

**The Republic of Korea's Country
Partnership Strategy for the
Socialist Republic of Vietnam
2016-2020**

The Government of the Republic of Korea

March 2017

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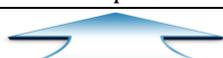
The Republic of Korea's Country Partnership Strategy for the Socialist Republic of Vietnam

I. Summary

Socio-Economic Development Strategy (SEDS) 2011-2020	
Achieve GDP per capita USD 3,200-3,500	
①	Develop a socialist-oriented market economy (equal and competitive system/administrative reform)
②	Develop advanced human resources (educational system reform)
③	Expand infrastructure (transportation and urban infrastructure)



Socio-Economic Development Plan (SEDP) 2016-2020				
Reform socio-economic structure and improve sustainability				
Market Economy Development	Economic Reform	Infrastructure and Resource Development	Social and Environmental Development	Governance Enhancement



Objectives of the Republic of Korea's Development Cooperation for the Socialist Republic of Vietnam
<p>The Korean Government will support the Vietnamese Government to realize the SEDS and SEDP focusing on the following objectives:</p> <ul style="list-style-type: none"> ▪ Strengthened transport infrastructure, policy, and management capacities for balanced regional development ▪ Improved basic health services and sanitation to support mid-to-long term health sector development ▪ Strengthened public administrative capacities for the implementation of mid-term national development plan ▪ Training of skilled professionals in the areas of science, technology, and other key areas



Priority Cooperation Areas and Support Plans	<p style="text-align: center;">Transport</p> <ul style="list-style-type: none"> ▪ Contribute to transport sectoral policy development including railway and road systems and management capacity building ▪ Expand cooperation in the area of railway including metro system ▪ Support building of key national transportation networks through public-private partnerships
	<p style="text-align: center;">Water Management and Healthcare</p> <ul style="list-style-type: none"> ▪ Support capacity building for water management and disease control as a response to climate change ▪ Support improvement of basic healthcare and sanitation through a comprehensive rural development project ▪ Support expansion of water, sewerage, and industrial waste treatment facilities in major cities ▪ Support establishment of special care hospitals to strengthen public health services
	<p style="text-align: center;">Governance (Public Administration)</p> <ul style="list-style-type: none"> ▪ Support strengthening of various public administrative capacities linked to economic, social, and environmental development and governance ▪ Support promotion of market economy and improvement of business environment including relevant legal system ▪ Support strengthening of public administration capacity focused on vulnerable groups and social integration
	<p style="text-align: center;">Education</p> <ul style="list-style-type: none"> ▪ Support training of skilled professionals in fields relevant to modern and industrialized Vietnam including science and technology, environment, international law, and dispute settlement ▪ Support social inclusion of vulnerable groups through education

- 1. (Vision) The Government of the Republic of Korea (hereafter, Korean Government)** aims to contribute to the Socio-Economic Development Strategy (SEDS, 2011-2020) and the Socio-Economic Development Plan (SEDP, 2016-2020) and their goals to develop Vietnam from a low middle-income country to a modernized and industrialized nation. Its development cooperation will also support Vietnam's effort to establish a foundation for sustainable growth.

Vietnam is a core partner country of the Korean Government which will support the goals of the Vietnamese Government to “construct national infrastructure to achieve global industrial competitiveness and nurture advanced human resources in the field of science and technology” until 2020.

- 2. (Criteria for Selecting Priority Areas)** The priority areas are selected based on Vietnam's development needs identified in the SEDP, Vietnamese context, the Memorandum of Understanding (MOU) on financial cooperation, and the Agreed Minutes of the Financial Cooperation Coordinating Committee; as well as reflecting the Republic of Korea's (hereafter, Korea) capacities and relative advantages in providing assistance, possible challenges, anticipated financial resources, and donor harmonization.
- 3. (Priority Cooperation Areas)** A minimum of 70% of the total bilateral assistance will be allocated to the following priority cooperation areas:

(i) Transport

- Support development of transport sectoral policy and infrastructure including railway, seaport, and inland waterways based on a comprehensive land development approach
- Support expansion of expressway networks through public-private partnership (PPP)

(ii) Water Management and Healthcare

- Support capacity building of water management and disease control as a response to climate change
- Support water resources management, waste management, and establishment of special care hospitals to strengthen public health services and improve quality of life

(iii) Governance

- Support capacity building of various public administrative capacities related to economic, social, and environmental development and governance geared towards realization of the SEDP 2016-2020

(iv) Education

- Support training of advanced human resources in the areas of science and technology for sustainable national development
- Support education of vulnerable social groups for the promotion of social integration

4. (Implementation Strategy) In order to improve the development efficiency of projects for Vietnam, the Korean Government will adhere to efficiency, sustainability, and harmonization as the three core values.

- **Efficiency:** Coordinate among development cooperation projects to create greater synergy and promote efficiency
- **Sustainability:** Strengthen alignment of development cooperation projects to the Vietnamese government's strategies and projects and support its operational and management capacity
- **Harmonization:** Promote information sharing, cooperation, and coordination with the Vietnamese government and other donors on field-level

5. (Strategic Foundation) The Korean government will comply with the principles of Sustainable Development Goals (SDGs), ODA Development Plan, Busan Global Partnership Implementation Strategies, and other international standards on development cooperation and DAC recommendations.

Korea will place greater efforts on improving Policy Coherence for Development (PCD) through the promotion of coordination among Korean organizations implementing development cooperation projects.

More emphasis will be given to inclusive development and balanced economic, social, and environmental development while reflecting on past Korean development cooperation project implementations in Vietnam.

Korea will extend the participation in procurement of EDCF projects in Vietnam to Vietnamese companies with eligible conditions in terms of capital, technology, and management capacity in order to support the development of Vietnamese enterprises and increase bidding competition.

II. Priority Cooperation Areas and Implementation Strategy

A. Transport

1. Main Approach

This program aims to strengthen the transportation infrastructure, policy, and management capacities as a support to balanced regional development.

2. Development Needs Assessment

Vietnam has a huge demand for infrastructure investment, especially the transport sector, in order to achieve the socioeconomic development goals.

The Vietnamese government has established a plan that would reduce the country's heavy reliance on road transport while improving the connectivity between various modes of transportation and modernizing transportation infrastructure. The summary of the plan is as follows:

Road

The Vietnamese government plans to construct an additional 2,000 km of highway, including the North-South Expressway.

Railway

The Vietnamese government wants to develop its own railway industry to sustainably maintain the existing railway network and develop an express railway network in the future.

(Express railway) Feasibility study and assessment of prioritized needs for the North-South expressway railway project which will connect Hanoi and HCM City with the Hanoi-Vinh section and the HCM City-Nha Trang section

(Urban railway) Acceleration of the implementation of Hanoi-HCM City urban railway projects

(Existing railways) Improvement of the average speed of the North-South Railway lines from 30~40km/hr. to 80~90km/hr. for passenger service and 50~60km/hr. for freight; enhancement of the passenger and freight transport volume; and improvement of the quality and services of the railway system

(New railways) Integration to Pan-Asia Railway Network, Bien Hoa - Vung Tau Port, or Haiphong station - Lach Huyen Port

Inland Waterways

The Vietnamese government plans to improve the inland waterways in the Red River in the north and inland waterways to Cai Mep - Thi Vai Port in the Mekong Delta region

Ports

The Vietnamese government plans to build a new port which is capable of handling 100,000-tonne DWT ships at Lach Huyen in the north and construct warehouse and container facilities.

Airports

The Vietnamese government plans to improve the Noi Bai Airport (Hanoi) and Tan Son Nhat Airport (HCM City) and secure funding for building the Long Thanh International Airport (LTIA) through public-private partnership.

3. Korea's Contribution and Implementation Plan

a. Transport sectoral policy development including railway and road systems and relevant management capacity building

- Korea will seek to share its skills and past experience in developing infrastructure, especially the transport sectoral policies and systems through development consulting projects (DEEP) and capacity building projects on highway management.
- Korea plans to provide support in introducing intelligent transportation/road systems that utilize advanced information technologies for major cities and highways in Vietnam in order to increase the efficiency in urban regions and improve the quality of life.

b. Expansion of cooperation in the area of railway including metro system

- Aligned with Vietnam's development plan, Korea will support Vietnam to develop its own railway industry to maintain the existing railway network, urban railway network, and prepare the high-speed railway in the future.
- Korea plans to assist upgrading of railway to standard-gauge and support new railway construction which connects major ports to cities and Laos as contribution to balanced national development and sustainable economic growth in Vietnam.
- Both governments could establish a communication channel that would allow for the introduction of Korea's experience and knowhow in railways projects in order to avoid potential trial and errors and assist Vietnam to achieve technological independence in the railway sector.

c. Building of key national transportation networks through public-private partnerships

- Based on the Vietnam's public debt management plan, Korea will seek to develop various PPP projects in the transportation sector and encourage the Korean private sector to consider applying for or participating in EDCF projects.

B. Water Management and Health

1. Main Approach

This program aims to improve health services and sanitation to contribute to long term healthcare system development and policy development.

2. Development Needs Assessment

Recognizing the country's vulnerability to the effects of climate change, the Vietnamese government has selected climate change adaptation and risk prevention as one of its key priorities. Specifically, diseases related to climate change in the Mekong River region is gaining greater importance.

The environment sector is one of three priority development areas singled out by the Vietnamese government. In most of Vietnam, apart from major cities such as Hanoi or HCM, the level of pollution in groundwater is rising. As groundwater is a key source of drinking water in Vietnam, consequently, developing alternative water source and constructing new supply and sewerage systems are growing concerns.

Many regions are challenged in meeting adequate sanitary, sewerage, and waste treatment facilities, allowing untreated wastewater to be discharged directly into rivers and waterways. Moreover, waste left untreated are causing serious environmental problems leading to an increasing demand for investment in the sector. The government is currently working towards expanding its waste treatment system and building new water supply and sewerage systems.

Vietnam's health sector infrastructure and human resources are mostly found in major cities like Hanoi and HCM. A health services disparity between regions exists and the current health services infrastructures, including hospitals and hospital beds, are not meeting the rapidly increasing demand for health service in Vietnam.

Overall, the needs assessment recognized the need to improve and modernize the national health services system in order to increase the level of benefits extended to the population. Furthermore, large-scale investment to build health system infrastructures and reduce the health services inequality between the regions is greatly needed.

3. Korea's Contribution and Implementation Plan

a. Capacity building for water management and disease control as a response to climate change

- Korea will support the Vietnam government's efforts to improve climate change-related water management and disease control capacities with a special focus on the Mekong River, Highlands, and South Central regions.

b. Expansion of water, sewerage, and industrial waste treatment facilities in major cities

- Korea also plans to support expansion of water supply, sewerage, and waste treatment facilities in major cities and regions where industrial complexes are located. Potential PPP projects are to be given priority in consideration.

c. Improvement of basic healthcare and sanitation through a comprehensive rural development project

- Korea will promote cooperation among educational institutions; national, public, and private hospitals; and NGOs in Korea and Vietnam with the goal to strengthen the capacity of Vietnamese healthcare institutions and improve primary health services.
- It will also cooperate with the leading hospitals and universities in Korea to carry out mid-to-long-term capacity building training of Vietnamese healthcare practitioners on severe disease treatment.
- As a contribution to primary health services, Korea will support Vietnam's National Target Programme on New Rural Development (NTP-NRD) which is similar to Korea's "Saemaul Undong." As a component of the comprehensive rural development project called "Happiness Program," Korea will support the improvement of primary health services in rural areas.

d. Establishment of special care hospitals to strengthen public health services

- Korea plans to support the building of tertiary medical institutions and specialized hospitals which can treat serious illnesses such as cancer and heart disease at key regional cities in order to increase access to health services for patients living in small cities. This plan also aims to attract patients who otherwise will seek treatment overseas.

C. Governance (Public Administration)

1. Main Approach

This program aims to strengthen public administrative capacities to support the Vietnamese Government's implementation plan of the mid-term national development plan.

2. Development Needs Assessment

During the MDGs era, Vietnam's poverty rate declined. Integration of society targeting vulnerable groups and ethnic minorities and the promotion of balanced rural-urban development are important steps to be taken for economic growth to have a far reaching effect on the different levels of society and a greater acceptance of the market economy.

The Vietnam government's Socio-Economic Development Plan (SEDP 2016-2020) aims to actively introduce a market economy and establish a sustainable system for socioeconomic development. For the successful take off of a market economy system; a consistent, reliable, and just "rule of law" and the transparent and efficient involvement of public administration needs to be institutionalized¹.

Vietnam showed remarkable success in improving the business environment and land system, reducing market transaction costs, and restructuring state-owned enterprises (SOEs) to revitalize the market. However, continuous reform is still necessary to realize a more transparent and predictable business environment.

The Global Value Chain (GVC) of Vietnam's private sector has gone through a level of consolidation. However, the majority of the private sector is composed of small enterprises while its export is heavily dependent on raw materials and manual labor-intensive products. Challenges remain to diversify the export industry.

More government support to small and medium-sized enterprises (SMEs) is needed, including relevant policy reforms, budget, and infrastructure support and capacities building. On the other hand, the environmental impact from industrial development is an important concern. Thus, strategies and policies for "green growth" which aim to minimize the negative impact of industrial development or achieve balance between environmental preservation and development are necessary.

The application of IT in public administration (for example, e-Government) has drawn attention to simplify procedures and enhance efficiency and modernization of the healthcare insurance payment system.

3. Korea's Contribution and Implementation Plan

a. Strengthening of various public administrative capacities linked to economic, social, and environmental development and governance

- Korea will support the promotion of research and innovation needed for the implementation of the SEDP 2016-2020 sectoral plans. By implementing development consulting projects (DEEP), Korea plans to strengthen research and personnel capacities needed for public administrative reform.
- In order to support the "Judicial Reform Strategy 2020," Korea plans to continue implementing the project for training and capacity building of judges which has been implemented as a contribution to the independent judicial system of Vietnam.
- Capacity building projects will target inspection agencies like the Supreme People's Prosecutor of Vietnam, Government Inspectorate, and the State

¹ According to the 2015 World Justice Project (WJP), Vietnam ranked 64th/102 globally and 12th/15 in the East Asia & Pacific Region for the Rule of Law Index.

Audit Office of Vietnam. Korea will support the Vietnam government's effort to improve transparency.

- Korea seeks to strengthen the Vietnamese Government's implementation capacity for the 504 Program by effectively supporting the removal of explosive remnants of war in Vietnam for economic and social activities, enhancing public administration capacity in mine action, providing support for victims of explosive remnants of war, and carrying out mine risk education programs to improve the safety of the Vietnamese people.

b. Promotion of a market economy and improvement of the business environment including a relevant legal system

- Korea's support will seek to improve land value assessment, e-procurement, and foreign investment management to enhance the business environment and encourage private sector participation.

c. Strengthening of public administrative capacities focused on vulnerable groups and social integration

- Korea plans to support training of rural community leaders on the topic of regional development in order to contribute to balanced regional development.
- It will also support the strengthening of public administrative capacities relevant to the protection of women and building of women's capacities.

D. Education

1. Main Approach

This program aims to contribute to the training of skilled professionals in science, technology, and other key areas.

2. Development Needs Assessment

The SEDS 2011-2020 aims to build capacities to industrialize and transform Vietnam into a comprehensive and intensive knowledge-based economy. To build national competitiveness in the region, the Vietnamese government is pursuing the consolidation of global production networks and value chains and promoting international trade. At the same time, one of the key agenda of the education sector is social inclusion of vulnerable groups through education.

In this context, the Vietnamese government has identified human resources development as a national priority. Development of human resources is important to support domestic and international enterprises with a supply of business executives and managers, skilled technicians, and legal experts on international laws and dispute settlement. Exploring innovative technologies in the fields of IT, BT,

new materials, and environmental technology requires the building of research and development skills in universities and research institutes.

The inauguration of the ASEAN Economic Community (AEC) would restructure the labor market of the region and increase technological demand from the private sector. Building an effective and cooperative network of universities, industries, and research sectors could be considered in preparation for the eventual AEC launch.

3. Korea's Contribution and Implementation Plan

a. Training of skilled professionals in fields relevant to modern and industrialized Vietnam including science and technology, environment, and international laws and dispute settlement

- Korea will promote a cooperative network of industries, universities, and research institutes to strengthen Vietnam's R&D capacities in science and technology, environment, and other key industries by supporting relevant infrastructures and policy development. A past project in this area is the V-KIST (Vietnam-Korea Institute of Science & Technology) Construction Project.
- Korea also plans to contribute to TVET programs for industrial development. A past and on-going project in this area is the Project for Building Vietnam-Korea Vocational Technology College.
- In response to the demand of the Vietnamese government, Korea will support capacity building of international laws and dispute settlement.

b. Social inclusion of vulnerable groups through education

- Korea will promote PPP to increase the vulnerable groups' access to TVET and strengthen capacity through the expansion of educational facilities. Past project experiences include TVET project for the training of women for service sector, training project on construction skills for Vietnamese youth, TVET program for the economic independence of Vietnamese women, and project for child welfare center development in the poor urban areas in HCM City.

III. CPS Evaluation Framework

Vietnam Socio-Economic Development Strategy (SEDS, 2011-2020) and Vietnam Socio-Economic Development Plan (SEDP, 2016-2020) Become a modernized, industrial nation; reform the socioeconomic structure; and improve sustainability				
CPS Strategic Goals:				
Priority Areas	Goals	Expected Challenges	Achievements	Evaluation Index
Transport	<ul style="list-style-type: none"> - Improve national connectivity by enhancing and expanding the infrastructures - Support development of various transport infrastructure and facilities for improved quality of life 	<ul style="list-style-type: none"> - Heavy reliance on road infrastructure 	<ul style="list-style-type: none"> - Improved transport environment and development of transport infrastructure 	<p>CPS Conformity (whether a project has been appropriately identified and developed in accordance to CPS goals)</p> <p>Project Implementation Status (whether projects aligned with CPS has been implemented)</p>
Water Management and Health	<ul style="list-style-type: none"> - Strengthen water management and disease control capacities in response to climate change - Improve water sources and water supply facilities - Improve access to basic health services and sanitary facilities for the implementation of mid-to-long term health policies 	<ul style="list-style-type: none"> - Lack of water management policies and infrastructure - Inequalities in health and sanitary infrastructure among regions 	<ul style="list-style-type: none"> - Establishment of a master plan for water management including climate change issues - Increased access to health services - Improved quality of health services 	
Governance	<ul style="list-style-type: none"> - Strengthen the public administrative capacities relevant to the implementation of mid-term national development plan - Improve the business environment and legal system relevant to market economy - Strengthen public administrative capacities relevant for social integration and support of vulnerable groups 	<ul style="list-style-type: none"> - Case study for benchmark needs to be adjusted to Vietnamese context 	<ul style="list-style-type: none"> - Establishment of detailed plans and strategies for public administration for governance, economy, social, and environmental development - Training of relevant workforce - Development and dissemination of exemplary project case study 	

<p>Education</p>	<ul style="list-style-type: none"> -Develop advanced human resources in various industrial areas -Support vulnerable group's education opportunity for social integration 	<ul style="list-style-type: none"> - Low level of technological initiative by the private sector (professionals, enterprises) - Low level of competition in domestic market (between public and private enterprises) which discouraged investment in technology - Lack of unified strategy for advanced human resources development - Lack of relevant legislations - Low level of expertise in implementing offices - Low level of education attainment by vulnerable groups which impedes transition to employment 	<ul style="list-style-type: none"> - Establishment of personnel training institutes - Development of training materials - Educational achievement of skilled workforce - Educational opportunity provided to vulnerable groups - Use of educational outcome including employment or continued education 	
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IV. Mid-Term Allocation Plan

Korea aims to allocate 70% of its bilateral ODA to the **priority areas**, while some flexibility will be applied to accommodate urgent humanitarian needs and socioeconomic changes in Vietnam.

Also, the allocation of resources will be adjusted based on program implementation, policy dialogue, interim monitoring, delays in projects, or other possible circumstantial changes.

Budget allocation may also be subject to adjustment during budget discussions, project planning stages, and parliamentary decision.

V. Partnership Plan

1. Partnership with other donors

The Korean government will actively participate in donors' consultative groups in the priority areas, strengthen the partnerships, and develop co-financing projects. It will also participate in the transport sector working group, health partnership group, and other consultative groups that are co-operated by the Vietnamese government, donor, and MDBs.

The Korean government will actively participate in the meetings held by the six Banks (WB, ADB, JICA, EDCF, KfW, and AfD)², develop co-financing projects, and communicate with the Vietnamese government on ideas related to ODA policies and systems³.

The Korean government will continue to participate in the Vietnam Development Forum (VDF), a platform for high level dialogue of major donors, and other partnership groups such as TVET to share important information and coordinate projects with the partners.

2. Tied loans and untied loan linkages

As an EDCF loan is tied in principle, Korean companies are supposed to participate in EDCF projects as a contractor. However, Korea and Vietnam will collaborate to allow both Korean and Vietnamese companies to participate in upcoming EDCF projects.

EDCF will decide whether to apply untied terms and conditions to individual projects based on their characteristics. If a project is relatively simple to be implemented, EDCF can allow Vietnamese companies to participate in the project through separate bidding and/or consortium.

3. Public-Private Partnerships

Taking Vietnam's economic growth and increasing scale of the projects and enhanced debt management capacities into account, finance resources from the private sector, including enterprises and commercial banks, will be actively sought along with the cooperation with various NGOs.

Cooperation with the local organizations will be reviewed for the projects targeting vulnerable groups such as ethnic minorities, women, persons with disabilities,

² Since 1999, the six banks have shared the results of the project portfolio reviews with the Vietnamese government biannually and held the Joint Portfolio Performance Review (JPPR) meetings to discuss ideas on ODA policies and systems of the Vietnamese government.

³ For the transportation sector, urban development and climate change response are the top priorities of SEDP 2016-2020 and require large-scale investment.

elders, and rural residents living in poverty. For the projects related to socioeconomic policy development, the dispatching of Korean experts from private sector will be considered.

For the development of large-scale national projects such as highway projects, government-to-government communications channels will be opened to discuss financial plans; such as ODA funds, policy financing, and private investment; with the Vietnamese government during the initial project development stage.

When carrying out various types of PPP projects such as BOO, BTO, and BOT, the Korean government will seek to use the government's share of resources through EDCF⁴.

⁴ The Vietnamese government recently issued new regulations on PPP under decree No. 15 (the New PPP Regulations, March, 2015), creating favorable environment for expanding the size of PPP projects and attracting private investments.