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ANNEX

of the Commission Implementing Decision on the Annual Action Programme 2017 in favour of Vietnam to be financed from the general budget of the Union

Action Document for Enhancing Economic Governance in Vietnam

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals: 5.3.3.

1. Title/basic act/ CRIS number	Enhancing Economic Governance in Vietnam CRIS number: ACA/2017/039-273 <input type="text" value="2017"/> financed under Development Cooperation Instrument	
2. Zone benefiting from the action/location	Southeast Asia, Vietnam The action shall be carried out at the following location: Vietnam. The project team will be based in Hanoi.	
3. Programming document	EU Multiannual Indicative Programme for Vietnam (2014-2020)	
4. Sector of concentration/ thematic area	Economic Governance	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 22 300 000 Total amount of EU budget contribution: EUR 20 000 000 This action is co-financed in joint co-financing by GIZ for an amount of EUR 1 800 000 This action is co-financed by potential grant beneficiaries and for an indicative amount of EUR 500 000	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management: Procurement of services, Grants– Call for proposal Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	
7 a) DAC code(s)	15110 Public Sector Policy and administrative management;15111 Public	

	Finance Management;15114 Tax Policy and Tax administration support			
b) Main Delivery Channel	10000 – Public sector institutions			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	Flagship 10: Domestic Revenue Mobilisation Initiative (DRMI) for Inclusive Growth and Development EU Gender Policy Framework and EU Gap 2 Thematic Priority: Political and Civil Rights- Voice and Participation and objective 11 “Equal rights and ability for women to participate in policy and governance processes at all levels.”			
10. SDGs	SDG Goal 16, 17, 8, 5(gender equality), 17.1(domestic resource mobilization,) 17.4 (long-term debt sustainability) 17.13(global macroeconomic stability)			

SUMMARY

Vietnam has made considerable strides over the last two decades in achieving economic growth and using that growth in part to convert wealth into well-being through poverty reduction. While Vietnam has maintained macroeconomic stability, rising public debt and remaining public sector vulnerabilities need to be addressed to solidify macroeconomic stability and resilience. Institutional legacies, incomplete market institutions and a cumbersome investment climate have all become impediments to productivity growth, especially for the private sector. Structural reforms are important to lift the medium term growth potential of the economy. Vietnam’s rising economic prosperity is impacting on its development financing landscape. Vietnam will graduate from concessional borrowing from the World Bank (WB) in 2017 and Asian Development Bank (ADB) in 2019. At the same time, Vietnam’s access to international capital market is limited due to the current debt ceiling of 65% of GDP.

Vietnam continues to leverage commitments under various free trade agreements (FTAs) including with the European Union (EVFTA)¹ which have incentivised reductions in tariffs, duties and while at the same time opening up numerous sectors to foreign investment and the removal of state monopolies that will allow a better integration in global trade markets. More efficient factor markets for capital and land, deeper reforms of the state owned sector and a more level playing field and enabling environment for the

¹ In December 2015, the European Union (EU) and Vietnam concluded the negotiations of a Free Trade Agreement (FTA) and is expected to be ratified during the course of 2017 with entry into force in 2018

private sector are important in this regard. The recently concluded FTAs will be used by Vietnam as drivers for furthering the domestic reform process.

The overall objective of the action is to strengthen fiscal discipline, strategic allocation of resources and domestic revenue mobilisation, accountability and transparency of public finance to foster sustainable development and inclusive growth including a business friendly environment. The first component (implemented via indirect management with an agency of an EU member state- GIZ) will support the Ministry of Finance (MoF) goals to ensure fiscal sustainability by enhancing its public financial management (PFM) system. This will include interventions to strengthen fiscal governance for more efficient and equitable spending through medium term budgeting, market-oriented debt management, increased revenue potential and economic efficiency of tax policy and enhanced risk-based compliance management in revenue administration. The second component (direct management for procurement of services) will support the Ministry of Planning and Investment (MPI) to improve the transparency of the procurement system and enhance the regulatory environment for doing business. The third component (implemented via grants) will encourage improvements in fiscal transparency and accountability, including through citizens' feedback and scrutiny. This component will also support the Multi-annual Indicative Programme (MIP) objective to enhance accountable, transparent and cost-effective service delivery.

1. Context

1.1 Sector/Country/Regional context/Thematic area

Vietnam's development record is remarkable, transitioning from one of the world's poorest to a lower middle income country in less than thirty years. Since the launch of the 'Doi Moi' economic renewal programme in 1986, the economy has enjoyed one of the highest sustained GDP growth rates in the world. Per capita income has more than tripled since 1990. Growth has been inclusive and job intensive, creating about 20 million new jobs. Since 2011, Vietnam has placed increasing focus on achieving macroeconomic stability with an annual GDP growth of 6%. Vietnam's economy has proven resilient despite a subdued global economic environment. Growth is underpinned by robust domestic demand and export-oriented manufacturing.

Vietnam faces a significant fiscal reform agenda to rein in accumulated imbalances, enhance domestic revenue mobilization and strengthen expenditure efficiency. After large increases in public debt over the past few years, fiscal consolidation is important to stabilize and then gradually reduce the public debt, through a combination of both revenue and expenditure measures. On the revenue side, coordinated tax policy and administration efforts are needed to stabilize the revenue to-GDP ratio while creating a balanced tax structure suitable for an emerging middle income economy. On the expenditure side, necessary reforms should focus on enhancing spending efficiency including of public investment. In addition, Vietnam faces increasing risks on its public debt portfolio. Having benefited from access to highly concessional long-term multilateral financing over recent decades, it must now increasingly confront important policy trade-offs and choices in managing the costs and risks associated with available domestic and external financing sources.

Fiscal policy reforms should be underpinned by steps to strengthen the institutional foundations for sound public finance management. Coordination between the main institutions of fiscal management, both at the centre (MoF and MPI), and between the central and provincial governments, is relatively weak and needs to be strengthened. In addition, further efforts are needed to enhance the comprehensiveness of the budget given the still large number of fiscal and quasi-fiscal activities that are not reflected in the core fiscal accounts. This should be accompanied by efforts to modernize budgeting procedures, including instilling a more medium term perspective in fiscal policy and stronger systems of expenditure prioritization, underpinned by improved information systems and fiscal transparency. A more unified debt management function would help to both use the opportunities and manage the risks that will arise with Vietnam's transition to a more market based financing model.

Vietnam continues to lag behind its regional peers on international rankings of competitiveness and ease of doing business². Business perception surveys also indicate wide variation in the business regulatory environment across the 63 provinces. If Vietnam is to reach upper-middle-income status, greater transparency and disclosure of information related to policy making are needed, as well as a more effective regulatory environment that enables all enterprises to compete on equal terms. The economy has become increasingly open to trade and foreign direct investment (FDI) with a trade-to-GDP-ratio of 170% in 2015, and where merchandise export growth averaged 15% over the last five years. With a focus on leveraging global integration, new generation FTAs not only further expand market access but offer an anchor for deeper domestic reforms to enhance competitiveness. While these agreements create opportunities, they also represent risks in terms of Vietnam's capacity to modernize and reform so that they can reap the benefits, and in terms of further dependence on foreign trade and hence increased vulnerability to international economic and trade trends.

In the Vietnam 2035 Report³, it is acknowledged that the growth impetus unleashed by early reforms is losing momentum, requiring that reforms deepen and accelerate and that measures to improve transparency and accountability in the delivery of public services are improved. Reforms of core cross-cutting government systems including public finance management, revenue administration and public administration management are critical to enhancing governance.

External reviews of Public Finance Management (PFM) and fiscal transparency in Vietnam have noted important progress though highlighted considerable scope for improvement. Building on these reforms could help strengthen macroeconomic management, improve market perceptions of risk, and increase accountability for service delivery. It is an important element of the Government's policy dialogue with the EU, particularly in the context of ongoing budgetary support.

Vietnam has made important achievements in gender equality during the past decades through improvements in policies, legal frameworks, and national institutional mechanisms responsible for promoting gender equality and the advancement of women. According to the latest *UNDP Human Development Report*, Vietnam ranked 60th in the UN Gender Inequality Index.

1.1.1 Public Policy Assessment and EU Policy Framework

EU Policy framework : The economic governance programme falls within the governance and rule of law sector of the multi-annual indicative programme (MIP), emphasizing the importance of '*institutional reform, better transparency, and improved accountability as an enabler for the much needed private sector investment*' in Vietnam. The MIP also outlines how the EU will address economic governance related issues '*specifically through a programme to support progress in PFM and play a complementary role to efforts to ensure good governance*' and '*to strengthen citizen's effective participation in public governance*'. The support to strengthening the PFM systems is important in the 2030 Agenda for Sustainable Development, the Commission's 'Agenda for Change' and the staff working document "Collect More – Spend Better".

The EU-Vietnam Free Trade Agreement (EVFTA) is one of the most ambitious and comprehensive FTAs the EU has ever concluded with a developing country. The FTA provides a legal framework that will improve the business environment in Vietnam. The EU has committed to support the capacity of the government in understanding and undertaking the necessary reforms and adjustments to comply with FTA commitments so that it can fully benefit from the opportunities.

Public policy framework: The Government's Socio-Economic Development Strategy (SEDS) 2011-2020 lays out a vision for environmentally sustainable and socially equitable economic development, highlighting the need for maintaining macroeconomic stability and deepening structural reforms. The Socio-Economic Development Plan (SEDP) 2016-2020⁴ identifies the specific measures to achieve high

² World Bank. 2016. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington D.C.

³ World Bank: Ministry of Planning and Investment (MPI) -2016 Vietnam 2035, Toward Prosperity, Creativity, Equity and Democracy

⁴ Adopted by the National Assembly, November 9th 2016

quality and sustainable economic growth and envisages a gradual fiscal adjustment. The plan reconfirms the government's key priorities: macroeconomic stability, strengthened market institutions, and investments in modern infrastructure and a skilled labour force. The SEDP includes specific targets namely GDP growth of 6.5-7% per annum, GDP per capita of USD 3,200-3,500 by 2020, a budget deficit of 4% of GDP and debt to GDP ratio of 65%.

More specific policy objectives in the domain of economic governance are included in the Finance Development Strategy (FDS) until 2020⁵. The FDS aims to reduce financial waste, enhance the accountability and transparency of budget operations, and empower subnational governments to provide services more directly to the public. The FDS is accompanied by a detailed, 'rolling' medium-term action plan with concrete actions for the various strategic aims. The current action plan applies to 2016-2018 and includes a very detailed performance management framework with costing and resource requirements.

The government undertook and published its first public expenditure financial accountability assessment (PEFA) in July 2013. While there have been improvements in the quality of budget operations, the government continues to face challenges in the transparency and accountability and usage of public funds. To address these challenges, the government is pursuing a progressive reform agenda with initiatives to improve planning, strengthen public expenditure management, domestic revenue mobilization and increase legal transparency and accessibility. The government has approved several public financial management reforms in particular the strengthening of the legal system, including the Public Investment Law (2014), State Budget Law (2015) and Public Debt Management law (2009, under revision). The National Assembly (NA) approved the 5-year Financial Plan⁶ and the 5-year Public Investment Plan 2016-20 in November 2016 which is a positive step towards improving the linkage between planning and budgeting. Organizational arrangements and management infrastructure have also been enhanced, in particular, the strengthening of institutional arrangements for a more unified planning and budgeting process in selected ministries and provinces; and the enhancement of management information systems to support PFM operations (including for tax administration, customs modernization, and treasury and budget management).

Vietnam has progressively devolved fiscal responsibilities so that more than half of the state budget is now spent by subnational governments. Yet most provinces continue to rely on central government transfers and have limited accountability for repaying debt mobilised by the central government on their behalf, including official development assistance (ODA). The government produces annually a strategy defining how the composition of the debt is projected to evolve over the long term and is drafting a new law on public debt expected to be approved in 2017.

A tax reform implementation plan for 2016-2020⁷ was adopted by the MOF in December 2016. The plan is expected to address the challenges of the fiscal balance, the falling trade revenue and growing base erosion resulted from global integration and to improve the investment climate. Tax policy reforms expected to be implemented over the medium term include the introduction of a property tax, implementation of base erosion and profit shifting action plan as well as improving the current tax laws on natural resources, environment and excise.

Vietnam has embarked on a series of indicator-based reforms to lower the tax compliance costs⁸ which has helped Vietnam to move up 11 places in the Paying Taxes indicator of the WB Doing Business Report 2017. Vietnam is in the initial stages of establishing the legal framework to join the Base erosion profit sharing (BEPS) agenda, a decree has been drafted to address the transfer pricing challenges such as asymmetry of information and excessive interest deductibility. At the same time the large tax office is

⁵ Decision No. 450/QĐ-TTg of 18 April 2012 Financial Development Strategy until 2020, and Decision No. 825/QĐ-BTC of 14 April 2016 approving the Action Plan.

⁶ Resolution No: 25/2016/QH14

⁷ Tax Administration Reform in the period 2016-2020, Decision No. 27/10, 20 December 2016

⁸ Government Resolution No. 19

being upgraded with more functions to enhance the effectiveness of tax administration of this critical group of taxpayers. Risk-based management is being adopted for key functions such as audit and refund.

Vietnam updated the legal framework for private sector development with the revised Enterprise law in 2014, however it is not coherent with related legislation in investment with inconsistencies in the issuance of land licenses and construction permits. There is scope for strengthening the regulatory framework for investment to review the current law to encourage a more level playing field. The legal and regulatory framework for procurement is generally well developed and a new law on Procurement⁹ came into effect on 1 July 2014. The scope of application has been significantly expanded to include Public Private Partnerships (PPP) and expenditures by SOEs aimed at improving accountability and optimizing the use of state resources.

Vietnam has a poor track record on fiscal transparency, as measured by the International Budget Partnership's Open Budget Index (OBI), an independent assessment of budget transparency. The 2015 OBI found that Vietnam did not achieve basic international standards on budget transparency by failing to publish in a timely manner two of the most important budget documents: its budget proposal for the coming year and its audit report.

Vietnam is strongly committed to gender equality, as reflected in a number of national laws, its ratification of key international conventions such as the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and various policy papers supporting the SEDP. There have been several gender responsive budgeting (GRB) interventions in recent years, including programmes that raise awareness and understanding of GRB and that introduce gender mainstreaming methods into budgetary processes. This work has been done in the context of the revision of the State Budget Law in 2015¹⁰, which itself confirms that gender equality is one of the principles that must guide state management of budgets.

1.1.2 Stakeholder analysis

The design of this action has been undertaken through a lengthy consultation process with international financial institutions (IFS's) namely WB and ADB, donors, civil society organisations (CSO) and the government of Vietnam. The main project partners will be the State Budget Department, Tax Policy Department, Debt Management and External Finance Department, General Department of Taxation at central and sub-national levels in MoF and the Public Procurement Agency, Department of General Economic Issues and Enterprise Development Agency of the MPI, Department of Gender Equality and CSO's. Women's groups have not been consulted directly, however women are well represented at both institutional and CSO level. The programme hopes to increase participation of gender equality advocates, women's rights organizations and other stakeholders in the budgeting process which is important to improve the integration of gender impact analysis methods into PFM systems and while building the capacity of government actors to apply GRB to ensure that budget policies and outcomes promote substantive gender equality. Ownership is ensured by supporting implementation of the reform plans of the respective institutions and policies of the government. The high degree of Vietnamese participation expected in the project will increase the probability of delivering long-term sustainable improvements to PFM and doing business environment thus providing a greater chance of improving transparency and accountability. As users of public finance information, the National Assembly (NA), Provincial People Councils and civil society can be considered as stakeholders.

1.1.3 Priority areas for support/problem analysis

The national budget in Vietnam remains divided in recurrent and development (capital) budgets with institutional responsibility split between the MoF and MPI. This makes it difficult for the Government to align the two categories of expenditure. Issues such as medium-term planning processes, introduction of resource-based allocation into the planning system and the decentralisation shortcomings are still to be

⁹ Procurement law Decision number 43/2013/QH13 1 July 2014 and decree 63/2014/ND-CP 26 June 2014

¹⁰ State Budget Law, 2015, articles 8 and 41

properly addressed. The existing EU-PFMO¹¹ programme is providing technical support in the drafting of the government decrees/implementation guidelines for the preparation of annual, rolling, medium term expenditure budget formulation by agencies and provinces planned for approval by the NA in 2017. The decree goes beyond the existing five year planning horizon (currently 2016-2020) to require agencies and provinces to submit 3-year and 5-year financial-budgetary plans which will be a major challenge. At present, decisions on allocations are not transparent, and expenditure is not coordinated with national investment planning.

Strengthening the institutional framework for more efficient and equitable spending, including (i) effective implementation of the medium term fiscal and budgetary framework at national and sub-national level; (ii) improved legal and institutional framework for the planning and execution of state budget, aligning to international practice; and (iii) improved fiscal decentralization at sub-national level with strengthened capacity to manage public funds are identified as priorities for support. The state budget law became effective on 1 January 2017. While recent reforms have introduced the concept of gender-responsive budgeting into the national budget, the extent to which this is translated into better planning and resource allocation has been limited. Gender analysis is rarely a part of policy analysis, and there is a lack of sex-disaggregated data and evidence-based research to guide planning decisions. As a result, consideration of how public expenditure impacts gender has not yet been mainstreamed into the budget process.¹²

The implementation of a coherent debt management strategy is hampered by a highly fragmented institutional framework. While the responsibility for external debt rests with the debt management department, domestic debt is effectively managed by the state treasury. The MPI and State Bank of Vietnam (SBV) also play roles in the management of concessional debt. This system has evolved in a context where external debt was mainly concessional, but the increasing reliance on commercial debt may place different demands on the debt management function. Moreover, given the changing financial landscape enhancing the capacity of the debt management function to manage the transition from concessional financing will be crucial. It is also essential to ensure high level political commitment to build a consensus over a strong fiscal and debt management framework and to establish key targets and measures during implementation.

Although revenue mobilization as a share of GDP is currently not particularly low compared with other countries, it has been declining sharply in recent years and will likely continue to do so as the free trade agreements that Vietnam has embarked upon gain momentum. Strengthening revenue mobilization is a core element of the overall fiscal consolidation agenda to address challenges of fiscal balances, falling trade revenue, growing base erosion from global integration and to improve the investment climate.

There is also wide variation in the business regulatory environment across the 63 provinces of Vietnam. The majority of firms perceive government conduct to be uneven and favouring connected firms in the enforcement of regulations, government procurement, and allocation of land use rights. These policy distortions undermine efficiency and provide incentives to firms to engage in rent seeking rather than productive activities. The programme will focus on improving the regulatory environment for doing business in Vietnam and in particular public procurement.

The legal and regulatory framework for procurement is generally well developed¹³. The Government adopted its decision *on Master Plan and Roadmap for electronic government procurement (e-GP) application* for the period up to 2025¹⁴. Vietnam has endorsed commitments in government procurement under the EVFTA and will start opening its procurement to foreign bidders, thus increasing competition and ensuring a more efficient allocation of resources. Weaknesses that have been identified in the area of procurement are: the lack of level playing field between private sector and SoE's; non-compliance with

¹¹ capacity-building support project to the MoF implemented by GIZ on behalf of the EU (March 2015- June 2018)

¹² United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) 2015. *Gender Responsive Budgeting in Viet Nam*. Ha Noi.

¹³ New law came into effect on 1 July 2014

¹⁴ Adopted on the 12th of July 2016

signed contracts and the law on procurement; limited use of IT systems to expand competition and transparency and enhance monitoring and ineffective external checks on decisions of procuring agencies by governmental agencies (e.g. State Audit, Government Inspectorate) and non-governmental entities (e.g. media, civil society organizations). The programme will focus on improving transparency of the public procurement system and to contribute towards the objective of creating a level-playing field in the award of contracts.

Encouragingly, Vietnam is moving in the direction of sharing more information on the national budget with its citizens and international investors. In accordance with the new state budget law the budget will be made available to the public in advance of being adopted by the NA creating an opportunity for citizens to have input into plans for raising and spending public funds. The ability of civil society organizations to play an effective role towards improved transparency, accountability and policy formulation is limited in Vietnam. There is a need to facilitate dialogue to encourage improvements in fiscal transparency and accountability, including through citizens' feedback and scrutiny, as appropriate given the country context. This component of the programme is designed to help create a platform for citizens to engage with the government to encourage disclosure of information regarding the use of public finance as a means for promoting vertical and horizontal accountability. Timely and transparent financial information at the national and subnational level is considered key to improving the effectiveness and efficiency of the use of public resources.

Various studies in Vietnam on the sources of economic inequalities between women and men have found that women have unequal access to incomes, care resources, education and training, and capital, are still limited by social norms and legal discrimination, which have set women and men up for being affected quite differently by types and locations of economic growth and opportunities. This programme will seek to build capacity within the ministries to integrate gender responsive budgeting into the PFM system as well as examine how tax laws, tax benefits, and direct expenditures reflect and magnify existing gender inequalities.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Weak good governance, corruption and nepotism and patronage can constitute a major challenge to reforms in the economic governance area and may reduce the willingness of policy makers to undertake reforms.	M	Mitigation of the risk requires policy dialogue at the highest level at both the steering committee and during periodic budget support policy dialogue reviews.
Government is not able to curb the fiscal imbalances between expenditures and revenues and new debt stock becomes unsustainable.	M	The government is committed to fiscal consolidation articulated in the SEDP however the measures required to achieve fiscal consolidation are not yet defined. Mitigation of the risk is pertinent to the programme which objective is to strengthen fiscal stability by supporting the management of expenditure, revenues and debt.
Gender responsive budgeting is not applied in practice	H	Ensuring that gender sensitive approach is included from the start of the action that gender-desegregated data is looked for, with a baseline, and gender sensitive indicators.
The introduction of property tax poses risks since land is contentious issue. New tax policies might exacerbate social conflict, if they focus disproportionately on state land as a source of revenue.	H	Mitigation of the risk requires a phased approach to the introduction of the tax given its sensitivity. This is possible through increasing existing land tax with a widening of the base over time to include buildings.

Possible overlap and duplication of activities among development partners.	M	The WB and ADB both have policy based loans supporting fiscal reforms. This programme is closely aligned with the policy triggers of these loans. Use of PFM donor group to ensure coordination of activities during implementation. Advocacy towards the government, especially the MoF, in taking the lead in coordinating of its partners.
Weak capacity of targeted institutions (particularly in the provinces) will hamper the achievement of the results of the programme.	M	The risk is mitigated by focusing on the policies already adopted by the government. The programme will adopt a step by step approach based on the specific needs of the government to implement the SEDP.
Lack of consensus between MoF and MPI on the investment and financial budget for the medium term fiscal framework.	M	The risk is mitigated by working with both ministries and including all parties in a steering committee.
Delays in implementing reforms and addressing governance challenges, including linked to the business environment.	M	Support to strengthen governance systems, transparency, and accountability mechanisms. Strong policy dialogue on reform issues. Strong reform implementation support and training. Coordinate with and leverage support from other development partners.
Delays for authorisation of grants.	M	Follow-up from EUD and grantee(s) with authorities.
Assumptions		
The Government remains committed to PFM reforms that are in line with international good practice; The Government takes the lead in coordinating the efforts of its development partners; The country does not experience any major shocks that could adversely impact its macroeconomic stability framework;		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The experience gained under the capacity building support through EU-PFMO provides an important baseline for a continued effort to support the government to improve transparency, accountability and efficiency in the PFM system. The programme which began in March 2015 is well received by the state budget department and is on track to achieve its expected results. One of the main lessons learnt so far is the lack of institutionalisation of capacity building provided and the need to work with training institutes to ensure sustainability of international expertise provided. The new programme will work closely with the Institute of Financial Training to develop training programmes that can be rolled out to the provinces. The scope and ambition of the economic governance programme is much larger, therefore, the programme is closely aligned with government's own priorities to ensure ownership of reform. This approach will facilitate EU's engagement in policy reforms and generate synergies for the general eligibility criteria for the budget support programme in the energy sector. The decision to implement EU-PFMO via agencies of member states was influenced by poor results with a previous contribution to the WB administered Multi-Donor Trust Fund (MDTF).

3.2 Complementarity, synergy and donor coordination

The programme will complement and reinforce other programmes under the MIP, namely the forthcoming budget support programmes in the energy sector and the project Arise + Vietnam which will support full utilisation of preferential trade regimes, with a focus on regional agreements and the EVFTA. The

support to implement the medium-term planning and budgeting framework through agency, sectoral, and sub-national medium term expenditure frameworks (MTEF) should contribute towards the implementation of the EU sector reform contract supporting the national programme for rural electrification. Moreover, capacity building support to develop tax incentives for green investments, review of tax expenditure to include renewable energy and green public procurement will create strong synergies with the energy programme by creating incentives for investments in clean technology and thereby support overall productivity in the country.

This action will build on the reforms initiated under the EU-PFMO in strengthening the credibility of the budget and medium term budgeting and achieving high level policy dialogue on key reforms. The programme was developed in close collaboration with other development partners through bilateral discussions and the PFM development partner working group which will ensure support is provided in a coordinated manner. The government's preferred modality for policy dialogue with development partners is through the Public Finance Partnership Group (PFP) jointly chaired by the WB and MoF.

The action will be complementary to the WB Analytical and Advisory Assistance (AAA) Programme with duration until 2020 and a budget of USD 7 M (funded largely by SECO and DFAT). The AAA logical framework covers nearly all PFM sub areas. Under this programme the first sub-national PEFA for Danang province is almost complete and a national PEFA is foreseen in 2019. In the area of debt management, the WB carries out the Government Debt and Risk Management Programme (GDRM), but this project is relatively small (USD\$ 0.5 M) and will phase out in 2017.

There is a strong synergy with the future development policy operations (DPO's) of both the WB and the ADB. The WB fiscal management policy loan of USD\$ 400 million (June 2017- Dec 2018) will support the Government in advancing macro fiscal management reforms including triggers linked to medium term budgeting, debt management, taxation and procurement. The ADB DPO of USD\$200 million (Oct 2016- July 2018) has a narrower focus on improving expenditure quality and budget execution of selected line ministries and provinces, strengthening the quality of public asset management and the capacity of the NA to provide oversight of the national budget process. In the current donor landscape technical assistance through grants from the EU are timely and can facilitate leverage through policy reforms pursued through these loans.

In the area of taxation, the WB has financed a Tax Administration Diagnostic Tool (TADAT) in 2016 and is managing two trust funds financed by Japan International Cooperation Agency (JICA) supporting the government for tax reform purposes that focuses largely on tax administration (tax database functions, risk-base management and support to consider a full-pledged large taxpayer office model). The main providers of technical support in the domain of public procurement are the WB and USAID with its Governance for Inclusive Growth Programme (GIG).The Belgian government provides support to the MPI to formulate the public investment law (PIL) and strengthen capacity of the Government to implement the law. GIZ provides support to MPI through its macro-economic reform programme linked to Vietnam's Green Growth Strategy.

3.3 Cross-cutting issues

The main cross-cutting issue promoted under this programme is good governance. The strengthened PFM systems should provide fiscal space for development priorities. Domestic revenue mobilisation is part of a social contract that underpins participation, social cohesion and contributes to shaping good governance. The programme will seek to address gender inequalities by introducing gender-responsive and performance-based budgeting as principles of state budget management. Gender budgeting efforts are intended to commit public budgeting to weigh up the benefits and costs of policies that would promote gender equality and girls and women's development, and then take action in response to the evaluation. Moreover, for the introduction of the property tax, the authorities will need to build a land and property register (a major way of reducing risks for private sector development) which may also contribute to address some gender issues (ensuring women are not deprived of their inheritance) and help ethnic minorities in poorer provinces.

The impact of gender will be analysed in the context of formulating new taxation policies. Through the grants component the EU will work with civil society particularly those promoting gender equality. Through this support the project is expected to accompany Vietnam's ongoing efforts to close the gender gap (65th out of 144 countries in the 2016 World Economic Forum Global Gender Gap Report, up from 75th two years earlier and ahead of Indonesia, Thailand and China).

The programme does not include environment or climate change as significant objectives. However the technical assistance will include development of tax incentives for green investments and to create a better understanding of adapting production in Vietnam to environmental standards in international trade agreements. Moreover, capacity-building support to the procurement system will also include “green public procurement”, which could be an important tool to boost the market for environmental goods and services. This could potentially create incentives for investments in clean technology and thereby support overall productivity in the country.

Environmental issues and “green” practices are mainstreamed in GIZ’s current PFM related support (co-financed by EU), this support will be continued through the introduction of environmental responsive budgeting practices such as budget lines specifically designed for the development of – for example - renewable energy, the support of low-carbon investments, energy efficiency or climate adaptation. In the area of taxation, the EU aims to support the government to review existing legislation on natural resource taxes and to conduct feasibility studies on introduction of an environmental protection tax covering products that have harmful effects on the environment.

Ethnic Minority issues: To maximise the impact on poorer provinces, where ethnic minorities are prevalent, provinces and districts will be targeted for the operationalisation of the medium term budget framework, debt management and taxation reforms to address specific capacity challenges.

4. Description of the action

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 17 ‘Strengthen the means of implementation and revitalize the global partnership for sustainable development’, but also promotes progress towards Goal(s) 5 ‘Achieve gender equality and empower all women and girls’, 16 ‘Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels’ and 8 ‘Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’. This does not imply a commitment by the country benefiting from this programme.

The overall objective of the action is to strengthen fiscal discipline, strategic allocation of resources and domestic revenue mobilisation, accountability and transparency of public finance to foster sustainable development and inclusive growth including a business friendly environment.

4.1.1 Specific objectives

A list of specific objectives and indicative performance indicators linked to them is provided below:

1. *Strengthen management of public finances on a medium term basis:*

Performance indicators:

- Medium term perspective in expenditure planning at central and sub-national level; and

2. *Strengthen debt management:* to enhance the capacity of the Government to implement more efficient debt management at central and sub-national level.

Performance indicators:

- Improved legal framework including draft decrees on public debt management.

3. *Enhanced tax environment and revenue mobilisation:* to support tax policy reforms that focus on broadening the tax base, reduce the risks of base erosion and profit shifting (BEPS), reduce the

informal sector in the economy, ensure taxes are not gender biased and encourage environmentally sound economic activity.

Performance indicators:

- New structural revenue policies aimed at increasing revenue potential and efficiency of taxation policies;
 - Implementation of prioritized BEPS action points (e.g. interest deduction ceiling, documentation requirements, country by-country reporting); and
 - Enhanced risk based compliance in revenue administration.
4. *Strengthen the doing business environment:* to support the creation of an enabling environment for private sector growth through quality regulations and enforcement, more efficient factor markets (for land use rights and capital) and support to the development of a transparent procurement system.

Performance indicators:

- Revised legislative framework for investment to ensure a level-playing field for all companies; and
 - Improved procurement policies aimed at increasing transparency.
5. *Increased transparency and accountability:* to encourage participation of civil society in the budget process and increase public access to information on government budget.

Performance indicators:

- Participation in National budget process increased; and
- Executive budget proposal published when draft budget presented to the NA and comprehensive mid-year reports produced and published

4.2 Main activities

A set of indicative associated activities is presented below:

1. *Strengthen management of public finances on a medium term basis:*
 - finalization of an overview of budgetary baseline of Vietnam for both revenue and expenditure;
 - finalization of analysis on forecasting key changes affecting revenue and expenditure in the medium-term;
 - proposed package of tools and methodologies for forecasting revenue and expenditure for medium-term budget planning implemented;
 - support to the pilots and scale up of innovations in the new state budget law;
 - evaluation of the pilots and lessons learnt;
 - revision of the by-laws documents for effective implementation at national level;
 - support for finalization of new draft norms and policies on allocation;
 - technical support for operationalisation of medium term fiscal framework including preparation of 3 and 5 year plans;
 - develop training programmes on medium term budgeting in coordination with the training institute to rollout at sub-national level;
 - facilitation of exchanges and cross learning between sectors and with other countries;
 - lessons learnt analysis and documentation from sectors to feedback into by-laws and operational guideline documents;
 - facilitation of training and workshops on gender responsive budgeting, and.
 - funding of a PEFA, in case the WB will not conduct it under the current AAA programme.
2. *Strengthen debt management:*
 - technical support to review institutional framework of the debt management function;

- review, assess functions and tasks of related agencies (MOF, MPI, State Bank of Vietnam) in public debt management;
- technical support to develop guidance documents/decrees based on the Public Debt Management law (amended) passed by the National Assembly(NA);
- guidelines and manuals and processes on public debt portfolio management prepared;
- guidelines to provincial government to access capital markets issued;
- consultations on draft decrees, processes, manuals, guidelines with relevant stakeholders;
- training on debt management skills including debt sustainability analysis;
- support for pilots in developing a medium-term debt management strategy at national and sub-national level; and
- develop training programmes on the debt management regulatory framework and guidelines for provinces to access capital market in coordination with the training institute to rollout the training with key stakeholders through the institute and its centres at sub-national level.

3. *Enhanced tax environment and revenue mobilisation:*

- assessment of the cost, effectiveness and fiscal impacts of each direct and indirect tax;
- assessment of tax expenditures aimed at reviewing and gradually rationalizing exemptions and incentives;
- revenue impacts and policy implications of tariff reduction and transfer pricing;
- cost-benefit analysis of taxing the informal economy;
- provide training to carry out policy analyses and cost-benefit analyses;
- include gender sensitive revenue incidence analysis;
- support the design and execution of a road map for the revision of existing land tax laws and regulations;
- support the study aimed at introducing the property tax and drafting and propagate new law;
- conduct performance review of the current environmental protection tax law and drafting and propagate revisions to the law;
- conduct performance reviews of the legislation and regulations on interest income tax;
- prepare amendments and assess impacts of the laws on company income tax and personal income tax;
- research to increase knowledge about the link between gender equality and revenue raising/tax policies;
- design and implement an action plan aimed at implementing BEPS;
- draft regulations to implement the new transfer pricing decree
- define structure of the centralized system of risk assessment;
- provide guidance on interactions between this unit and the other General Department of Taxation (GDT) units at central and provincial levels;
- define methods to bridge the gap between the current and the revised assessment procedures;
- support improving risk data management, risk analysis and scoring;
- develop training programmes on tax policy in coordination with the tax training institute to rollout at sub-national level; and
- conduct a performance assessment aimed at monitoring the progress of ongoing tax administration modernization and reform strategies.

4. *Strengthen the doing business environment:*

- conduct performance review of the compatibility of investment-related laws and regulations with the Law on Investment and Law on Enterprises to identify inconsistencies, conflicting provisions that hinder effective implementation and make appropriate recommendations;
- support drafting the regulations, further guidance and documentation to accompany the revisions to the law and addressing the eventual inconsistencies amongst the investment-related laws and regulations;
- define training needs for MPI officials and stakeholders at sub-national level to support implementation of investment-related laws and regulations;

- conduct training of the relevant officials in investment-related laws and regulations and management of investors queries relating to the law;
 - support the periodical assessment of the enforcement of implementing investment-related laws and regulations in light of international best-practices and international investment commitments;
 - review relevant laws to assess consistency between the rules for state owned enterprises (SoE) and those for private firms and make recommendations to enhance competition policy;
 - assessment of the transparency, efficiency and effectiveness of procurement policies based on legislative acts and guidelines;
 - support the design and drafting of the manual of procurement indicators;
 - support the implementation of *Government's Master Plan and Roadmap* for the new electronic government procurement(e-Procurement) application;
 - support the development of comprehensive and advanced legal documents for e-GP system to shorten and reform administrative procedures;
 - support the application of internationally recognised e-Catalogue and procurement classification by items, services and works ;
 - conduct periodical performance review of the current procurement law and regulations;
 - propagate and disseminate legislation on procurement and new technologies of e-Procurement;
 - conduct performance review of the e-GP system performance in the light of competition and participation of foreign tenderers ;
 - define training needs for procurement officials and other stakeholders;
 - support drafting of training manuals;
 - conduct training of procurement trainers;
 - conduct performance review of procurement training system;
 - support drafting legislation, role and statutes of the review body to increase its independence;
 - analyse the level on independence, transparency of procedures in use and administrative capacity of the review body; and
 - conduct performance review of complaint review system.
5. *Enhance fiscal transparency and accountability, including through citizens' feedback and scrutiny*
- raise awareness on fiscal transparency and accountability to empower citizens and build civil society coalitions;
 - build an evidence base through research and policy analysis to inform government fiscal policies and systems; and
 - encourage civil society participation through a dialogue with the Government to discuss the budget and to enable progressive changes in their fiscal policies and practice.

4.3 Intervention logic

The project will foster sustainable development by improving the government's ability to implement its economic and social policies through efficient and effective planning and execution of the state budget, broadening the tax base, market based debt management, enhanced transparency of the procurement system, strengthened regulatory framework for doing business as well as increased participation of civil society to encourage accountability and transparency.

The EU has a strategic advantage as a grant donor with strong experience in providing expertise in a shrinking donor landscape and this programme is closely aligned with development policy operations of the WB and ADB which will ensure sustainable impact of the technical assistance provided. This programme will also facilitate policy dialogue with the Government on the general eligibility criteria for forthcoming budget support programmes in the energy sector.

Strengthening the performance of public institutions, with a particular emphasis on PFM and domestic revenue mobilization, enhancing transparency and accountability are key to promoting good governance.

There is a strong consensus on the importance and impact of an efficient, effective and fair tax system on private sector development. Therefore improvements in wider policy, regulatory and institutional capacity of PFM, tax and investment frameworks, together with a more responsive business environment are essential to support private sector development and inclusive growth.

5. Implementation

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 66 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

A part of this action may be implemented in indirect management with GIZ in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the attainment of the action results 1, 2 and 3, '*Strengthen management of public finances on a medium term basis, debt management and taxation and revenue collection*'. The activities are defined in the log-frame matrix.

This implementation is justified because GIZ is engaged for many years in strengthening PFM systems and macroeconomic reforms in Vietnam. In this context GIZ is responsible for implementation of the ongoing EU-PFMO capacity building support to the MoF strengthening accountability, transparency and efficiency of the public finance management system. The GIZ also implements the Macroeconomic Reform/Green Growth Programme supporting MPI which addresses i) green growth strategy (ii) green fiscal policy and sector reform; and iii) capacity development. GIZ is a highly appreciated and respected development partner for the Government of Vietnam. Globally GIZ has extensive policy advisory experience reforming PFM systems with a specific focus on tax policy and administration and budget reforms.

The entrusted entity would carry out the following budget-implementation tasks: launching calls for tenders and for proposals; definition of eligibility, selection and award criteria; evaluation of tenders and proposals; award of grants, contracts; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering moneys due. The entrusted entity will develop a work plan in line with the results and activities defined in the logframe and agreement with the relevant stakeholders that will be approved by the EU Delegation prior to the mobilisation of specific support.

5.3.2 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Enhance Doing Business environment	Services	1	1 st trimester 2018

5.3.3 Grants: call for proposals ‘Enhance fiscal transparency and accountability Fund’ (direct management)

The objectives of the grants will be in line with the objective of the programme (section 4.1) and with Result 5, namely "*Enhance fiscal transparency and accountability, including through citizens' feedback and scrutiny*". The grants may be used to provide support to organisations with a focus on transparency and accountability. Citizens especially youth and women and marginalised groups will be the main beneficiaries. Priority will be given to organisations with a particular interest in gender equality and ethnic minorities.

Expected results include i) civil society will acquire technical expertise on the national budget and domestic revenue mobilisation through capacity building and training ii) citizens will be better able to advocate for their rights as tax-payers and hold their governments to account to have access to quality essential public services and iii) increase the participation and influence of civil society in policy decision making for social and economic development.

(b) Eligibility conditions

- be legal persons
- be non-profit-making
- be a business association, an academic institution, a local authority, a Non-Governmental Organisation or an International Organisation
- one of the co-beneficiaries must have had a presence in Vietnam for at least 3 years at the time the Call for Proposals is launched. This obligation does not apply to international organisations
- be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as a mere intermediary
- be established¹⁵ in a Member State of the European Union or in a country as stipulated in the Article 9 of Regulation (EU) No 236/2014.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 750,000 – 1,000,000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 42 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

¹⁵ To be determined on the basis of the organisation's statutes, which should demonstrate that it has been established by an instrument governed by the national law of the country concerned and that its head office is located in an eligible country. In this respect, any legal entity whose statutes have been established in another country cannot be considered an eligible local organisation, even if the statutes are registered locally or a 'Memorandum of Understanding' has been concluded.

(e) Indicative timing to launch the call

Q1 2019

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.5 Indicative Budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
5.3.1 Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	12 000 000	1 800 000
5.3.2 Procurement (direct management), incl. communication and visibility	5 500 000	
5.3.3 Grants: call for proposals 'Enhance fiscal transparency and accountability Fund' (direct management)	2 000 000	500 000
Sub-Total	19 500 000	2 300 000
5.8 Evaluation	350 000	N/A
5.9 Audit	150 000	N/A
Total	20 000 000	2 300 000

5.6 Organisational set-up and responsibilities

A Project Steering Committee (PSC) will be established with responsibility for guiding the overall project. The PSC will meet once a year and shall be made up of at least:

- A representative from MOF, State Budget Department/Debt Management/Tax Policy (Chair)
- A representative from MPI, in charge of investment budget;
- A representative from the EU Delegation to Vietnam (co-Chair)
- A representative from civil society organisations

The work under GIZ will be guided by a technical steering committee, composed of MoF staff in charge of medium term budgeting, debt management, tax policy and administration and the relevant training institutes and MPI staff in charge of the investment budget. The steering committee will be jointly chaired by the EUD and the MoF. Committee meetings will be held twice a year, with additional meetings as necessary. When appropriate, other stakeholder organisations may be invited to participate as observers. The steering committee's function is to provide strategic guidance and endorsement of the annual work-plan and review progress under the work plan as well as performance under the programme. It will also be a forum for coordinating capacity development activities on medium term budgeting, debt management, tax policy and administration among all development partners working in these areas. Operational guidelines for the steering committee, as well as clarification of the roles of steering committee members, will be discussed and agreed at the first steering committee meeting.

The work under direct management with an international company will also be guided by a steering committee, composed of MPI staff. The steering committee will be jointly chaired by the EUD and MPI.

Committee meetings will be held twice a year, with additional meetings as necessary. When appropriate, other stakeholder organisations such as the Ministry of Industry and Trade may be invited to participate.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for, learning purposes, in particular with respect to the effectiveness and sustainability of the project and will offer recommendations for improvement.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the programme is closely linked to policy based operations of the WB and the ADB.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2020 and 2023.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, one contract for audit services shall be concluded under a framework contract in 2023.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

INDICATIVE LOGFRAME MATRIX –ECONOMIC GOVERNANCE PROGRAMME

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	00: Strengthen fiscal discipline, strategic allocation of resources and domestic revenue mobilisation, accountability and transparency of public finance, to foster sustainable development and inclusive growth including a business friendly environment.	0.1 Debt to GDP ratio 0.2 Primary deficit 0.3 Tax-to-GDP ratio (** EU RF L1 #13)	0.1. 62.2 %(2015) 0.2. 6% (2015) 0.3. 20% (2015)	0.1. 65 %(2020) 0.2. 3.5%(2020) 0.3. 22-23% (2022)	Budget documents SEDP (2016-2020) progress reports IMF/World Bank macroeconomic reports	
Specific objective(s): SO1	SO 1: Strengthened Management of public finances on a medium term basis	1.1. Medium term perspective in revenue and expenditure planning at central and sub-national level	1.1. Medium term fiscal framework (MTFF) not in place (2017)	1.1. Improvement in PEFA 1.1. Improvement in PEFA PI-1 Baseline C (2012) Target B (2020) PI-12 Baseline C (2012) Target B (2020)	PEFA 2019 Budget documentation	Commitment to institutionalise medium term expenditure system and revised state budget law
Specific objective(s): SO2	SO 2: Strengthened Debt Management at central and sub- national level	2.1. Adoption of a public debt management law	2.1. Public Debt Management Law under review	2.1. Decrees approved by MoF by year 2021	Public Debt management law and its regulations	

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outcome(s) SO3	SO 3. Enhanced tax environment and revenue mobilisation	3.1 Adoption of environmental tax law to increase rates and coverage and property tax 3.2 Degree of implementation of prioritized BEPS action points 3.3 Adoption of the multi-year compliance policy to comprehensively mitigate tax system risks	3.1. No review undertaken (2017) 3.2 New transfer pricing decree adopted (2017) 3.3 No institution-wide risk management policy (2017)	3.1. Amendments to environmental tax law to increase rates and coverage (2020) and introduction of a property tax (2022) 3.2 Transfer pricing audit adjustments: Baseline: 0 (2016) Target: t.b.d. (2020) 3.3 Adoption of the multi-year compliance policy to comprehensively mitigate tax system risks (2021)	Government and MoF Strategic papers Project implementation reports	Continuous political support of the legal and administrative reforms. Relevant statistics can be produced
Outcome(s) SO4	SO 4: Strengthen the doing business environment	4.1. Implementation of the review of enterprise law 4.2 Introduction of electronic procurement system	4.1. Enterprise law inconsistent with land law, issuance of construction permits etc. (2017) 4.2 Electronic procurement application not yet in use(2017)	4.1. Decrees of revised Enterprise law completed by MPI by 2020 4.2 Registration of procuring entities to use the electronic government procurement system for electronic bidding. Target t.b.d (2021)	Enterprise law and decrees	Electronic procurement application purchased

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outcome(s) SO5	SO 5: Enhanced fiscal transparency and accountability, including through citizens' feedback and scrutiny (*result 2.2.2 MIP)	5.1. Open Budget Index 5.2 Publication of budget proposals and mid-year reports	5.1. Budget Transparency and Accountability rating (Open Budget Index baseline: 18% in 2015) 5.2 Budget proposal, mid-year reports not yet published (2017)	5.1. Improvement in Open Budget Index Baseline : 18 (2015) Target: 60 (2022) Target 5.2 : Budget Proposal and mid-year reports published	OBI Reports	Adoption and implementation of the Circular on budget disclosure and transparency on all budget levels in 2017
Outputs SO1	0.1.1. Introduce and institutionalise a multi-year perspective in fiscal planning, expenditure policy and budgeting	0.1.1. Adoption of MTFF. 0.1.2. A rolling 3-year and 5 year Medium Term Financial and Budgetary Plans prepared.	0.1.1. Medium term fiscal framework (MTFF) not in place (2017) 0.1.2. No plans (2017)	0.1.1. MTFF (2020) 0.1.2. Multi 3 and 5 year plans developed by 2020	Budget documentation Project implementation reports	
Outputs SO2	0.2.2. Draft decrees prepared on public debt management 0.2.3. Medium term (3 year) debt management strategy developed	0.2.2. Number of decrees approved 0.2.3. Approval of medium term debt management strategy	0.2.2. Public Debt Management Law under review(2017) 0.2.3. No debt strategy (2017)	0.2.2. decrees approved by NA target still t.b.d 0.2.3. Medium term debt management strategy approved by MoF by 2021	Laws	

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outputs SO3	<p>0.3.1. Key tax policies and revenue trends reviewed</p> <p>0.3.2. New tax policies implemented</p> <p>0.3.3. Improved capacity of the tax administration to fight against international tax avoidance - reduced risks of BEPS</p>	<p>0.3.1. Completion of the comparative analysis of selected tax policies vis a vis international experiences</p> <p>0.3.2. Development of a roadmap on property tax and draft decrees and circulars on environment protection and natural resource tax</p> <p>0.3.3. Approval of an action plan aimed at preventing tax evasion</p>	<p>0.3.1. Not yet available (2017)</p> <p>0.3.2. Environmental tax legislation under review and property tax being considered (2017)</p> <p>0.3.3. No Action plan (2017)</p>	<p>0.3.1. Comparative analysis of selected tax policies vis a vis international experiences completed by MoF by 2019</p> <p>0.3.2. A roadmap on property tax and draft decrees and circulars on environment protection and natural resource tax developed by 2020</p> <p>0.3.3. Action plan aimed at preventing tax evasion designed and approved by MoF by 2020</p>	<p>Laws and decrees</p> <p>Government and MoF Strategic papers</p>	

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outputs SO4	<p>0.4.1. Strengthened legislative framework for investment to ensure a level-playing field for all companies</p> <p>0.4.2. Improved procurement policies aimed at increasing transparency are set-up</p>	<p>0.4.1. Adoption of guidelines, regulations and manuals for the revised enterprise law</p> <p>0.4.2. Procurement law in line with requirements of EVFTA</p>	<p>0.4.1. Enterprise law weak. (2017)</p> <p>0.4.2. Electronic government procurement (eProcurement) application not yet in use (2017)</p>	<p>0.4.1. Review of enterprise law by MPI by 2019</p> <p>0.4.2. Supplementation of procurement law to address non-conformities of current legislation with requirements of government procurement under EVFTA by 2021</p>	<p>Laws</p> <p>Project reports</p>	<p>Adoption of Prime Minister Decision on a national plan and roadmap to implement a comprehensive mandatory Electronic Procurement System</p>
Output SO5	<p>0.5.1. Capacity of civil society knowledge on the national budget enhanced through training</p> <p>05.2. National budget in line with new requirements on reporting in the State budget law</p>	<p>0.5.1. Number of citizens participating to trainings on understanding the National Budget</p> <p>0.5.2. Availability of information on the National Budget to the public</p>	<p>0.5.2. Limited capacity to understand budget (2017)</p> <p>0.5.2. Limited information available to the public (2017)</p>	<p>0.5.1. citizens (t.b.d) participating to trainings on understanding the National Budget by 2020</p> <p>0.5.2. Availability of information on the National Budget to the public increased by 2020</p>		