 55,000.00           | 99,660.00           | 95,486.69                  | -                              | 11,236.69                      | -                                 | 84,250.00           | -                   |
| A10 | Strengthening civil society                       | 23,000.00           | 41,676.00           | 41,676.10                  | -                              | 18,533.10                      | 17,566.00                         | 5,577.00            | -                   |
|     | <b>Estimated Allocation (2)</b>                   | <b>657,850.00</b>   | <b>1,192,024.20</b> | <b>1,192,024.20</b>        | <b>150,223.72</b>              | <b>439,403.21</b>              | <b>426,898.54</b>                 | <b>175,498.73</b>   |                     |
| B   | Research & other new initiatives                  | 657,850.00          | 1,192,024.20        | 1,192,024.20               | 150,223.72                     | 439,403.21                     | 426,898.54                        | 175,498.73          |                     |
| B1  | Globalization, Poverty and Inequality             | -                   | -                   | -                          | -                              | -                              | -                                 | -                   | -                   |
| B2  | Towards Integrated Social Security                | -                   | -                   | -                          | -                              | -                              | -                                 | -                   | -                   |
| B3  | Viet Nam's Industrial Competitiveness             | -                   | -                   | -                          | -                              | -                              | -                                 | -                   | -                   |
| B4  | Decentralization and Devolution                   | -                   | -                   | -                          | -                              | -                              | -                                 | -                   | -                   |
| B5  | Research Capacity                                 | -                   | -                   | -                          | -                              | -                              | -                                 | -                   | -                   |
|     | <b>Others (3)</b>                                 | <b>(27,000.00)</b>  | <b>(48,924.00)</b>  | <b>51,450.00</b>           |                                |                                | <b>51,450.00</b>                  |                     |                     |
| C1  | DFID short term consultancy (MOU 22Aug06)         | (27,000.00)         | (48,924.00)         |                            |                                |                                |                                   |                     |                     |
| C2  | Ad-hoc SPI (Project ID 00052228)                  |                     |                     | 51,450.00                  |                                |                                |                                   |                     |                     |

1 GBP = 1.812 US\$

Income received

|                        | (GBP)               | (USD)               |
|------------------------|---------------------|---------------------|
| 1st tranche (Nov2004)  | 1,769,725.00        | 3,206,024.00        |
| 2nd tranche (July2006) | 1,000,000.00        | 1,821,493.63        |
| <b>Total received</b>  | <b>2,769,725.00</b> | <b>5,027,517.63</b> |
| <b>Cash with UNDP</b>  | <b>1,740,239.62</b> | <b>3,153,314</b>    |

Expenditure data extracted from Final 2004-2005 CDRs  
PEI removed from SPI per DFID email of 26/4/2006  
Programable + Exchange Rate fluctuation: ±US\$ 900,000

allocated to activities jointly approved with the Government of Vietnam. At an exchange rate of US\$1.8 per GBP, this would suggest that around US\$ 778,900 remains available for fresh and flexible programming.

<sup>6</sup> Unless otherwise stated, all financial data presented in this report is based on an exchange rate of US\$1.86 per GBP. It should be noted that in the past few months the US Dollar has weakened substantially with respect to the Pound.

During the annual review at the end of 2006, it was discussed and appeared to be agreed that remaining funds could be allocated to the recruitment of 2 governance advisers to boost UNDP's capacity to provide continuous and ongoing substantive advice to government in its reform process. Of the total amount already allocated, at the end of 2006 \$4,073,349.48 or 49.5% had already been delivered (disbursed). It is also understood that the remaining US\$175,499 scheduled for delivery in 2007 after the annual review has already been expended in the first quarter of 2007.

Perhaps not surprisingly as it does not require government counterpart approval and because it is implemented directly by UNDP personnel in the Hanoi office, the research component of the SPI has delivered most rapidly.

Eighty five percent of resources under the SPI were devoted to projects, all of which are under National Execution (NEX) and dependent on government procedures. New procurement procedures and the lack of familiarity of some counterpart units with international procurement procedures resulted in some delays in expenditure at the outside, but it is understood that this appears to have been overcome and the new measures are expected to translate into improved accountability in the long-run. At the mid-term of the SPI, therefore, delivery can be said to be on track.

## **II.C IS IMPLEMENTATION COMPLIANT WITH THE OVERALL GOALS AND OPERATING PRINCIPLES OF THE SPI?**

### **GOALS**

The goals and purpose of the SPI are defined in quite broad terms and the SPI as a result, provides considerable leeway for UNDP and DFID to define and pursue issues of priority under the ongoing massive reforms and remain within the prescribed framework.

All of the projects and activities undertaken under the SPI may therefore readily be said to support efforts to broaden and deepen the UNDP's focus on the reform process in Viet Nam. All have been undertaken with active government involvement in identification, approval and support and are linked to the government's overall development strategy and in particular its five-year plan. Most also address priorities within the Comprehensive Poverty Reduction and Growth Strategy. Some activities within the research component look critically at monitoring systems for the CPRGS and identify current lacunae that need to be addressed.

The following table summarises the relationship between activities and the overall goal and purpose of the SPI.

| Goal  | Purpose   | Response in Implementation   |
|---|---|--|
| To enhance the effectiveness of the UN in supporting Viet Nam in achieving the VDGs and MDGs. | To support UNDP in broadening and deepening its focus on the reforms process in Viet Nam for sustainable poverty reduction in line with the Government's development strategy, 5 year plan and the CPRGS. | <b>A1. Support to the ONA</b> strengthens checks and balances with the objective of ensuring better use of funds in support of social development objectives. Also strengthens the role of elected bodies. |
|   |   | <b>A2. CEBA</b> is intended to ensure that budget and expenditures are in line with principles of VDGs, MDGs, human development, CPRGS.  |
|   |   | <b>A3. Business Environment</b> is at the centre of transforming the conditions for private sector development, accession to WTO.  |
|   |   | <b>A4. HEPR</b> , Attempts to address key bottlenecks and  |



DFID-UNDP Strategic Partnership Initiative  
Mid-Term Review

| Goal | Purpose | Response in Implementation  |
|------|---------|---|
|      |         | <p>processes in the participatory design, budgeting and management of pro-poor programmes and policies.</p> <p><b>A.5 Poverty and the Environment</b> ensures that plans address poor and are environmentally sustainable.</p> <p><b>A.6 Strengthening Local Government</b>, aims to implement changes linked to local government planning, budgeting and management of development resources in three provinces in accordance with the existing national policy framework. Pilot activities promote improvements to provincial, district and commune service delivery frameworks and processes, and build local capacity to provide services.</p> <p><b>A7. Socio-Economic and MDG M&amp;E</b>, is at the very centre of UNDP's mandate in the MDG process, strengthening the monitoring of their implementation and ensuring that they are properly targeted.</p> <p><b>A8.MDG Report</b>, supports Viet Nam's reporting on the MDGs and by extension achievement of VDGs. Supported preparation of the 2005 MDG report. Focuses on developing monitoring and reporting for national pro-poor policies and development plans.</p> <p><b>A9. VLA</b>, aimed at strengthening the organizational, structural, management and administrative capacity of the VLA. Law reform and training activities are designed to improve the knowledge, skills and professional capacity of VLA members, and enhance their ability to contribute to law-making, legal-judicial reform and policy development. Legal aid clinics are established in order to improve access to justice for the poor and ethnic minorities in particular.</p> <p><b>A10. Support to Civil Society</b>. Takes stock of current state of civil society and attempts to assist in defining conditions for its growth as a part of economic and social transformation.</p> <p><b>B. Research and Study:</b><br/> <b><u>Globalisation and Poverty</u></b></p> <ul style="list-style-type: none"> <li>• Study on impact of WTO accession on the livelihoods of workers in the garment industry.</li> <li>• Study on the implications of non-tariff barriers resulting from non-market economy status on Vietnamese trade with Europe, USA.</li> <li>• A study of key policy issues that need to be addressed from the perspective of poverty reduction in liberalisation of financial sector required by WTO.</li> </ul> <p><b><u>Monitoring and Management of MDGs and Poverty:</u></b></p> <ul style="list-style-type: none"> <li>• Study of groups missing in household surveys and implications for targeting and monitoring of anti-poverty programmes.</li> <li>• Effects of current social security policies on poverty and effective targeting.</li> <li>• Study on relationship between old age and poverty and implications for social security and anti-poverty programmes.</li> <li>• Econometric study of the potential implications of regional trade integration on poverty.</li> </ul> <p><b><u>Economic and Political Implications of Decentralization</u></b></p> <ul style="list-style-type: none"> <li>• Study on ways to maximise effect of the Grassroots Democracy Decree on goals of Nationally Targeted Programmes for Poverty Reduction.</li> <li>• Study of options for sustainable municipal finance for the delivery of services in Ho Chi Minh City.</li> <li>• Study on delivery of health services.</li> </ul> |



| Goal | Purpose | Response in Implementation  |
|------|---------|---|
|      |         | <ul style="list-style-type: none"> <li>• Study on provision of affordable housing.</li> <li>• Study on the effects of Open Economic Zones on rural development.</li> <li>• Study on the provision of extra-legal investment incentives generated at local level for investment, prioritisation, and poverty reduction.</li> <li>• Study on the access of credit for horticultural farmers.</li> </ul> <p><b><u>State Owned Enterprises, Competitiveness and Economic and Social Transformation:</u></b></p> <ul style="list-style-type: none"> <li>• Study on implications of WTO accession on government industrial policy.</li> <li>• Study of implications of regulating public monopolies for the first time – on employment, competitiveness, profitability.</li> <li>• Policy advocacy and paper on Viet Nam’s industrial competitiveness.</li> <li>• Equitisation of SOEs and implications of Govt’s continued involvement on competitiveness, employment.</li> <li>• Survey of Viet Nam’s largest firms.</li> </ul> |

The relationship between the projects in Component (A) and the goals and purposes of the survey are relatively self explanatory.

The Research Study Component (B) addresses highly sensitive emerging issues that have not yet been closely studied by others and their implications for employment, poverty reduction and the targeting and monitoring of poverty reduction strategies and programmes. The studies look at ***poverty monitoring*** as currently undertaken and identifies groups marginalised by economic transformation that are excluded from household surveys, the principal tool for monitoring and targeting anti-poverty programmes. In a population that has a growing life expectancy, a study analyses the relationship between poverty and old age and its implications for development and poverty reduction strategies. On a somewhat related topic, a study has reviewed the implications of different policy options for the design of a ***social security*** system that is currently under reform. Studies are also being undertaken to help better define policies that may be implemented as a result of opportunities created the ***Grassroots Democracy Decree***. These studies look at its implications for national programmes of poverty reduction, policy options for municipal finance that would enable better delivery of services in a financially and institutionally sustainable manner, the potential implications of open economic zones for rural development, and the delivery of health care services and affordable housing. In addition, one of the studies also studies the implications of ***“extra-legal financing incentives”*** in the attraction of investments, prioritization and poverty reduction at the local level as a result of increased devolution and decentralisation.

## **OPERATING PRINCIPLES**

The SPI identifies 7 operating principles. All of the projects and research activities support transformational projects (principle 3) and all of them can be said to be within UNDP’s area of comparative advantage (principle 7) as it pertains to Viet Nam.

Most address several principles at the same time. Most importantly, there are none that fail to address any of the operating principles. It can therefore be said that the SPI has been implemented in accordance with the operating principles outlined in the project memorandum for the SPI. This is summarised in the table below.

| Operating Principle   | Response in Implementation   |
|---|--|
| 1. Foster national ownership by strengthening Govt. systems                 | <p>With the exception of A8 MDG Report and A10 Civil Society, each of the projects supported in component A involve capacity building through the strengthening of national systems.</p> <p>All of the projects are undertaken through national execution, primarily using national experts, national processes and procedures, thereby maximising national ownership.</p> <p>Government strongly recognises the level of national ownership of the projects.</p>  |
| 2. Support upstream policy engagement and advocacy work                     | <p>All of the research projects in Component B involve upstream work that potentially derive important conclusions that may be used for advocacy purposes. Advocacy must be strengthened and made more effective.</p> <p>Work done under each of the projects in Component “A” potentially derive conclusions of policy importance. These are not yet being systematized and advocated effectively.</p>  |
| 3. Support transformational projects  | All of the projects and activities funded under the SPI (in both Component “A” and “B”) in one way or the other address economic and institutional transformation in Viet Nam.   |
| 4. Pro-actively share information with other development actors             | More could be done in this regard – including with DFID. Most other donors are not aware of the substantive policy conclusions of UNDP activities under the SPI.   |
| 5. Work with other donors on joint programmes                               | <p>Four projects involve cost sharing: National Assembly and PCs (ONA), Budget Oversight (w CEBA), and Strengthening capacity of local government and National Targets for Poverty Reduction.</p> <p>Other donors have parallel projects that collaborate with the UNDP activities in the ONA, in local governance, with civil society and in the area of development planning and monitoring. On a day-to-day basis, project personnel collaborate accordingly. The National Targets for Poverty Reduction helped promoting for donor target budget support to 135P and is actively assisting Government in meeting the 135P results and the policy actions agreed between Government and donors under the TBS.</p> |
| 6. Draw on the strength of the UN presence through greater UN collaboration | <p>Other UN agencies contributed to preparation of the MDG Report.</p> <p>UNCDF is participating in the local governance project.</p> <p>The SEDP M&amp;E project serves as the platform for and is becoming a Joint UN (UNICEF and UNDP) programme on SEDP M&amp;E.</p> <p>Bridge funding for Avian Influenza enabled all of the UN agencies with relevant mandates to participate in the response.</p>   |
| 7. Focus efforts only in areas where there is a clear comparative advantage | <p>Comparative advantage derives from mandate. All of the activities are based on UNDP’s mandate in one or more of the following areas:</p> <ul style="list-style-type: none"> <li>• MDG’s;</li> <li>• Poverty reduction;</li> <li>• Governance; and</li> <li>• Sustainable development and the environment.</li> </ul>  |

In some instances, however, there is room for improvement. In general, more effort could be made to strengthen collaboration with other UN agencies. For instance in areas such as social security, employment and labour issues, there is probably room for more involvement – even informal – with agencies such as the International Labour Organisation (ILO) that have an established regional presence. Similarly, there is much room for improvement in the dissemination of policy conclusions and development results to other development actors. This is addressed in more detail below. The tricky issue of comparative advantage is also developed further in the following section.

## II.D PROGRAMME RESULTS

### PROJECT RESULTS (“COMPONENT A”)

Assessment of results under capacity building projects of this level of complexity present special problems because:

- They are often non-quantifiable;
- There are many variables involved;
- Have a considerable lag time before they can expect to have measurable outcomes/impact;
- Outcomes and impact are usually due to multiple factors and attribution directly to UNDP's activities is often difficult.
- A failure to show impact in areas such as economic and social transition and democratic governance may often be due to variables that are well beyond UNDP's (or DFID's) influence.

Nevertheless, UNDP's progress reports on the projects under the SPI are much too focused on activities and outputs and render it very difficult to extract conclusions pertaining to the higher level outcomes and impact of the projects themselves. It is apparent that such data has not been collected systematically. A more concerted effort by the Consultant, working with the individuals concerned, have resulted in a picture of some the most significant results defined in the table below:

| COMPONENT A: PROJECT RESULTS                     |  |  |
|--|--|--|
| THEMATIC AREA                                    | PROJECT  | KEY OUTCOMES   |
| Democratic Governance, Accountability and Voice: | A.1 National Assembly and PC's (ONA)           | Creation and institutionalisation of the <b>Training Centre for Elected Representatives</b> as the principal institution for training all Deputies of the National Assembly.   |
|  |  | Deputies of 15 Provincial People's Councils trained in the role and potential functions of the People's Councils in accordance with the Rules and Procedures for People's Councils.  |
|  |  | <b>Gender Equality Law</b> drafted, reviewed and promulgated. Creates basis in law for equality of women in all spheres.   |
|  |  | More extensive substantive dialogue and review of draft laws in several Committees of the National Assembly supported by UNDP.   |
|  | A.2 Budget Oversight (CEBA)                    | Creation and institutionalisation of an <b>independent audit institution</b> and the drafting and promulgation of the <b>State Audit Law</b> .   |
|  |  | Increased assertiveness of the Provincial People's Councils in the budget preparation process.   |
|  |  | Improved budget scrutiny and oversight through the development and institutionalisation of <b>budget scrutiny and oversight manual</b> .   |
|  | A.6 Strengthening Capacity of Local Government | A programme of support for local socio-economic planning – the first donor support initiative to assist Government in sub-national socio-economic planning.  |
|  |  | Comprehensive mapping of capacity and capacity building needs in local socio-economic planning, budgeting and monitoring of SEDPs through <b>Local Capacity Assessment</b> exercise (2006) in 3 trial provinces.   |
|  |  | Institutionalization of <b>strategic planning at central and sub-national level</b> through training and advocacy. Gradually changing the entire nature of the planning process. Central and local officials trained in integrated planning, participation, accountability, monitoring and evaluation. |
|  | A.9 Partnership with Viet Nam Lawyer's Assoc.  | Too early. Project formulated with SPI support. Signed 29 Sept. 2006. Fully staffed Jan 2007.  |
|  | A.10 Strengthening Civil                       | First comprehensive study on civil society in Viet Nam;  |

| COMPONENT A: PROJECT RESULTS   |   |  |
|--------------------------------|---|--|
| THEMATIC AREA                  | PROJECT   | KEY OUTCOMES   |
|                                | Society   | CIVICUS Civil Society Index Study. First national workshop on NGO development ever.  |
| Economic and Social Transition | A.3 Improving Regulatory Environment for Business                                     | <b>Unified Enterprises Law</b> drafted and promulgated. All enterprises are now required to operate under same conditions. Impact on investment unclear.   |
|                                |   | <b>Investment Law</b> drafted and promulgated. Unified laws governing domestic and foreign investors, fulfilling WTO accession requirements.   |
|                                | A.4 National Targets for Poverty Reduction  | Improved targeting mechanisms for poorer/marginalised segments of the population developed. 135P and NTP-PR have been designed (and approved) with improved management and targeting mechanisms for poorer/ marginalised segments of the population.   |
|                                | A.7 Monitoring and Evaluation of Socio Economic Plans and MDGs.                       | <b>SEDP Monitoring and Evaluation Framework and manual</b> developed and issued, National Statistical Indicator System developed and issued, creating a unified, coherent, consistent M&E system for development. Much project emphasis on new, targeted indicators and strengthening national capacity for collecting, disseminating and analysing data for SEDP monitoring and evaluation. |
|                                | A.8 MDG Report  | Completed, closed in 2005.   |
|                                |   | <b>MDG Report</b> produced. Influenced development dialogue as witnessed through budget debate in NA.  |
|                                |   | Contributed to/fulfilled Viet Nam's global reporting obligations. MPI brought into line with its role in SEDP monitoring and reporting.  |
| Environmental Sustainability   | A.5 Harmonization of Poverty Reduction and Environmental Goals in Policy and Planning | <b>Law on Environmental Protection</b> drafted and promulgated. Linked to ONA project in that NA members fully involved and their participation resulted in substantial re-drafting.   |
|                                |   | <b>Law on Biodiversity</b> drafted and promulgated.  |
|                                |   | <b>Sector Plan on Environment and Natural Resources</b> prepared and incorporated in national planning.  |

Support to the ONA (A.1) has contributed to the development and institutionalisation of a dedicated training centre at the ONA for Deputies. The programme contributed to the development of a curriculum and training materials. Yet the ONA remains a largely part-time body, with relatively few full-time Deputies that are subject to change from time to time. More could be done to define indicators for measuring the effects of the training on the functioning of, for example, key committees of the ONA. This would require dedicated resources for monitoring.

Support to the ONA has also resulted in the promulgation of a law that will provides equality for women in all spheres. Generally the effectiveness of such laws are heavily dependent on enforcement. No mechanisms are in place to measure the latter or to assess the effects of the law on the status and condition of women – for example in employment.

In the context of the ongoing effort to address corruption and accountability, CEBA (A2) has contributed to the drafting and promulgation of the State Audit Law and creation and institutionalisation of an independent audit institution for the first time. What effects this will have on the accountability of government officials and the capacity of the audit institution to manage a systematic programme of audit still needs to be assessed. Nevertheless, these are significant achievements in themselves. Anecdotal evidence would suggest that training of the members of the budget committee has led to far more extensive review and revision of the budget

within the ONA. Yet, this cannot be verified in the absence of more systematic monitoring of clearly defined indicators.

Support in the management of the environment has also had potentially highly significant results. Following a slow start, a law on environmental protection was drafted and promulgated as was a Law on biodiversity and a Sector Plan on the Environment and Natural Resources, which was, for the first time, incorporated within the national planning purpose. These are all important breakthroughs in an institutional environment in which environmental agencies are still relatively low on the totem pole. Obviously there is a need now to incorporate relevant environmental parameters in the national development monitoring mechanisms to assess the full impact of these laws on the use of natural resources and preservation of the environment.

Another area in which SPI assistance has resulted in significant results that could be further analysed and understood, is in the critical area of the regulation of enterprises and businesses (A3). This project has contributed to the drafting and promulgation of two laws that are absolutely central to the future of the private and parastatal sectors. The Investment law unifies laws governing both domestic and foreign investments and is an important step in fulfilling WTO accession requirements. As a result of the Unified Enterprise Law at least legally, all enterprises are required to operate under the same conditions, opening up relatively inefficient firms to greater competition and to some extent levelling the playing field between SOEs and fully private firms. Yet, studies under the research component would suggest that the situation is more complex. Again, as this is an area of sufficient importance for continued UNDP and UN involvement, dedicated monitoring systems will need to be put in place in order to fully assess their full impact both on the growth of different types of enterprises and on investment in the country.

The SPI has contributed to the first assistance to local level planning provided for by the Grassroots Democracy Decree (A6). This has included a comprehensive mapping of capacity in three trial provinces and training and advocacy in planning, participation, accountability and monitoring and evaluation. This is a massive task, but monitoring systems could be put in place to assess performance at the micro-, project level, assessing the effects of such training on actual performance of government departments and Peoples' Committees in the specific areas covered.

The SPI has enabled the UNDP to fulfil its responsibilities with respect to the monitoring and reporting of MDGs and the monitoring and evaluation of Viet Nam's Socio Economic Development Programme (SEDP). This work has contributed to the establishment of unified and coherent parameters for the monitoring of development. It remains to be seen whether these monitoring systems are sustainable.

It is not so clear what two projects are likely to lead to yet. The first is A10, strengthening of civil society and the second is A9, Partnership with the Vietnam Lawyers' Association. The ability of the SPI to make substantial inroads under both projects will depend on how Government's attitude towards civil society institutions develops. UNDP contributed greatly to the drafting of a new law governing civil society institutions, supporting its drafting by a civil society umbrella organisation, but it has not been promulgated. This is an area that will probably not show immediate results, but in the interest of long-term change, requires continued attention.

In summary, UNDP's capacity to monitor the results of its programme activities needs to be boosted substantially. The nature of UNDP's business is that many of the desired results are only achievable well after the conclusion of project activities. Much therefore depends on effective ex post monitoring and evaluation. UNDP does not currently have a facility that would enable

monitoring to continue beyond the lifespan of its projects; indeed all monitoring to the extent that it exists, is tied to individual projects. It is recommended that the SPI should provide bridge financing for the purpose. This monitoring and evaluation capacity needs subsequently to be worked into a monitoring and evaluation facility for One UN Programme following the transition period (see below).

### **DISCRETIONARY RESEARCH RESULTS (“COMPONENT B”)**

UNDP Policy Research under the SPI was organized within four broad themes:

- i) Globalization, poverty and inequality in Viet Nam;
- ii) Effective monitoring and management of MDGs and poverty;
- iii) State Owned Enterprises, Competitiveness and Economic and Social Transformation;
- and
- iv) The economic and political implications of decentralization.

A total of 20 studies have either been completed or are scheduled for completion shortly. All of the studies have either been undertaken by consultants under the direct supervision of UNDP Hanoi’s Senior Economist or by the Senior Economist’s unit directly. The following is a summary of the studies undertaken. Except where otherwise indicated, they were undertaken directly by the Economist Unit of UNDP.

All of the research topics are highly topical and address issues that are currently being debated in policy circles from new perspectives that generally tend to support goals of poverty reduction. They are generally structured to influence policy discussions. The studies also address issues in thematic areas in which UNDP has ongoing projects under its CPAP, either funded from the SPI or through other means. While policy implications of the studies are potentially of importance to these projects, it is not immediately clear how they are being used to inform the ongoing projects. Indeed, where other units manage projects of relevance in UNDP, it is not clear that there is much regular cross-fertilisation.

Inevitably the biggest challenge is to ensure that the studies inform public policy and donor programmes. Most of the studies in this component have either only recently been completed, or are still ongoing in varying degrees of completion. It is too early therefore to objectively and fairly assess whether the studies have had an impact on policy or actual development of the country. This can only be done through a more extended and sustained process of monitoring that will certainly exceed the life of the studies themselves and probably that of the SPI as well; this is not a component that can demonstrate immediate impact, but is nevertheless one that if managed correctly can have lasting results.

What is most urgently required is for each an outreach or advocacy strategy to be developed for each study that goes beyond the current approach which is heavily dependent on workshops and peer reviews by individuals of influence within the Government and Party and partnerships with influential institutions such as VASS. Such a strategy should clearly identify:

- Policy messages;
- Target audience(s);
- Key decision-making forums;
- Processes that can be addressed;
- Sources of leverage;
- Potential champions who can carry the message; and

- Resources needed to make the strategy effective.

The strategies should be tailored to each study, but as a rule should focus not just on public information, but rather on ensuring that key policy makers – in the Party, in government, in the national assembly and in key donor bilateral and multilateral agencies are made aware. The studies need also to inform donor policies and perspectives and forums such as the PRSC and SWAPS (as budget support becomes a more widespread phenomenon) seem to be good forums for the presentation of findings and recommendations. It is probably too late for the selection of areas of research to be the subject of substantive dialogue between UNDP and DFID, but certainly as they are made available, the findings and recommendations of each of the studies should be presented for discussion at Annual Review Meetings (if not more often at specially convened sessions), so that both institutions can question the findings and perhaps learn from them with a view to applying some of the conclusions to their ongoing and pipeline programmes both within the SPI and beyond.

| COMPONENT B: RESEARCH RESULTS                    |  |   |
|--|--|---|
| THEMATIC AREA                                    | STUDY  | POLICY ISSUES ADDRESSED   |
| Democratic Governance, Accountability and Voice: | <ul style="list-style-type: none"> <li>Study on ways to maximise effect of the Grassroots Democracy decree on goals of Nationally Targeted Programmes for Poverty Reduction.</li> </ul>      | Assesses whether Grassroots Democracy Decree has actually led to increased local participation, invigorated local institutions and improved governance. Review of English and Vietnamese literature and focus groups and interviews in localities that have implemented the decree.   |
|  | <ul style="list-style-type: none"> <li>Study of options for sustainable municipal finance for the delivery of services in HCMC.</li> </ul>   | If used, may lead to new, market-oriented means of financing services. Identifies potential new financing instruments that could in turn invigorate Vietnam's money markets. Requested by HCMC Government.  |
|  | <ul style="list-style-type: none"> <li>Study on delivery of health services.</li> </ul>  | Decree 10/43 has increased autonomy of health service providers. They can decide what additional services to provide, how much to charge for these services and how to remunerate staff. Study assesses whether decree has increased or decreased access to health care services, and if so who are the people who are likely to get easier or more restricted access to these services.  |
|  | <ul style="list-style-type: none"> <li>Study on provision of affordable housing.</li> </ul>  | HCMC is growing rapidly due to natural population increase and migration, but low-income residents are priced out of the housing market. This problem represents a real threat to the economic development of the city, as firms begin to locate elsewhere because they are unable to assure themselves an adequate supply of labour. Moreover, the lack of affordable housing results in squatter settlements and slums, which in turn bring social problems in their wake. This paper will draw lessons from other countries in the region and produce concrete prioritized, practical policy recommendations |
|  | <ul style="list-style-type: none"> <li>Study on the effects of Open Economic Zones on rural development.</li> </ul>  | Case study of Chu Lai economic zone in Quang Nam province and its pull effects on development to draw conclusions for similar models being considered elsewhere.  |
|  | <ul style="list-style-type: none"> <li>Study on the provision of extra-legal investment incentives generated at local level for investment, prioritisation, and poverty reduction</li> </ul> | Widespread use of extra-legal incentives resulting from decentralization and liberalization may be leading to distortions in priority setting and in the location of investments. Incentives have created a clash between central and local governments, and competition among provinces for FDI. This study is the first effort to employ econometric methods to identify main factors   |



DFID-UNDP Strategic Partnership Initiative  
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| COMPONENT B: RESEARCH RESULTS  |   |   |
|--------------------------------|---|---|
| THEMATIC AREA                  | STUDY   | POLICY ISSUES ADDRESSED   |
|                                |   | affecting provincial performance in attracting FDI and the implications for priorities. Feeds into major ongoing economic and political debate.   |
|                                | <ul style="list-style-type: none"> <li>Study on the access of credit for horticultural farmers.</li> </ul>  | Because of weak legal institutions, in local markets such as fruit markets of the Mekong Delta, parties rely on private ordering to ensure performance of complex transactions. While transactions could be simple (spot market), parties make them more complex by adding a credit component. A survey produces little evidence that of improved contractual performance, but shows added significant transaction costs. Recommends creation of a simple reputation mechanism, as employed in online auction markets, to improve efficiencies and lowering risks for all.  |
| Economic and Social Transition | <ul style="list-style-type: none"> <li>Study on impact of WTO accession on the livelihoods of workers in the garment industry.</li> </ul>   | Targets industry where women are main source of labour. Considers gender and poverty implications of globalization through examination of garment workers. The paper concludes that until rural unemployment is reduced and alternative jobs become available, female labour will continue to crowd into the garment industry despite exploitative working conditions and wages.  |
|                                | <ul style="list-style-type: none"> <li>Study on the implications of non-tariff barriers resulting from non-market economy status on Vietnamese trade with Europe, USA.</li> </ul>                         | As tariff and non-tariff barriers have fallen under GATT and WTO agreements, the US and EU have increasingly used antidumping (AD) measures to protect domestic industries. The US and EU apply ambiguous definitions in calculating dumping margins. These methods apply to all countries. Non-market economies (NMEs) carry the additional burden of the 'surrogate country' approach, which allows petitioners to manipulate calculations and manufacture affirmative determinations and inflated dumping margins. The paper assesses market access and the implications for Vietnamese industry.  |
|                                | <ul style="list-style-type: none"> <li>A study of key policy issues that need to be addressed from the perspective of poverty reduction in liberalisation of financial sector required by WTO.</li> </ul> | Viet Nam is committed to liberalize its financial sector under WTO and bilateral agreements. The banking sector at the moment is not fulfilling the normal intermediating functions of financial institutions in market economies. The challenge faced is to open up the financial sector in line with international commitments while maintaining financial and macroeconomic stability. This requires rapid development of corresponding regulatory and supervisory institutions and a forward-looking strategy to reduce dependence on imported savings. This paper will examine financial sector reform in Viet Nam in comparative perspective, drawing positive and negative lessons from China's recent past. |
|                                | <ul style="list-style-type: none"> <li>Study of groups missing in household surveys and implications for targeting and monitoring of anti-poverty programmes.</li> </ul>                                  | VHLSS is considered the most reliable household survey and is used to calculate the headcount poverty rate and other key poverty indicators. However, the sampling frame of the VHLSS is drawn from registered households. Thus the mobile poor are excluded. It is also likely that individuals and households living in substandard or institutional housing are not recorded. The rise in the non-response rate in 2004 suggests that the problem is increasing. The study will not attempt to measure the size of the missing population, but will find examples from VHLSS enumeration areas around Ha Noi to illustrate the problem and its likely impact on the resulting poverty analysis.                  |



DFID-UNDP Strategic Partnership Initiative  
Mid-Term Review

| COMPONENT B: RESEARCH RESULTS |   |   |
|-------------------------------|---|---|
| THEMATIC AREA                 | STUDY   | POLICY ISSUES ADDRESSED   |
|                               | <ul style="list-style-type: none"> <li>Effects of current social security policies on poverty and effective targeting.</li> </ul>   | One paper reviews existing social security programmes in Viet Nam and recommends steps to move towards an integrated system. Following September 2005 workshop, MOLISA has requested UNDP and VASS to conduct background research leading to a new framework document for social security by 2008. Conclusions run contrary to current World Bank policy position that prescribes a safety net approach.  |
|                               | <ul style="list-style-type: none"> <li>Study on relationship between old age and poverty and implications for social security and anti-poverty programmes.</li> </ul>       | Using the VHLSS datasets, the research assesses the extent to which the elderly are over-represented among the poor; the likelihood that the relationship between poverty and old age will intensify in the context of rapid demographic change; and, the reasons for the presence or absence of a close relationship between old age and poverty. The study found that the aged were not disproportionately represented among the poor. The results were presented at a national workshop co-organized with MOLISA and VASS in November 2006 including senior Party Officials just prior to the National Party Congress.   |
|                               | <ul style="list-style-type: none"> <li>Econometric study of the potential implications of regional trade integration on poverty.</li> </ul>                                 | Mexico is used as a comparator. Following accession to the North American Free Trade Agreement (NAFTA), Mexico has rapidly increased export growth, particularly of manufactures. Yet growth has slowed and real wages are half of their 1980 levels. The study explores the following questions: Will free trade have the same impact in Viet Nam? Will the link between exports and growth be cut as Viet Nam inserts itself into the regional economy? Will Chinese investors increasingly take advantage of low wages and poor working conditions in Viet Nam as high tech investments stay in China? The paper goes on to explore issues arising from these questions for Vietnamese trade policy. |
|                               | <ul style="list-style-type: none"> <li>Study on implications of WTO accession on government industrial policy.</li> </ul>   | The paper will a) examines the current status of industrial policy at the national and, if appropriate, regional and provincial levels; b) analyze the impact of the current strategy on the competitiveness of Vietnamese firms; c) make recommendations to rationalize industrial policy in the wake of WTO accession. The research should identify gaps in the current strategy and prioritize practical policy interventions to fill these gaps.  |
|                               | <ul style="list-style-type: none"> <li>Study of implications of regulating public monopolies for the first time – on employment, competitiveness, profitability.</li> </ul> | Viet Nam still lacks a formal regime to regulate public monopolies. Yet telecommunications, transportation, power and water supply are all vital services that affect the nation's competitiveness. Some of these services are slated for rapid equitisation despite the absence of the required regulatory framework. Using case studies of at least two state monopolies or oligopolies the paper will identify economic and social issues involved in regulation and equitisation, and present practical policy solutions including priorities for action.   |
|                               | <ul style="list-style-type: none"> <li>Policy advocacy and paper on Viet Nam's industrial competitiveness.</li> </ul>   | As part of the UNDP's support to policy discussion on the new Socio-Economic Development Plan, UNDP asked A.T. Kearney, to make a presentation to the Prime Minister's Research Commission (PMRC) on Viet Nam's industrial competitiveness in November 2004. The subsequent paper was incorporated into paper on Viet Nam's Industrial Competitiveness to be...   |

| COMPONENT B: RESEARCH RESULTS |  |   |
|-------------------------------|--|---|
| THEMATIC AREA                 | STUDY  | POLICY ISSUES ADDRESSED   |
|                               |  | published under the 20 Year Review of Doi Moi with VASS.  |
|                               | <ul style="list-style-type: none"> <li>Equitisation of SOEs and implications of Govt's continued involvement on competitiveness, employment, etc.</li> </ul> | This paper takes the government statement that equitisation is not always privatisation as a starting point to explore SOE reform. While gradually moving away from central planning, the state has made clear its intention to remain involved in the economy even as it enlarged the space for private sector activity. Although transformed strategic SOEs and GCs will be governed by the rules of the private sector, their majority shareholder will not follow the same motivation as a non-state majority owner. The paper explores the far reaching implications for competitiveness, performance and by extension employment. |
|                               | <ul style="list-style-type: none"> <li>Survey of Viet Nam's largest firms.</li> </ul>  | UNDP research team conducted interviews with the top 100 domestic industrial firms. The research will track the various strategies of large companies, most of which are state or equitised SOEs. The results suggest that few large firms have viable growth strategies, and some are surviving on monopoly or other rents. Nevertheless, several firms have embarked on ambitious export and technology strategies disregarding directives. Attempts to identify economic and social implications.  |

Finally, it is essential that all UNDP staff, and most importantly the Country Director and the UN Representative, be made aware of the most significant conclusions of ongoing and completed research so that advocacy can permeate substantive dialogue that they have on a daily basis – particularly at the higher levels of the Party and Government. The UN Representative, in particular, should be integrated into each strategy as a participant in high level workshops and in the announcement of research findings and their implications for public policy.

## **II.E IS THE SPI STRATEGIC?**

The rhetoric surrounding the SPI appears to have evolved over time as institutional reform priorities have shifted. Principal emphasis has variously been placed on using the SPI as an instrument to:

- Provide budget support to UNDP to enable it to fulfil its mandate with relatively little interference;
- Reduce transaction costs in the relationship between DFID and UNDP;
- Enable UNDP to address issues of high strategic importance as they arise; and
- Enable UNDP to fulfil its role and support the One UN effort.

In practice, beyond being a financial instrument, the strategic dimensions of the SPI are determined by the way in which activities are prioritised and the extent to which they address bottlenecks or critical constraints within the core areas of reform.

The SPI is heavily “projectised” with 85 per cent of the funds being allocated to specific projects. Its strategic nature is therefore largely determined by the extent to which these projects are in areas of high strategic importance to Viet Nam's current development and the extent to which they have responded to needs of central significance to Viet Nam's governance, economic and social transformation and environmental sustainability.

As discussed elsewhere, three of the projects were carried over from earlier cost-sharing arrangements between DFID and UNDP. Five more projects were already in the pipeline prior to the SPI's approval. They therefore correspond to priorities identified before the SPI, but ones which it can be said, nevertheless remain of importance to Viet Nam's development and correspond to the Government's national plans.

To some extent, the strategic nature of the SPI is dependent on the extent to which it can respond nimbly to emerging priorities, particularly in a rapidly changing and economic, social and institutional environment.

The research studies undertaken in Component B, can be said to address this need for nimbleness and flexibility as they have definitely addressed emerging issues pertaining to the impact of economic transformation on aspects of poverty, the effective monitoring of poverty, the financial sustainability of service delivery within the framework of the Government's plans for decentralisation and the effects of government policies pertaining to State Owned Enterprises (SOEs) on Viet Nam's overall competitiveness, unemployment and poverty. Yet these funds have been rapidly committed and delivered, leaving relatively little for new studies in the remaining period, or for ensuring that their conclusions are built upon and integrated into policies.

In keeping with UNDP's standard operating procedure in Viet Nam, all of the projects in Component A are Nationally Executed. While National Execution ensures a degree of national ownership, in the interest of accountability it is subject to detailed prior agreement between UNDP and the Government and the collateral effect is a loss of flexibility. Outputs, activities and inputs are locked in at an early stage by mutual agreement between UNDP and the Government. UNDP advances funds on a quarterly basis to the Government as long as planned activities correspond to the agreement. Flexibility is further reduced by the fact that most of the projects have incorporated other bilateral cost-sharing agreements that are dependent on implementation of activities as agreed in the project document. This leaves very little room for the redeployment of funds under the SPI and also means that the SPI is "strategic" only to the extent that the projects themselves have "strategic value". In other words, the SPI is no more strategic than individual cost sharing agreements for projects with UNDP would have been; it is being used in a manner no different from other cost-sharing arrangements. The only difference is that they are consolidated into a single financial mechanism. Put more bluntly, the SPI as presently devised is more a bureaucratic mechanism of convenience than a truly strategic innovation.

UNDP TRAC (its core resources) can only be used with Government agreement and as a result is not available for boosting UNDP's country office capacity to do substantive analysis and provide policy advice to Government and indeed the donor community at large. The research component (B) of the SPI has provided UNDP with the means to do this and as such, may be viewed as the truly strategic element under the SPI.

## ***II.F IS THE SPI A SUBSTANTIVE PARTNERSHIP?***

DFID has opted not to get too involved in the day-to-day prioritization of project activities or too heavily involved in the selection of projects and research topics. Its involvement is largely through a review of progress reports and annual review meetings scheduled in accordance with the underlying administrative agreement. The focus of the dialogue has therefore been on the use of funds and a general monitoring of progress. Yet there may have been a lot more dialogue on the reasons for UNDP's selection of research topics under Component B. Furthermore, under

both Component A and B, many of the activities have generated findings and issues – both in project implementation and as a result of the research papers – that could serve as the basis for a more substantive dialogue between DFID, UNDP and indeed the Government. Most have a bearing on the PRSC, and could have important conclusions for both DFID's and UNDP's other projects. Their usefulness is largely dependent on the extent to which these issues are discussed and internalised. This is not being done at present.

## **II.G DOES THE SPI EXPLOIT UNDP'S COMPARATIVE ADVANTAGE?**

It probably go without saying that the development community has been responsible for severely misusing the term “comparative advantage” which should, strictly speaking, only apply to trade economics.

In the context of the UN and the development environment, “comparative advantage” pertains as much to mandate as anything else. It also tends to vary to some degree from country to country.

UNDP is the only multilateral agency that has comprehensive operational mandate and activities in the sphere of governance. At present, barring the creation of an Environment Organisation in the constellation of UN agencies, it is also the only agency with a mandate in the sphere of the energy, the environment and natural resources. Finally, it is also the only UN agency with a sufficiently broad mandate to address poverty alleviation from a truly multisectoral, multidisciplinary perspective.

In the specific context of Viet Nam, the UNDP has a very particular relationship of confidence and trust with the Government of Viet Nam that derives from its early involvement after the Viet Nam war and its role in support of the Resident Coordinator system. This has enabled it to address issues of considerable political sensitivity<sup>7</sup>. It also means that advice from UNDP on relatively sensitive subjects pertaining to everything from corruption to the marginalisation of specific population groups is relatively well received and as a result, provide UNDP with a Viet Nam-specific comparative advantage in the area of macroeconomic policy analysis advocacy and advice.

In the context of Viet Nam, then, UNDP should undoubtedly be viewed within the UN family as the lead agency for Governance and for poverty reduction in its broadest, multisectoral sense as well as the agency for operations in the area of environment and the sustainable use of natural resources.; there is no other agency that has a clear comprehensive operational mandate in these sectors although they have important implications for almost all UN programmes. Exceptionally also, in the case of Viet Nam, the UNDP also has a comparative advantage in economic governance that should be exploited.

The SPI supports UNDP in the fulfilment of these comparative advantages, and steps should be taken to continue to strengthen UNDP's capacity to fulfil these roles in a manner that both strengthens the substantive support to the UN Representative and strengthens the substantive guidance of UNDP's operational programmes in the context of One UN as well as the SPI transitions into a successor arrangement.

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<sup>7</sup> See: Pillay Rajeev, Democratic Governance Programmes in Viet Nam: A Strategic Renewal, UNDP/Government of Viet Nam Development Cooperation in the Sphere of Governance, Abacus International Management L.L.C., Ha Noi, December 2006.

What is required by Viet Nam now from the outside is very high level, punctual policy and technical advice that is delivered in a targeted and timely fashion to most effectively inform government strategies, approaches and policies and the actual implementation of the reforms. In order to do so, technical advice and inputs need to target key decision-making processes, have a sufficiently high entry point so that decisions may be driven through the system. Importantly, the technical support should not seek to substitute for national capacity. It may be argued that long-term technical advisers are therefore no longer required, but what is needed instead is capacity within the UNDP office to undertake continuous, substantive, cross-thematic policy analysis and dialogue with the various branches of The State (executive, The Party, national assembly, local elected bodies and mass organizations), but most especially the executive, The Party and the national assembly at a suitably high level to ensure that such dialogue is translated into action once a decision has been taken by The State.

Any future umbrella funding of the UNDP within the framework of the UN should therefore include the provision of technical, substantive capacity in the form of advisers, funds for the rapid and flexible recruitment of consultants, and a facility with a high degree of flexibility that will enable the UN system, through UNDP to respond to new and emerging issues, challenges and technical assistance needs.

### **III. MANAGEMENT ISSUES**

#### ***III.A MONITORING AND EVALUATION***

Most of the project performance reports and indeed the minutes of the Annual Review are mired in discussions about activities and outputs – a discussion that is essential for day-to-day project management, but which does not enable a sufficient assessment of broader outcomes and impact. Indeed the outcomes outlined in the “Programme Results” section of this report and in Annex I were not easy to find.

Developmental results cannot be fully assessed until appropriate indicators are identified and dedicated monitoring systems are put in place. Yet, it is also clear that the projects funded have resulted in outputs and probably outcomes of considerable significance to the ongoing economic and institutional transformation of Viet Nam. It is important to be able to assess results both for the purpose of assessing the impact on Viet Nam’s broader development, for assessing unintended negative effects, identifying new requirements for assistance and for providing further advocacy.

Monitoring and evaluation of outcomes and impact resulting from the project activities and of the SPI as a whole will need to include a mix of both quantitative and qualitative measures and focus on measuring how the outputs of the projects are used; how they influence policies and build lasting capacity and the effects of these on development. For instance, there is no doubt that the Unified Enterprise Law and the Investment Law together contribute to conditions for Viet Nam’s access to the WTO. However, a more substantive assessment of the development results of the two laws should probably include, among other things:

- A survey of enterprise managers 3-4 years after promulgation of the laws to assess their effects on enterprise efficiency and profitability as well as access to investment. It would be useful to disaggregate data to differentiate between SOEs and entirely private enterprises;

- A survey of investors to assess their opinions of the new laws as well as how they have influenced their decisions;
- Data on enterprises created, enterprises that have failed and the layoffs from enterprises following the introduction of the laws versus jobs created; and
- Data on trends in investment

The above M&E activities that just constitute examples, require dedicated resources and capacity that generally needs to be dedicated to the purpose for several years beyond the duration of funding under individual projects as many of the intended outcomes funded have a lag time beyond the lifetime of the projects themselves. For this reason, the monitoring and evaluation capacity created should be standalone and independent of the individual projects themselves. It is also recommended that funding under the SPI should be seed money for the creation of more substantial capacity for monitoring the performance of the “One UN Programme” in the longer run. This capacity should include sufficient funding for dedicated efforts to collect data including opinion polls and surveys. As a matter of course in the future, consideration should be given to having each UN project contribute a percentage of its total budget to activities within a dedicated, standalone Monitoring and Evaluation facility. Yet such funding would clearly need to be supplemented by separate, dedicated funding to enable the facility to continue its work on the results of individual programmes and project results for 5-10 years in order to sufficiently assess the outcomes, impact and their sustainability, a period that tends to exceed the duration of UNDP project funding that is usually limited to 3-4 years.

Ideally such a Monitoring and Evaluation Facility should consist of:

- ***One International Programme Officer:*** with statistical expertise and cutting-edge experience and knowledge of the complex task of designing meaningful monitoring regimes at the project as well as programme level for capacity building and for broad development impact.
- ***One National Programme Officer:*** Some of the Monitoring and Evaluation functions currently located in the UNDP’s Programme Support Unit should be folded into this facility and the current work being done to monitor delivery, outputs and the coordination of reporting should be expanded to include higher level results discussed.

Although public information is not the primary purpose of the Monitoring And Evaluation Facility, it would be useful to ensure a strong link between it and the “One UN Communications Unit” that has already been created to publicise the programmes and achievements of the UN and to support its advocacy role. This link should be established even before the transformation of the Monitoring and Evaluation Facility into a common facility for One UN.

### **III.B TRANSACTION COSTS**

Creation of the SPI certainly reduced transaction costs for DFID in its relationship with UNDP in that it reduced monitoring to a single fund instead of several. Whether the SPI reduced transaction costs for UNDP is a more complex question. Under previous arrangements, with individually and separately funded projects, the UNDP would only be required to produce project performance reports on an annual basis and annual audited statements. The SPI, on the other hand, requires:

1. Bi-annual individual project progress reports;

2. Annual progress report on the Strategic Partnership Initiative (to be prepared in time for joint annual reviews);
3. Annual review meetings;
4. Bi-annual un-audited financial reports on the contributions received including all amounts received, expenditures to date, all unutilised budgets to date and the overall balance remaining; and
5. Annual audited financial reports of all projects funded by the Contribution.

In practice, therefore, as far as reporting requirements are concerned, the transaction costs for UNDP are as high if not higher. Following the independent review conducted in 2006<sup>8</sup>, it is understood by the Consultant that it was mutually agreed between DFID and UNDP that UNDP would not need to write bi-annual project progress reports or provide bi-annual un-audited financial reports, as stated in the Project Memorandum, because this constitutes an unnecessary additional reporting burden. In practice, the UNDP has continued to report in accordance with the provisions in the Project Memorandum and Administrative Arrangements, as they have not yet been revised.

One could argue that by having a pool of funds available to UNDP for new initiatives would reduce transaction costs associated with resource mobilization for UNDP. However, because the funds were significantly committed from the outset, new initiatives could only be partially funded under the SPI and in some instances supplementary funding was sought and obtained from other donors. Each such arrangement has its own tailored reporting requirements.

Discussion in annual review meetings should be raised to the level of programme outcomes and impact and supporting discussion between DFID, UNDP and the Government on the substantive issues of consequence for policy development arising from projects as well as research studies. M&E Capacity created should also feed directly into the discussion.

### **III.C DID THE SPI RAISE EFFICIENCY?**

Projects A1-A10 were subject to delays resulting from cumbersome national execution procedures and a lack of familiarity with the reporting requirements on the part of counterpart staff particularly at the outset of implementation. On the other hand, the research component (B) enabled UNDP to address emerging issues in a more responsive manner, partly because the use of the funds was not subject to the same procedures involving government and the contribution of counterpart resources. This is clearly illustrated in both the selection of often highly sensitive topics for research and the speed of delivery.

The SPI also provided UNDP with an unexpected source of funds that, with just US\$119,987, enabled it to position itself to support the government in a timely manner in the face of a national emergency. Indeed UNDP used the SPI, with DFID encouragement, as a source of funds for bridge financing during the *avian influenza* crisis; the SPI was used as advance seed money to mobilise the UN community and to support the coordination of response pending the receipt of cost-sharing contributions. This initiative enhanced the timeliness (efficiency) of UNDP's and by extension the UN's response, ensured coherence within the UN system and received considerable praise from both Government and donors. The full amount advanced under the SPI for the purpose was eventually reimbursed from cost-sharing received by UNDP from other donors.

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<sup>8</sup> Zollinger Urs, DFID-UNDP Strategic Partnership Initiative (SPI) Vietnam, Joint Review of First Year, Report of the Independent Consultant, King-Zollinger and Co., Draft, Hanoi, 27 January 2006.

The degree of flexibility demonstrated in the Research Component and Avian Influenza, suggest if it is not “projectised”, the SPI can serve as an effective facility raising UNDP Viet Nam’s nimbleness, an attribute so necessary for it to remain relevant in an environment of increasingly rapid change.

### **III.D RESOURCE MOBILISATION**

The SPI has contributed to both the creation of a similar mechanism between UNDP and another bilateral partner, and projects in Component A, because of their strategically important nature, have attracted additional funding from other bilateral sources. The SPI also enabled resource mobilisation through bridge financing.

#### **AECI/UNDP STRATEGIC PARTNERSHIP**

The SPI is said to be the inspiration for a similar umbrella funding arrangement with the Spanish Agency for International Cooperation (AECI)<sup>9</sup>. The objectives of the fund are reminiscent of those established under the SPI and are intended to contribute to “Strategic collaboration with UNDP in Vietnam for poverty reduction” with the following objectives:

- Consolidating democratic governments (sic);
- Helping social transformation, meeting basic social needs, with special emphasis on disadvantaged communities, minority and ethnic groups;
- Promoting the reform of the United Nations Office in Vietnam, stressing its role in donor’s coordination and helping the establishment of United Nations common programmes.

However, qualitatively, the fund is in actual fact very different in that it is both more clearly oriented towards the transfer of Spanish expertise and experience and is also more clearly tied to specific, pre-approved activities that consist of:

- Hiring of an expert in local development and management, based in the UNDP office.
- Undertaking activities in the Kon Tum province (in the Central Highlands), where the most disadvantaged population and most ethnic minorities live to strengthen sub-national authorities in planning and budgeting, giving priority to gender and to the most disadvantaged communities.
- Measures to facilitate participation of Spanish and at least 3 Latin American experts in the next Conference on Social Security in Vietnam.
- Two seminars (in Ha Noi and Ho Chi Minh City) on the “Spanish transition – Towards prosperity and democracy”.

It is worth noting that the UNDP has made use of the Spanish trust fund to deepen research work it undertook on Social Security under the SPI. The reason for the latter is that DFID has opted to fund the World Bank under a separate partnership agreement (PAPA), which has used the study undertaken by UNDP on social security, but opted for a significantly different approach to the implementation of social security (this is discussed elsewhere in this report).

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<sup>9</sup> AECI-UNDP, Resolution on Subsidy Granting for International Cooperation, October 2006.



### **COST SHARING**

Three of the projects funded under the SPI have received additional cost sharing from other donors and agencies amounting to US\$4,285,655, or approximately 61% of the total allocated to projects (Component A) from DFID funding under the SPI.

| <b>ADDITIONAL COST-SHARING FOR SPI-FUNDED PROJECTS</b> |   |                             |                    |
|--|---|-----------------------------|--------------------|
|  | <b>Project</b>                              | <b>Non-SPI Cost sharing</b> | <b>Amount/US\$</b> |
| <i>A1</i>  | National Assembly and PCs (ONA)             | SDC                         | 1,300,000.00       |
|  |   | CIDA                        | 167,768.00         |
|  |   | Ireland                     | 89,023.00          |
| <i>A2</i>  | Budget Oversight (w CEBA)                   | CIDA                        | 167,768.00         |
|  |   | Ireland                     | 178,046.00         |
|  |   | EC                          | 382,563.00         |
| <i>A4</i>  | National Targets for Poverty Reduction      | Finland                     | 522,000.00         |
| <i>A6</i>  | Strengthening capacity of local government. | Ireland                     | 593,487.00         |
|  |   | UNDCF                       | 750,000.00         |
|  |   | France                      | 135,000.00         |
|  |   | <b>TOTAL</b>                | <b>4,285,655</b>   |

DFID funds from the SPI have been used along with TRAC resources as seed money to attract additional funding from other donors in the form of standard cost-sharing agreements. Each agreement requires UNDP to report separately on project performance and finances; some accept standard UNDP reporting arrangements while other have donor-specific procedures.

It is worth noting that all of the cost-sharing received has been for projects, and not the research work (probably in part because such additional funding was not sought). Furthermore, funding received as cost sharing was for projects of maximum importance to the transformation process in Viet Nam and not for those that are heavily linked to the UN's global mandate and agenda such as the MDG report and the review of national statistical methodologies and systems.

### **AVIAN INFLUENZA**

The use of SPI funds for bridge financing in a rapid, responsive manner not only enabled the UNDP to ensure a coordinated UN response, but also resulted in the mobilisation of cost-sharing in excess of US\$ 7 million. The bridge funding was reimbursed to the SPI and all activities spun off as a separate standalone programme that no longer shows on the SPI books.

## ***III.E AUDIT***

All UNDP projects under National Execution are subject to audit and financial certification in accordance with government rules, regulations and procedures. They are also subject to national audit arrangements unless UNDP and the Government come to mutual agreement that independent auditors can be recruited to audit projects on a regular basis.

Following early uncertainties and lack of resources to conduct audits of all of UNDP's relatively small projects, the Government pragmatically agreed to the recruitment of private auditors to undertake regular audits of NEX projects in compliance with UNDP's requirements. A local independent auditing firm, STT, that is linked to RSM International the larger international financial consulting, was contracted following a competitive bidding process to carry out audits of NGO/NEX projects. Action taken to address outstanding concerns<sup>10</sup> were taken as indicated in Box 1 above.

NEX projects have also been subject to delays in financial reporting as they require national units to take on reporting that raise their transaction costs, require them to establish new systems and often require multiple reporting formats. Ensuring timely reporting continues to be an issue for UNDP and is the subject of considerable attention and at times, friction between Programme Officers and national counterpart personnel. The introduction of ATLAS as the principal Management Information System of UNDP, following early teething problems in the first year of its introduction, has improved UNDP's ability to track expenditures and forecast financial requirements – even of NEX projects.

**Box1: Steps Taken by UNDP to Address Audit Issues\*:**

1. **28 April 2006:** UNDP CO submitted 28 audit reports for NEX projects of 2005 expenditures, which include DFID SPI funded projects.
2. **26 May 2006:** UNDP CO sent email to projects asking for follow-up actions plan to audit findings.
3. **1 June 2006:** UNDP CO organized meeting with all NPDs, among others, discussed on key audit findings issues
4. **22 June 2006:** UNDP RR a.i. sent a two-page letter to all UNDP projects highlighting key audit findings and shared the auditor's Summary Report for audit of 2005 expenditures.
5. **27 June 2006:** UNDP CO submitted Office of Audit and Performance Review (OAPR)/UNDP HQs, the consolidated follow-up actions plan to audit findings for 28 audited projects.
6. **14 February 2007:** UNDP CO asked projects to update on follow-up actions plan for 2005 expenditures and submitted the consolidated report to OAPR
7. **27 April 2007:** UNDP CO submitted to OAPR, the auditor's certification report on implementation of follow-up actions plan for 2005 expenditures.

*\*As reported to the Consultant by UNDP, May 3, 2007*

## IV. UNITED NATIONS REFORM: THE SPI IN A NEW CONTEXT

Since the SPI was first approved, the UN Secretary-General's High Level Panel on UN System-Wide Coherence<sup>11</sup> has taken on special importance in the context of Viet Nam and there is no doubt that the future of the SPI or its successor arrangement will need to be viewed in the context of the ongoing reforms resulting from the implementation of its recommendations.

The High Level Panel re-emphasised the centrality of the Millennium Development Goals and "wider internationally agreed development goals" to both "global economic stability and prosperity" and the role of the United Nations. It went on to develop recommendations based on five strategic "directions":

<sup>10</sup> See Zolliinger Urs.

<sup>11</sup> United Nations, Delivering as One: Report of the Secretary-General's High-Level Panel, Secretary-General's High-level Panel on UN System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment, United Nations, New York, 9 November 2006.

- Coherence and consolidation of UN activities, in line with the principle of country ownership, at all levels (country, regional, headquarters);
- Establishment of appropriate governance, managerial and funding mechanisms to empower and support consolidation, and link the performance and results of UN organizations to funding;
- Overhauling of business practices of the UN system to ensure focus on outcomes, responsiveness to needs and delivery of results by the UN system, measured against the Millennium Development Goals;
- Ensuring significant further opportunities for consolidation and effective delivery of One UN through an in-depth review; and
- Implementation with urgency, but not ill planned and hasty in a manner that could compromise permanent and effective change.

Emphasis was placed on ensuring that the UN system delivers as **one** in the implementation of **one** strategy in the pursuit of **one** set of goals. It then went on to recommend the creation of One UN at country level, with **one** leader, **one** programme, **one** budget, and where appropriate, **one** office. Five pilot countries including Viet Nam were identified for the first wave of reforms. Pending an assessment of the successes and lessons of the first wave, a further two waves of 20 and 40 pilot countries are envisaged<sup>12</sup>.

The Viet Nam UN Country Team is said to be well ahead of other pilot countries in the definition of future arrangements, although this could not be immediately verified. Discussions are still currently underway within the Country Team, with the headquarters of the UN entities concerned and with the Government. The principal elements of a future reformed UN at Country Level are expected to include the following key elements:

- **One UN:** A unified management at the Country Level involving at least UNDP, UNICEF, UNFPA, UNIFEM and UNCDF whereby UNDP, UNICEF and UNFPA Country Directors will all report to headquarters through the UN Resident Coordinator. This will result in a single line of accountability with respect to programme, financial matters, human resources and representation to government. Other UN entities may also join in this unified structure on a voluntary basis.
- **One UN Programme:** The Country Programme Action Plans of all of the above entities are to be merged into One UN Programme at country level with common objectives and clearly defined results.
- **One UN Budget:** The One UN Programme, its objectives and expected results will be supported through a consolidated budget for all of the participating entities and will most likely consist of: i) Core, predictable resources; ii) Cost-sharing; and iii) Broader One UN budget support.
- **Common UN Management Practices:** Management practices will be harmonised based on best practice.

In the spirit of Government ownership, the UN and Government have a road map and shared principles, objectives and instruments of One UN in Viet Nam. These documents should be the basis of DFID support to One UN. At least for an extended transition period, individual entities under the One UN umbrella will continue to deliver their General Assembly defined mandates

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with added emphasis on upstream activities including the provision of impartial policy support and advice, custodial responsibilities pertaining to global conventions and agreements and the development of national capacity. The One UN Budget will need to include resources that will capacitate each entity to adequately deliver their mandates.

Given the above, upon conclusion of the SPI, DFID successor funding will need to be brought into alignment with one or more of the components of the One UN Budget. Given their importance to Viet Nam's transformation, consideration should be given to ensuring that at least a component of DFID's funding should be deployed in a manner to target the type of activities led by UNDP and implemented under the SPI at the present time. This funding should include further capacitation of UNDP to provide high level, continuous analysis and technical advice in the areas of governance, multisectoral poverty reduction and the sustainable management of natural resources and the environment. Capacity created under the SPI should be viewed as bridge funding pending full definition of the successor funding arrangements.

## **ANNEX 1: TERMS OF REFERENCE**

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### **Background**

1. DFID supports UNDP's efforts to focus and deepen its focus in supporting Viet Nam's efforts to realize the Millennium Declaration and its goals.
2. DFID has committed £5 million over the period 1<sup>st</sup> August 2004 to 31<sup>st</sup> December 2008 for UNDP work in the areas of (i) governance, (ii) social and economic transition, (iii) environment and (iv) emerging national priorities. Six principles underpin this support (a) fostering national ownership and leadership by engaging directly with Government's own systems (b) supporting up-stream policy and advocacy work (c) funding transformational projects (d) collaborating with other development actors to avoid duplication and reduce transaction costs (e) drawing on the strength of UN presence through greater UN collaboration and (f) focussing efforts only in those areas where UNDP has a clear comparative advantage. The Specific Objectives and Principles are set out in the Strategic Partnership Initiative (SPI) Project Memorandum (attached).
3. The SPI was developed out of a number of pre-existing funding arrangements between DFID and UNDP. DFID is, in effect, providing local core funding for UNDP programming in Vietnam. However, this funding is largely directed to programmes agreed and implemented by the Government of Viet Nam, and therefore does not amount to 'budget support' for UNDP. Nevertheless, the SPI represents a departure from project-by-project funding in that it enables UNDP and Government counterparts to make marginal adjustments without opening new negotiations with the donor, in this case DFID. It also provides some resources for new initiatives, and in particular policy research projects, that can be funded immediately by UNDP without the need for additional administrative steps.
4. Annual reviews by UNDP and DFID are carried out to assess progress in the implementation of the SPI. A 'first year' independent evaluation was also conducted in 2006 in order to evaluate the start-up of the initiative. The SPI Project Document specifically calls for a mid-term review, which is the subject of these terms of reference.
5. UNDP has developed a similar programme of support with Spain also called an SPI. These initiatives have, in effect, anticipated the UN reform process which has now take off in Vietnam and which will supersede this kind of in-country core support to a single UN agency in favour of core support to a more unified UN system.

### **Purpose**

6. The expert will carry out a mid-term review of the DFID/UNDP Strategic Partnership Initiative to assess implementation of the SPI and generate lessons for the final 18 months of the project.

### **Tasks**

7. The expert will conduct a review of the following aspects of the SPI:

- initiatives funded under the SPI to date for their conformity to Specific Objectives and Principles;
- the programme's results and consider likely IMPACT on the country in the future;
- planned and actual disbursement levels;
- the impact of DFID core funding on the capacity of UNDP to attract other additional sources of funding;
- any effect on other UN agencies in Vietnam of DFID core funding of UNDP; and,
- channels of communication between UNDP and DFID on strategy and financing in terms of their effectiveness, proportionality and transaction cost; and

In addition, the consultant will also discuss with and seek confirmation from UNDP that the weaknesses highlighted in the various audit reports for individual sub projects are being adequately addressed to ensure as much as possible is being done to secure the success of this Initiative.

8. On the basis of the review, the expert will:

- develop recommendations to DFID and UNDP to improve implementation over the remaining 18 months; and,
- Explore the implications for the One UN Initiative in Viet Nam. Of lessons learnt from the SPI approach.

### **Methodology**

9. The expert will:

- study project documentation including the Project Memorandum, and the reports of joint DFID/UNDP Annual Review meetings held in January and June 2005, February 2006 and February 2007;
- interview key staff in both UNDP and DFID;
- consult with relevant Government agencies.
- consult UN staff in Vietnam more widely;
- consult the staff of other international development organisations in Vietnam (IFIs, INGOs, NGOs, other bilateral donors); and,

The expert will be briefed by and report to Subinay Nandy of UNDP and Phil Harding, the DFID Project Officer.

### **Outputs**

10. The expert will organise a workshop towards the end of the mission to discuss with key UNDP and DFID personnel the ideas emerging out of the mission and facilitate a discussion which can inform the content of the final report.

11. The expert will produce a brief Main Report including Executive Summary with key Findings and Recommendations on implementation and impact. Any detailed analysis should be presented in the form of Annexes to the Main Report.

12. The Main Report should be produced in both hard copy and electronically

### **Duration**

13. Sixteen person days are allocated for the review with ten days in-country.

### **Timing**

14. The work is to be complete by the end of April 2007.

## **ANNEX 2: PERSONS CONSULTED**

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### **DFID**

Donal Brown, Head, DFID, Viet Nam  
Philip Harding, Deputy Head, DFID, Viet Nam  
Keith Mackiggan, Senior Governance Adviser, DFID, Viet Nam  
Nguyen Thi Ngoc Minh, Economic Adviser, DFID, Viet Nam  
Nguyen Thu Trang, Head, Programme Support Unit, DFID, Viet Nam  
Nguyen Huu Hieu, Public Finance and Governance Adviser, DFID, Viet Nam

### **United Nations**

John Hendra, United Nations Resident Coordinator, UNDP Viet Nam  
Subinay Nandy, Outgoing Country Director a.i., UNDP Viet Nam  
Setsuko Yamazaki, Country Director Designate, UNDP Viet Nam  
Christophe Bahuet, Deputy Country Director, UNDP Viet Nam  
Jonathan Pincus, Senior Country Economist, Head of Country Economist Unit, UNDP Viet Nam  
Nguyen Tien Phong, Assistant Resident Representative, Head of Poverty and Social Development Cluster, UNDP Viet Nam  
Nguyen Ngoc Ly Assistant Resident Representative, Head, Sustainable Development Cluster, UNDP Viet Nam  
Jonas Lovkrona, Governance Adviser, Assistant Resident Representative, Head, Governance Cluster, UNDP Viet Nam.  
Koos Neeffjes, Sustainable Development Adviser, Assistant Resident Representative, Sustainable Development Cluster, UNDP Viet Nam.  
Trinh Tien Dung, Assistant Resident Representative, UNDP Viet Nam  
Luu Tien Dung, Programme Officer, Governance Cluster, UNDP Viet Nam  
Le Le Lan, M & E Programme Officer, Programme Support Unit, UNDP Viet Nam

### **Others:**

Luu Quang Khanh, Deputy Director General, Foreign Economic Relations Department, Ministry of Planning and Investment  
Ms. Inma Zamora, Resident Representative, Spanish Agency for International Cooperation (AECI).

## **ANNEX 3: PARTIAL LIST OF REFERENCES**

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In addition to progress reports, project documents, financial spreadsheets, and other project specific products, the following documents were reviewed:

AECI-UNDP, Resolution on Subsidy Granting for International Cooperation, October 2006.

DFID, Working in Partnership with the United Nations Development Programme (UNDP), 2004-2007, Institutional Strategy, December 2005.

DFID –UNDP, Administration Arrangement for the DFID-UNDP Strategic Partnership Initiative Between the United Kingdom of Great Britain and Northern Ireland and the United Nations Development Programme, , Signed 27 September 2004.

DFID-UNDP, SPI Project Memorandum, September 2004.

Pillay Rajeev, Democratic Governance Programmes in Viet Nam: A Strategic Renewal, UNDP/Government of Viet Nam Development Cooperation in the Sphere of Governance, Abacus International Management L.L.C., Ha Noi, December 2006.

Ryan Jordan, Mørch Jesper, United Nations Reform: A Country Perspective by the UN Resident Coordinator and UNICEF Representative, Undated – September 2006?

United Nations, Delivering as One: Report of the Secretary-General's High-Level Panel, Secretary-General's High-level Panel on UN System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment, United Nations, New York, 9 November 2006.

United Nations (internal), Proposal for a United Nations Policy Team, 30 November 2006.

United Nations, Overview and Update on UN Reform in Viet Nam by John Hendra, UN Resident Coordinator, Ha Noi, 28 November 2006.

UN Country Team, Common Country Assessment for Viet Nam, Ha Noi, November 2004

Zollinger Urs, DFID-UNDP Strategic Partnership Initiative (SPI) Vietnam, Joint Review of First Year, Report of the Independent Consultant, King-Zollinger and Co., Draft, Hanoi, 27 January 2006.



## **ANNEX 4: FULL LIST AND STATUS OF RESEARCH STUDIES (COMPONENT B)**

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1. Policy Dialogue Paper: Globalization, Gender and Work in the Context of Economic Transition – published February 2006, Professor Naila Kabeer, University of Sussex and Tran Thi Van Anh, Centre for Family and Women’s Studies.
2. Anti-Dumping Cases and Viet Nam’s Non-Market Economy Status – published November 2006.
3. (Still Ongoing): Who is Missing From the Viet Nam Household Living Standards Survey (VHLSS) – to be published in Vietnamese Studies (July 2007) and with GSO (July 2007). Professor John Sender, University of London (emeritus)/University of Leiden.
4. (Still Ongoing) Financial Sector Development in Comparative Perspective – in preparation, Kennedy School of Government of Harvard University.
5. (Still Ongoing) The Regulation of Monopolies in Viet Nam, Consultants: Kennedy School of Government of Harvard University.
6. Beyond HEPR: A Framework for an Integrated Social Security System in Viet Nam – published March 2005, Patricia Justino, Economics Department, University of Sussex.
7. How Progressive Viet Nam’s Social Security System – in press, to be published with MOLISA and VASS, University of Bath Centre for Well Being in Developing Countries, team leader Martin Evans.
8. The Graying of Poverty? The Relationship between Old Age and Poverty in Viet Nam – in press, to be published with MOLISA and VASS, University of Bath Centre for Well Being in Developing Countries, team leader Martin Evans.
9. Viet Nam’s Industrial Competitiveness, A.T. Kearney, Inc.
10. The State as Investor: Equitisation, Privatisation and the Transformation of SOEs in Viet Nam – published October 2006..
11. (Still Ongoing.) Is Viet Nam China’s Mexico? Regional Integration and Viet Nam’s Industrialization, Gabriel Palma, Cambridge University.
12. (Still Ongoing). A Survey of Viet Nam’s Largest Firms.
13. (Still Ongoing). The Implications of WTO Accession for Viet Nam’s Industrial Policy, Kennedy School of Government, Harvard University.
14. Deepening Democracy and Increasing Popular Participation in Viet Nam – published June 2006 by Viet Nam Academy of Social Sciences and UNDP. Pamela McElwee, Yale Agrarian Studies Centre and Ms Ha Hoa Ly (independent consultant).

15. Municipal Finance in HCMC: A Comparative Regional Study – final version in preparation, to be published by Institute of Economics of Ho Chi Minh City and UNDP, Jay Rosengard, Harvard University and Vu Thanh Tu Anh, Fulbright Economics Teaching Programme.
16. The Chu Lai Open Economic Zone and Rural Development: Centrally Planning's Laboratory for Policy and Institutional Innovation – in press, Eli Mazur, Vu Thanh Tu Anh and David Dapice.
17. Provincial Extralegal Investment Incentives in the Context of Decentralization in Vietnam: Mutually Beneficial or the Race to the Bottom? – in press, Le Viet Thai, Vo Tat Thang and Vu Thanh Tu Anh.
18. Credit and Trust: Fruit Markets in the Mekong Delta – in press, Vu Thanh Tu Anh and Brian Quinn.
19. Decrees 10 and 43 and Access to Health Care Services in Viet Nam: Case Studies from Six Provinces – research in progress in collaboration with Institute of Health Policy and Strategy, Ministry of Health, and the Ford Foundation, Mr Jonathan London, Nanyang Institute of Technology, Singapore.
20. (Still Ongoing). Affordable Housing in Ho Chi Minh City, Kennedy School of Government of Harvard University.